UPC HOLDING B.V.

Condensed Consolidated Financial Statements
June 30, 2010

UPC Holding B.V.
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The Netherlands

UPC HOLDING B.V.

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UPC HOLDING B.V.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2010	December 31, 2009
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 210.7	€ 159.7
Trade receivables, net	308.4	385.6
Receivables – related party (note 11)	5.9	7.5
Deferred income taxes	40.6	49.0
Derivative instruments (note 5)	135.5	107.6
Other current assets	77.7	66.8
Total current assets	778.8	776.2
Restricted cash (note 8)	—	318.2
Investments (note 4)	31.4	30.7
Property and equipment, net (note 7)	3,953.7	3,864.3
Goodwill (note 7)	5,019.4	4,761.1
Intangible assets subject to amortization, net (note 7)	403.6	445.9
Other assets, net (note 5)	341.3	315.2
Total assets	€ 10,528.2	€ 10,511.6

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

UPC HOLDING, B.V.

CONDENSED CONSOLIDATED BALANCE SHEETS - continued
(unaudited)

	June 30, 2010	December 31, 2009
	in millions	
LIABILITIES AND OWNERS' DEFICIT		
Current liabilities:		
Accounts payable:		
Third party	€ 209.7	€ 184.6
Related party (note 11)	10.4	12.6
Accrued liabilities:		
Third party	580.1	481.9
Related party (note 11)	34.7	6.1
Deferred revenue and advance payments from subscribers and others	351.3	418.6
Current portion of debt and capital lease obligations (note 8)	2.1	14.4
Derivative instruments (note 5)	394.3	415.7
Total current liabilities	1,582.6	1,533.9
Long-term debt and capital lease obligations (note 8):		
Third party	8,171.1	8,202.7
Related party (note 11)	8,299.5	8,331.4
Other long-term liabilities (note 5 and 11)	1,277.5	852.4
Total liabilities	19,330.7	18,920.4
Commitments and contingencies (note 12)		
Owners' deficit:		
Parent's deficit:		
Distributions and accumulated losses in excess of contributions	(9,320.6)	(8,600.2)
Accumulated other comprehensive earnings, net of taxes	342.0	30.7
Total parent's deficit	(8,978.6)	(8,569.5)
Noncontrolling interests	176.1	160.7
Total owners' deficit	(8,802.5)	(8,408.8)
Total liabilities and owners' deficit	€ 10,528.2	€ 10,511.6

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

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

	Three months ended June 30,		Six months ended June 30,	
	2010	2009 (a)	2010	2009 (a)
	in millions			
Revenue (note 11)	€ 924.1	€ 860.1	€ 1,818.6	€ 1,709.5
Operating costs and expenses:				
Operating (other than depreciation and amortization) (including stock-based compensation) (notes 10 and 11)	338.8	311.5	667.9	623.9
Selling, general and administrative (SG&A) (including stock-based compensation) (notes 10 and 11)	158.8	140.6	306.0	276.8
Related-party fees and allocations, net (note 11)	(0.2)	5.9	8.1	15.6
Depreciation and amortization	244.8	263.9	490.7	524.7
Impairment, restructuring and other operating charges, net (note 7)	3.9	85.9	5.8	89.5
	746.1	807.8	1,478.5	1,530.5
Operating income	178.0	52.3	340.1	179.0
Non-operating income (expense):				
Interest expense:				
Third party	(111.4)	(91.1)	(223.1)	(180.9)
Related party (note 11)	(101.7)	(217.9)	(200.3)	(377.9)
Interest income	0.5	3.7	3.2	9.9
Realized and unrealized losses on derivative instruments, net (note 5)	(26.0)	(242.3)	(311.7)	(287.4)
Foreign currency transaction gains (losses), net	(274.9)	219.2	(285.0)	(21.0)
Realized and unrealized gains (losses) due to changes in fair values of certain investments, net (notes 4 and 6)	(0.2)	0.7	(0.8)	2.1
Gains (losses) on debt modifications (note 8)	(2.3)	(17.3)	1.1	(17.3)
Other expense, net	(1.2)	(0.7)	(1.4)	(1.3)
	(517.2)	(345.7)	(1,018.0)	(873.8)
Loss from continuing operations before income taxes	(339.2)	(293.4)	(677.9)	(694.8)
Income tax benefit (expense) (note 9)	(23.8)	4.0	(34.7)	18.1
Loss from continuing operations	(363.0)	(289.4)	(712.6)	(676.7)
Earnings from discontinued operations, net of taxes (note 3)	—	1.9	—	4.2
Net loss	(363.0)	(287.5)	(712.6)	(672.5)
Net earnings attributable to noncontrolling interests	(5.8)	(10.1)	(9.2)	(6.1)
Net loss attributable to parent	€ (368.8)	€ (297.6)	€ (721.8)	€ (678.6)

(a) As restated. See note 3.

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

UPC HOLDING, B.V.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009 (a)	2010	2009 (a)
	in millions			
Net loss	€ (363.0)	€ (287.5)	€ (712.6)	€ (672.5)
Other comprehensive earnings (loss), net of taxes:				
Foreign currency translation adjustments	246.2	(18.1)	321.1	63.7
Pension related adjustments and other	0.5	—	(0.9)	—
Other comprehensive earnings (loss)	246.7	(18.1)	320.2	63.7
Comprehensive loss	(116.3)	(305.6)	(392.4)	(608.8)
Comprehensive earnings attributable to noncontrolling interests	(11.7)	(11.2)	(18.1)	(18.2)
Comprehensive loss attributable to parent	€ (128.0)	€ (316.8)	€ (410.5)	€ (627.0)

(a) As restated. See note 3.

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

UPC HOLDING B.V.
CONDENSED CONSOLIDATED STATEMENT OF OWNERS' DEFICIT
(unaudited)

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings, net of taxes	Total parent's deficit	Noncontrolling interests	Total owners' deficit
			in millions		
Balance at January 1, 2010	€ (8,600.2)	€ 30.7	€ (8,569.5)	€ 160.7	€ (8,408.8)
Net loss	(721.8)	—	(721.8)	9.2	(712.6)
Other comprehensive earnings, net of taxes	—	311.3	311.3	8.9	320.2
Stock-based compensation (note 10)	9.1	—	9.1	—	9.1
Capital charges in connection with the exercise of LGI stock incentive awards (notes 10 and 11)	(7.7)	—	(7.7)	—	(7.7)
Adjustments due to changes in subsidiaries' equity and other, net	—	—	—	(2.7)	(2.7)
Balance at June 30, 2010	€ (9,320.6)	€ 342.0	€ (8,978.6)	€ 176.1	€ (8,802.5)

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

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

	Six months ended June 30,	
	2010	**2009 (a)**
	in millions	
Cash flows from operating activities:		
Net loss	€ (712.6)	€ (672.5)
Earnings from discontinued operations	—	(4.2)
Loss from continuing operations	(712.6)	(676.7)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:		
Stock-based compensation expense	10.5	4.8
Related-party fees and allocations, net	8.1	15.6
Depreciation and amortization	490.7	524.7
Impairment, restructuring and other operating charges, net	5.8	89.5
Non-cash interest on shareholder loan	200.3	377.9
Amortization of deferred financing costs and non-cash interest	11.7	6.3
Realized and unrealized losses on derivative instruments, net	311.7	287.4
Foreign currency transaction losses, net	285.0	21.0
Realized and unrealized losses (gains) due to changes in fair values of certain investments, net	0.8	(2.1)
Losses (gains) on debt modifications	(1.1)	17.3
Deferred income tax expense (benefit)	28.0	(26.2)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	(64.3)	(113.2)
Net cash provided by operating activities of discontinued operations	—	10.3
Net cash provided by operating activities	574.6	536.6
Cash flows from investing activities:		
Capital expended for property and equipment	(392.1)	(438.4)
Other investing activities, net	(0.9)	—
Net cash used by investing activities of discontinued operations	—	(6.9)
Net cash used by investing activities	€ (393.0)	€ (445.3)

(a) As restated. See note 3.

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

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

	Six months ended June 30, 2010	Six months ended June 30, 2009 (a)
	in millions	
Cash flows from financing activities:		
Repayments of third-party debt and capital lease obligations	€ (872.5)	€ (102.1)
Borrowings of third-party debt	797.0	450.3
Net repayments of shareholder loan	(35.9)	(362.6)
Payment of deferred financing costs	(17.6)	(45.3)
Other financing activities, net	(12.4)	(16.0)
Net cash used by financing activities	(141.4)	(75.7)
Effect of exchange rate changes on cash – continuing operations	10.8	0.5
Net increase in cash and cash equivalents:		
Continuing operations	51.0	12.7
Discontinued operations	—	3.4
Total	51.0	16.1
Cash and cash equivalents:		
Beginning of period	159.7	108.6
End of period	€ 210.7	€ 124.7
Cash paid for interest – continuing operations	€ 137.5	€ 188.1
Net cash paid for taxes:		
Continuing operations	€ 3.8	€ 2.3
Discontinued operations	—	0.3
Total	€ 3.8	€ 2.6

(a) As restated. See note 3.

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

(1) Basis of Presentation

UPC Holding B.V. (UPC Holding) is an indirect wholly-owned subsidiary of Liberty Global Holding BV (Liberty Global Holding). Liberty Global Holding is an indirect subsidiary of UnitedGlobalCom, Inc. (UGC), which in turn is an indirect wholly-owned subsidiary of Liberty Global, Inc. (LGI). UPC Holding is an international provider of video, voice and broadband internet services, with consolidated broadband communications and/or direct-to-home satellite (DTH) operations at June 30, 2010 in nine European countries and in Chile. Our European broadband communications and DTH operations are collectively referred to as UPC Europe. Our broadband communications operations in Chile are provided through our 80%-owned indirect subsidiary, VTR Global Com SA (VTR). In the following text, the terms "we," "our," "our company," and "us" may refer, as the context requires, to UPC Holding or collectively to UPC Holding and its subsidiaries.

On July 15, 2009, one of our subsidiaries sold 100% of its interest in our Slovenian cable operations (UPC Slovenia). Accordingly, we have presented UPC Slovenia as a discontinued operation in our condensed consolidated statements of operations and cash flows. As they pertain to the condensed consolidated statements of operations and cash flows, all amounts presented in the notes to these condensed consolidated financial statements relate only to our continuing operations, unless otherwise noted. See note 3.

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Accordingly, these financial statements do not include all of the information required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included in our 2009 annual financial statements.

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

Unless otherwise indicated, convenience translations into euros are calculated as of June 30, 2010.

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

(2) Accounting Changes

SFAS 166

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

SFAS 167

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

FASB ASU 2009-05

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

FASB ASU 2009-13

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

(3) Common Control Transfer and Disposition

2009 Common Control Transfer of Certain Corporate and Administrative Subsidiaries

On December 17, 2009, we transferred our 100% interests in two of our wholly-owned indirect subsidiaries, Liberty Global Europe BV (LG Europe) and Liberty Global Europe Ltd. (LGE Ltd.), to another indirect subsidiary of LGI. LG Europe and LGE Ltd. perform certain corporate and administrative functions. We accounted for the common control transfer at carryover basis and our condensed consolidated financial statements have been restated to give effect to this transaction for all periods presented. The consideration received for the transfer of the LGE Ltd. and LG Europe interests was €11.5 million and one euro, respectively. These amounts which were effected as decreases to our shareholder loan payable to Liberty Global Europe Financing B.V. (LGE Financing), an indirect subsidiary of Liberty Global Holding, were recorded as capital transactions during the fourth quarter of 2009. The net assets of LG Europe and LGE Ltd. were transferred at the €125.7 million carrying value of their aggregate net liabilities. Certain related changes to intercompany payable and receivable arrangements have also been given retroactive effect in our condensed consolidated financial statements.

The following table sets forth the retroactive effects of the 2009 common control transfer on certain line items within our condensed consolidated statements of operations for the indicated periods:

	Three months ended June 30, 2009		
	Prior to restatement	Common control restatement	As restated
		in millions	
Operating expenses:			
Stock-based compensation included in operating expenses	€ 1.5	€ (0.6)	€ 0.9
Other operating expenses	310.6	—	310.6
Total	€ 312.1	€ (0.6)	€ 311.5
SG&A expenses:			
Stock-based compensation included in SG&A expenses	€ 7.6	€ (2.7)	€ 4.9
Other SG&A expenses	145.0	(9.3)	135.7
Total	€ 152.6	€ (12.0)	€ 140.6
Related party fees and allocations, net	€ (4.9)	€ 10.8	€ 5.9
Interest expense - related party	€ (157.7)	€ (60.2)	€ (217.9)
Foreign currency transaction gains	€ 226.4	€ (7.2)	€ 219.2
Loss from continuing operations	€ (223.8)	€ (65.6)	€ (289.4)

	Six months ended June 30, 2009		
	Prior to restatement	Common control restatement	As restated
		in millions	
Operating expenses:			
Stock-based compensation included in operating expenses	€ 2.1	€ (1.3)	€ 0.8
Other operating expenses	623.1	—	623.1
Total	€ 625.2	€ (1.3)	€ 623.9
SG&A expenses:			
Stock-based compensation included in SG&A expenses	€ 10.4	€ (6.4)	€ 4.0
Other SG&A expenses	289.6	(16.8)	272.8
Total	€ 300.0	€ (23.2)	€ 276.8
Related party fees and allocations, net	€ (10.6)	€ 26.2	€ 15.6
Interest expense - related party	€ (318.2)	€ (59.7)	€ (377.9)
Foreign currency transaction losses	€ (14.7)	€ (6.3)	€ (21.0)
Loss from continuing operations	€ (609.9)	€ (66.8)	€ (676.7)

Disposition

UPC Slovenia — On July 15, 2009, one of our subsidiaries sold 100% of its interest in UPC Slovenia to Mid Europa Partners for a cash purchase price of €119.5 million. As a result of this disposition, we have presented UPC Slovenia as a discontinued operation.

The operating results of UPC Slovenia for the three and six months ended June 30, 2009 are classified as discontinued operations in our condensed consolidated statements of operations and are summarized in the following table:

	Three months ended June 30, 2009	Six months ended June 30, 2009
	in millions	
Revenue	€ 11.3	€ 22.7
Operating income	€ 1.8	€ 3.8
Earnings before income taxes and noncontrolling interests	€ 1.9	€ 3.9
Income tax benefit	€ —	€ 0.3
Earnings from discontinued operations attributable to parent, net of taxes	€ 1.9	€ 4.2

(4) Investments

The details of our investments are set forth below:

Accounting Method	June 30, 2010	December 31, 2009
	in millions	
Fair value	€ 27.5	€ 26.9
Equity	3.5	3.4
Cost	0.4	0.4
Total	€ 31.4	€ 30.7

(5) Derivative Instruments

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

	June 30, 2010			December 31, 2009		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (b)	€ 133.0	€ 131.6	€ 264.6	€ 107.0	€ 107.6	€ 214.6
Foreign currency forward contracts	2.0	—	2.0	—	—	—
Embedded derivatives	0.5	0.4	0.9	0.6	0.4	1.0
Total	€ 135.5	€ 132.0	€ 267.5	€ 107.6	€ 108.0	€ 215.6
Liabilities:						
Cross-currency and interest rate derivative contracts (b)	€ 393.8	€ 943.0	€ 1,336.8	€ 411.9	€ 733.1	€ 1,145.0
Foreign currency forward contracts	0.1	—	0.1	3.6	—	3.6
Embedded derivatives	0.4	1.2	1.6	0.2	0.7	0.9
Total	€ 394.3	€ 944.2	€ 1,338.5	€ 415.7	€ 733.8	€ 1,149.5

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

(b) As of June 30, 2010, the fair values of our cross-currency and interest rate derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €9.0 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 €113.3 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 the derivative instruments of our continuing operations resulted in net gains of €24.1 million and €51.7 million during the three and six months ended June 30, 2010, respectively, compared to a net gain (loss) of €18.9 million and (€8.4 million) during the three and six months ended June 30, 2009, respectively. These amounts are included in realized and unrealized losses on derivative instruments, net, in our condensed consolidated statements of operations. For further information concerning our fair value measurements, see note 6.

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

	Three months ended June 30,		Six months ended June 30,	
	2010	**2009**	**2010**	**2009**
	in millions			
Cross-currency and interest rate derivative contracts	€ (17.0)	€ (241.7)	€ (307.7)	€ (279.7)
Foreign currency forward contracts	(6.5)	(1.9)	(3.3)	(6.6)
Embedded derivatives	(2.5)	1.3	(0.7)	(1.1)
Total	€ (26.0)	€ (242.3)	€ (311.7)	€ (287.4)

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

	Six months ended June 30,	
	2010	**2009**
	in millions	
Operating activities	€ (171.2)	€ (71.1)
Financing activities	(11.0)	(14.8)
Total	€ (182.2)	€ (85.9)

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative contracts will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative contracts is spread across a relatively broad counterparty base of banks and financial institutions. We generally do not require counterparties to our derivative instruments to provide collateral or other security or to enter into master netting arrangements. At June 30, 2010, our exposure to credit risk included derivative assets with a fair value of €267.5 million.

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

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

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at June 30, 2010 are as follows:

Subsidiary / Final maturity date (a)		Notional amount due from counterparty		Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
		in millions				
UPC Holding:						
April 2016	$	400.0	CHF	441.8	9.88%	9.87%
UPC Broadband Holding BV (UPC Broadband Holding), a subsidiary of UPC Holding:						
July 2010	€	60.0	CZK	1,703.1	5.50%	5.33%
July 2010 – December 2014	€	60.0	CZK	1,703.1	5.50%	6.05%
December 2014 – December 2016	€	60.0	CZK	1,703.1	5.50%	6.99%
December 2014	€	105.8	CZK	3,018.7	5.50%	5.80%
December 2014	€	200.0	CZK	5,800.0	5.46%	5.30%
July 2010 – July 2017	€	39.6	CZK	1,000.0	3.00%	3.75%
July 2010	€	260.0	HUF	75,570.0	5.50%	7.80%
July 2010 – December 2014	€	260.0	HUF	75,570.0	5.50%	9.40%
December 2014 – December 2016	€	260.0	HUF	75,570.0	5.50%	10.56%
December 2014	€	228.0	HUF	62,867.5	5.50%	8.98%
July 2010	€	245.0	PLN	1,000.6	5.50%	6.52%
July 2010 – December 2014	€	245.0	PLN	1,000.6	5.50%	7.60%
December 2014 – December 2016	€	245.0	PLN	1,000.6	5.50%	9.03%
December 2014	€	98.4	PLN	335.0	5.50%	7.12%
December 2014	€	57.1	PLN	270.0	5.50%	7.60%
July 2010 – July 2017	€	82.0	PLN	318.0	3.00%	5.60%
December 2014	$	171.5	CHF	187.1	6 mo. LIBOR + 2.75%	6 mo. CHF LIBOR + 2.95%
December 2016	$	340.0	CHF	370.9	6 mo. LIBOR + 3.50%	6 mo. CHF LIBOR + 4.01%
December 2015	€	69.1	CLP	53,000.0	3.50%	5.75%
July 2010 – July 2015	€	123.8	CLP	86,500.0	2.50%	5.84%
December 2016	€	31.9	RON	116.8	5.50%	11.58%
September 2012	€	229.1	CHF	355.8	6 mo. EURIBOR + 2.50%	6 mo. CHF LIBOR + 2.46%
December 2014	€	653.0	CHF	1,066.0	6 mo. EURIBOR + 2.00%	6 mo. CHF LIBOR + 1.95%
December 2014	€	245.4	CHF	400.0	6 mo. EURIBOR + 0.82%	6 mo. CHF LIBOR + 1.94%
December 2014 – December 2016	€	360.4	CHF	589.0	6 mo. EURIBOR + 3.75%	6 mo. CHF LIBOR + 3.94%
January 2017	€	75.0	CHF	110.9	7.63%	6.98%
January 2020	€	175.0	CHF	258.6	7.63%	6.76%

(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 June 30, 2010, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to June 30, 2010, we present a range of dates that represents the period covered by the applicable derivative instrument.

Cross-currency Interest Rate Swaps:

The terms of our outstanding cross-currency interest rate swap contracts at June 30, 2010 are as follows:

Subsidiary / Final maturity date (a)		Notional amount due from counterparty		Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
		in millions				
UPC Broadband Holding:						
March 2013	$	200.0	€	150.9	6 mo. LIBOR + 2.00%	5.73%
December 2014	$	725.0	€	547.3	6 mo. LIBOR + 1.75%	5.74%
December 2016	$	160.0	€	120.7	6 mo. LIBOR + 3.50%	7.56%
December 2010	$	292.0	RON	709.1	6 mo. LIBOR + 3.50%	10.24%
December 2010 – December 2016	$	292.0	RON	709.1	6 mo. LIBOR + 3.50%	14.01%
December 2016	$	84.1	RON	203.3	6 mo. LIBOR + 3.50%	13.35%
December 2014	$	340.0	CLP	181,322.0	6 mo. LIBOR + 1.75%	8.76%
December 2014	€	134.2	CLP	107,800.0	6 mo. EURIBOR + 2.00%	10.00%
VTR:						
September 2014	$	460.8	CLP	255,025.1	6 mo. LIBOR + 3.00%	11.16%

(a) For each subsidiary, the notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. For derivative instruments that were in effect as of June 30, 2010, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to June 30, 2010, 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 June 30, 2010 are as follows:

Subsidiary / Final maturity date (a)		Notional amount in millions	Interest rate due from counterparty	Interest rate due to counterparty
UPC Broadband Holding:				
December 2014	€	1,000.0	6 mo. EURIBOR	4.66%
July 2010	€	500.0	1 mo. EURIBOR + 3.40%	6 mo. EURIBOR + 2.98%
July 2010 (b)	€	25.0	5.50%	5.67%
January 2011	€	1,500.0	1 mo. EURIBOR + 3.40%	6 mo. EURIBOR + 3.09%
January 2011	€	193.5	6 mo. EURIBOR	3.83%
July 2010 – July 2011	€	850.0	1 mo. EURIBOR + 3.00%	6 mo. EURIBOR + 2.59%
July 2010 – January 2012	€	1,500.0	1 mo. EURIBOR + 4.00%	6 mo. EURIBOR + 3.68%
January 2011 – December 2014	€	193.5	6 mo. EURIBOR	4.68%
April 2012	€	555.0	6 mo. EURIBOR	3.32%
April 2012 – July 2014	€	337.0	6 mo. EURIBOR	3.94%
April 2012 - December 2015	€	263.0	6 mo. EURIBOR	3.97%
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	€	659.5	6 mo. EURIBOR	4.67%
January 2015 – December 2016	€	500.0	6 mo. EURIBOR	4.32%
December 2010	CHF	618.5	6 mo. CHF LIBOR	2.19%
January 2011 – December 2014	CHF	618.5	6 mo. CHF LIBOR	3.56%
September 2012	CHF	711.5	6 mo. CHF LIBOR	2.33%
October 2012 – December 2014	CHF	711.5	6 mo. CHF LIBOR	3.65%
December 2014	CHF	1,050.0	6 mo. CHF LIBOR	3.47%
January 2015 – December 2016	CHF	370.9	6 mo. CHF LIBOR	3.82%
July 2013	CLP	98,400.0	6.77%	6 mo. TAB
July 2013	HUF	5,908.8	6 mo. BUBOR	8.52%
July 2013	PLN	115.1	6 mo. WIBOR	5.41%
VTR:				
July 2013	CLP	98,400.0	6 mo. TAB	7.78%

(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 June 30, 2010, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to June 30, 2010, we present a range of dates that represents the period covered by the applicable derivative instrument.

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

UPC Holding Cross-Currency Options

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

Contract expiration date		Notional amount at June 30, 2010 in millions
October 17, 2016	$	19.8
April 18, 2017	$	19.8
October 16, 2017	$	19.8
April 16, 2018	$	419.8

Foreign Currency Forwards

The following table summarizes our outstanding foreign currency forward contracts at June 30, 2010:

Subsidiary		Currency purchased forward		Currency sold forward	Maturity dates
		in millions			
UPC Broadband Holding	€	3.0	HUF	846.5	July 2010 – July 2011
UPC Broadband Holding	€	0.8	PLN	3.2	July 2010 – March 2011
UPC Broadband Holding	€	104.4	$	127.4	July 2010
VTR	$	54.1	CLP	28,840.2	July 2010 — June 2011

(6) Fair Value Measurements

We use the fair value method to account for certain of our investments and derivative instruments. The reported fair values of these assets and liabilities as of June 30, 2010 likely will not represent the value that will be realized upon the ultimate settlement or disposition of these assets and liabilities. In the case of the investments that we account for using the fair value method, the values we realize upon disposition will be dependent upon, among other factors, market conditions and the historical and forecasted financial performance of the investees at the time of any such disposition. With respect to our foreign currency and interest rate derivative instruments, we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

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

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

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

As further described in note 5, we have entered into various derivative instruments to manage our interest rate and foreign currency exchange risk. The fair value measurements of these derivative instruments are determined using discounted cash flow models. All but one of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes interest rates, swap rates and yield curves, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative instruments, we believe that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 5.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations typically involve the use of discounted cash flow analyses to assess enterprise values, the values of customer relationship intangible assets, the implied value of goodwill, replacement costs of tangible assets and the values of certain other assets and liabilities. With the exception of certain inputs for our weighted average cost of capital calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. Accordingly, nonrecurring valuations that involve the use of discounted cash flow analyses fall under Level 3 of the fair value hierarchy. During the six months ended June 30, 2010, we performed nonrecurring fair value measurements in connection with goodwill impairment assessments. See note 7.

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

Description	Fair value measurements at June 30, 2010 using: June 30, 2010	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		in millions	
Assets:			
Derivatives:			
Cross-currency and interest rate derivative contracts	€ 264.6	€ 264.6	€ —
Foreign currency forward contracts	2.0	2.0	—
Embedded derivatives	0.9	0.9	—
Total derivatives	267.5	267.5	—
Investments	27.5	—	27.5
Total assets	€ 295.0	€ 267.5	€ 27.5
Liabilities - Derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 1,336.8	€ 1,336.8	€ —
Foreign currency forward contracts	0.1	0.1	—
Embedded derivatives	1.6	1.6	—
Total liabilities – derivative instruments	€ 1,338.5	€ 1,338.5	€ —

Description	Fair value measurements at December 31, 2009 using: December 31, 2009	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		in millions	
Assets:			
Derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 214.6	€ 214.6	€ —
Embedded derivatives	1.0	1.0	—
Total derivatives	215.6	215.6	—
Investments	26.9	—	26.9
Total assets	€ 242.5	€ 215.6	€ 26.9
Liabilities - Derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 1,145.0	€ 1,145.0	€ —
Foreign currency forward contracts	3.6	3.6	—
Embedded derivatives	0.9	0.9	—
Total liabilities – derivative instruments	€ 1,149.5	€ 1,149.5	€ —

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, 2010	€ 26.9
Losses included in net loss - Realized and unrealized losses due to changes in fair value of certain investments, net (a)	(0.8)
Dispositions and other	(1.6)
Foreign currency translation adjustments	3.0
Balance at June 30, 2010	€ 27.5

(a) Substantially all of the losses recognized during the six months ended June 30, 2010 relate to investments that we continue to carry on our condensed consolidated balance sheet as of June 30, 2010.

(7) Long-lived Assets

Property and Equipment, Net

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

	June 30, 2010	December 31, 2009
	in millions	
Distribution systems	€ 6,789.1	€ 6,306.3
Support equipment, buildings and land	1,038.0	1,013.8
	7,827.1	7,320.1
Accumulated depreciation	(3,873.4)	(3,455.8)
Total property and equipment, net	€ 3,953.7	€ 3,864.3

Goodwill

Changes in the carrying amount of our goodwill for the six months ended June 30, 2010 are set forth below:

	January 1, 2010	Foreign currency translation adjustments and other	June 30, 2010
		in millions	
UPC Europe:			
The Netherlands	€ 912.1	€ —	€ 912.1
Switzerland	1,916.1	235.0	2,151.1
Other Western Europe	781.6	—	781.6
Total Western Europe	3,609.8	235.0	3,844.8
Central and Eastern Europe	784.1	(7.7)	776.4
Total UPC Europe	4,393.9	227.3	4,621.2
VTR (Chile)	367.2	31.0	398.2
Total	€ 4,761.1	€ 258.3	€ 5,019.4

We continue to experience difficult economic environments and significant competition in most of our markets, particularly in Romania and Hungary, which collectively accounted for €298.3 million of the goodwill in our Central and Eastern Europe reportable segment at June 30, 2010. If, among other factors, (i) LGI's equity values decline or (ii) the adverse impacts of economic or competitive factors are worse than anticipated, we could conclude in future periods that further impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

At June 30, 2010 and December 31, 2009 and based on exchange rates as of those dates, the amount of our accumulated impairments with respect to our broadband communications operations in Romania, which is included within our Central and Eastern Europe segment, was €178.1 million and €183.6 million, respectively.

Intangible Assets Subject to Amortization, Net

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

	June 30, 2010	December 31, 2009
	in millions	
Gross carrying amount:		
Customer relationships	€ 1,122.5	€ 1,088.4
Other	11.9	8.1
	€ 1,134.4	€ 1,096.5
Accumulated amortization:		
Customer relationships	€ (728.1)	€ (644.0)
Other	(2.7)	(6.6)
	€ (730.8)	€ (650.6)
Net carrying amount:		
Customer relationships	€ 394.4	€ 444.4
Other	9.2	1.5
	€ 403.6	€ 445.9

(8) Debt and Capital Lease Obligations

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

	June 30, 2010						
	Weighted average interest rate (a)	Unused borrowing capacity (b)		Estimated fair value (c)		Carrying value (d)	
		Borrowing currency	Euro equivalent	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
				in millions			
Debt:							
Parent:							
Shareholder loan	4.80%	€ —	€ —	(e)	(e)	€ 8,299.5	€ 8,331.4
UPC Holding Senior Notes	8.83%	€ —	—	€ 1,628.0	€ 1.602.1	1,593.9	1,548.3
Subsidiaries:							
UPC Broadband Holding Bank Facility	3.80%	€ 795.8	795.8	€ 5,581.2	€ 5,935.8	6,059.2	6,316.5
UPCB Finance Senior Secured Notes (f)	7.63%	€ —	—	€ 496.5	€ —	495.8	—
VTR Bank Facility (g)	—	CLP —	—	€ —	€ 321.5	—	321.5
Other	6.60%	€ —	—	€ 0.7	€ 6.6	0.7	6.6
Total debt	4.90%		€ 795.8			16,449.1	16,524.3
Capital lease obligations						23.6	24.2
Total debt and capital lease obligations						16,472.7	16,548.5
Current maturities						(2.1)	(14.4)
Long-term debt and capital lease obligations						€ 16,470.6	€ 16,534.1

(a) Represents the weighted average interest rate in effect at June 30, 2010 for all borrowings outstanding pursuant to each debt instrument including the applicable margin. The interest rates presented represent stated rates and do not include the impact of our interest rate derivative agreements, deferred financing costs, discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, discounts and commitments fees, but excluding the impact of financing costs, our estimated weighted average interest rate on our aggregate variable and fixed rate indebtedness was approximately 8.4% at June 30, 2010. For information concerning our derivative instruments, see note 5.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at June 30, 2010 without regard to covenant compliance calculations. At June 30, 2010, our availability under the UPC Broadband Holding Bank Facility (as defined below) was limited to €174.3 million. Additionally, when the June 30, 2010 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €169.7 million.

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

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

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

(f) UPCB Finance Limited (UPCB Finance), the issuer of 7.625% senior secured notes (the UPCB Senior Secured Notes), is a special purpose financing company created for the primary purpose of issuing the UPCB Senior Secured Notes and is owned 100% by a charitable trust. UPCB Finance used the proceeds from the UPCB Senior Secured Notes to fund a new additional facility (Facility V) under the UPC Broadband Holding Bank Facility (as defined below), with UPC Financing Partnership (UPC Financing), a direct subsidiary of UPC Holding, as the borrower. UPCB Finance is dependent on payments from UPC Financing under Facility V in order to service its payment obligations under the UPCB Senior Secured Notes. As such, UPCB Finance is a variable interest entity and UPC Financing and its parent entities, including UPC Holding, are required by U.S. GAAP to consolidate UPCB Finance. Accordingly, the amount outstanding under Facility V is eliminated through the consolidation of UPCB Finance within UPC Holding's condensed consolidated financial statements.

(g) Pursuant to the deposit arrangements with the lender in relation to VTR's amended and restated senior secured credit facility (the VTR Bank Facility), we were required to fund a cash collateral account in an amount equal to the outstanding principal and interest under the VTR Bank Facility. On March 22, 2010, the third-party lender under the VTR Bank Facility assigned its rights and obligations under the VTR Bank Facility to a subsidiary of UPC Broadband Holding. As consideration for this assignment, the deposit in the collateral account was transferred to the third-party lender in a non-cash transaction.

Shareholder Loan

UPC Holding has an unsecured shareholder loan with its immediate parent, LGE Financing, which, as amended, is scheduled to be repaid in 2030 and is subordinated in right of payment to the prior payment in full of the UPC Holding Senior Notes in the event of (i) a total or partial liquidation, dissolution or winding up of UPC Holding, (ii) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (iii) an assignment for the benefit of creditors or (iv) any marshalling of UPC Holding's assets or liabilities. Accrued interest is included in other long-term liabilities until the end of each fiscal year and then it is transferred to the loan balance. The interest rate on the shareholder loan is reviewed annually, with any adjustment effective on October 1 of each year. The interest rate was 4.80% and 7.58% for the six months ended June 30, 2010 and 2009, respectively. The net decrease in the shareholder loan balance during the six months ended June 30, 2010 includes (i) cash payments of €1,434.5 million, (ii) cash borrowings of €1,398.6 million, (iii) a €10.0 million non-cash increase relating to charges from LGI to our company in connection with LGI stock incentive awards exercised by our subsidiaries' employees and (iv) individually insignificant net non-cash decreases aggregating €6.0 million. During the six months ended June 30, 2010 and 2009, none of the debt repayments were payments of interest.

UPC Broadband Holding Bank Facility

The UPC Broadband Holding Bank Facility, as amended, is the senior secured credit facility of UPC Broadband Holding. During the first six months of 2010, pursuant to various additional facility accession agreements with respect to the UPC Broadband Holding Bank Facility, (i) new Facilities W and X were executed and (ii) commitments under existing Facilities R, S and T were increased. Facility W is a redrawable term loan facility and Facility X is a non-redrawable term loan facility. In connection with the completion of these transactions, certain lenders under existing Facilities M, N and P novated their commitments to UPC Broadband Operations BV (UPC Broadband Operations), a direct subsidiary of UPC Broadband Holding, and entered into one or more of Facilities R, S, T, W or X. As a result, total commitments of (i) €218.1 million under Facility M were rolled into Facility W, (ii) $1,042.8 million (€850.8 million) under Facility N were rolled into Facility X and (iii) $322.9 million (€263.4 million) under Facility P were rolled into Facilities R, S, T and W. Among other matters, the completion of the foregoing transactions resulted in the extension of a significant portion of the maturities under the UPC Broadband Holding Bank Facility.

The details of our borrowings under the UPC Broadband Holding Bank Facility as of June 30, 2010 are summarized in the following table:

Facility	Final maturity date	Interest rate	Facility amount (in borrowing currency) (a)		Unused borrowing capacity (b)		Carrying value (c)	
		June 30, 2010			in millions			
L	July 3, 2012	EURIBOR + 2.25%	€	129.7	€	129.7	€	—
M	(d)	EURIBOR + 2.00%	€	566.6		—		566.6
N	(d)	LIBOR + 1.75%	$	357.2		—		291.4
O	July 31, 2013	(e)		(e)		—		48.8
P	September 2, 2013	LIBOR + 2.75%	$	188.6		—		153.9
Q	(f)	EURIBOR + 2.75%	€	422.0		422.0		—
R	(f)	EURIBOR + 3.25%	€	290.7		—		290.7
S	(g)	EURIBOR + 3.75%	€	1,740.0		—		1,740.0
T	(g)	LIBOR + 3.50%	$	1,071.5		—		866.2
U	(h)	EURIBOR + 4.00%	€	1,250.8		—		1,250.8
V (j)	January 15, 2020	7.625%	€	500.0		—		500.0
W	(i)	EURIBOR + 3.00%	€	244.1		244.1		—
X	(h)	LIBOR + 3.50%	$	1,042.8		—		850.8
Elimination of Facility V in consolidation (j)			€	(500.0)		—		(500.0)
Total					€	795.8	€	6,059.2

(a) Amounts represent total commitments at June 30, 2010 without giving effect to the impact of discounts. Certain of the originally committed amounts under Facilities L, M, N and P have been novated to UPC Broadband Operations, a direct subsidiary of UPC Broadband Holding, and, accordingly, such amounts are not included in the table above.

(b) At June 30, 2010, our availability under the UPC Broadband Holding Bank Facility was limited to €174.3 million. When the June 30, 2010 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €169.7 million.

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

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

(e) The applicable interest payable under Facility O is 2.75% per annum plus the specified percentage rate per annum determined by the Polish Association of Banking Dealers - Forex Poland or the National Bank of Hungary, as appropriate for the relevant period. The principal amount of Facility O is comprised of (i) a HUF 5,962.5 million (€21.0 million) sub-tranche and (ii) a PLN 115.1 million (€27.8 million) sub-tranche.

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

(g) The final maturity dates for Facilities S and T are the earlier of (i) December 31, 2016 and (ii) October 17, 2013, the date falling 90 days prior to the date on which UPC Holding's senior notes due 2014 fall due, if, on such date, such senior notes are outstanding in an aggregate principal amount of €250.0 million or more.

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

(i) The final maturity date for Facility W is the earlier of (i) March 31, 2015 and (ii) October 17, 2013, the date falling 90 days prior to the date on which UPC Holding's senior notes due 2014 fall due, if, on such date, such senior notes are outstanding in an aggregate principal amount of €250.0 million or more.

(j) As discussed above, the amount outstanding under Facility V is eliminated through the consolidation of UPCB Finance within UPC Holding's condensed consolidated financial statements. Pursuant to the Facility V accession agreement, the call provisions, maturity and applicable interest rates for Facility V are the same as those of the UPCB Finance Senior Secured Notes.

Subsequent refinancing event

On July 2, 2010, UPC Broadband Holding entered into a new additional facility accession agreement (the Additional Facility W3 Accession Agreement) under the UPC Broadband Holding Bank Facility. Pursuant to the Additional Facility W3 Accession Agreement, the existing Facility W under the UPC Broadband Holding Bank Facility was increased by an aggregate principal amount of €25.0 million. The final maturity date and interest rate for borrowings under Facility W are set forth in the above table.

Maturities of Debt and Capital Lease Obligations

Maturities of our debt and capital lease obligations for the indicated periods are presented below for the named entity and its subsidiaries, unless otherwise noted. Amounts presented represent euro equivalents based on June 30, 2010 exchange rates:

Debt:	Third-party debt (a)	Shareholder loan	Total
		in millions	
Year ended December 31:			
Remainder of 2010	€ 0.2	€ —	€ 0.2
2011	0.2	—	0.2
2012	0.2	—	0.2
2013	818.4	—	818.4
2014	858.0	—	858.0
Thereafter	6,532.8	8,299.5	14,832.3
Total debt maturities	8,209.8	8,299.5	16,509.3
Unamortized discounts	(60.2)	—	(60.2)
Total debt	€ 8,149.6	€ 8,299.5	€ 16,449.1
Current portion	€ 0.2	€ —	€ 0.2
Noncurrent portion	€ 8,149.4	€ 8,299.5	€ 16,448.9

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

Capital lease obligations (in millions):

Year ended December 31:		
Remainder of 2010	€	1.9
2011		3.1
2012		2.7
2013		2.5
2014		2.4
Thereafter		27.1
		39.7
Amounts representing interest		(16.1)
Present value of net minimum lease payments	€	23.6
Current portion	€	1.9
Noncurrent portion	€	21.7

Non-cash Refinancing Transactions

During the six months ended June 30, 2010 and 2009, we completed certain refinancing transactions that resulted in non-cash borrowings and repayments of debt aggregating €991.5 million and €4,094.9 million, respectively.

Subsequent Events

For information regarding a financing transaction completed subsequent to June 30, 2010, see note 14.

(9) Income Taxes

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

	Three months ended June 30,		Six months ended June 30,	
	2010	2009 (a)	2010	2009 (a)
	in millions			
Computed "expected" income tax benefit	€ 86.5	€ 74.8	€ 172.9	€ 177.2
Change in valuation allowance	(85.3)	(22.1)	(170.0)	(67.6)
Non-deductible or non-taxable interest and other expenses	(16.4)	(26.6)	(29.1)	(54.4)
International rate differences	(0.8)	(12.1)	(2.1)	(23.3)
Impairment of goodwill	—	(13.5)	—	(13.5)
Other, net	(7.8)	3.5	(6.4)	(0.3)
Total	€ (23.8)	€ 4.0	€ (34.7)	€ 18.1

(a) As restated. See note 3.

(10) 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 (as defined below). Stock-based compensation expense allocated to our company by LGI is reflected as a decrease to parent's deficit. The following table summarizes our stock-based compensation expense:

	Three months ended June 30,				Six months ended June 30,			
	2010		2009 (a)		2010		2009 (a)	
	U.S. dollar	Euro equivalent	U.S. dollar	Euro equivalent	U.S. dollar	Euro equivalent	U.S. dollar	Euro equivalent
	in millions							
LGI common stock:								
LGI performance-based incentive awards (b)	$ 2.8	€ 2.2	$ 4.4	€ 3.2	$ 6.1	€ 4.6	$ (0.6)	€ (0.4)
Other LGI stock-based incentive awards	3.2	2.5	3.9	2.9	6.0	4.5	6.7	5.0
Total LGI common stock	6.0	4.7	8.3	6.1	12.1	9.1	6.1	4.6
Other	1.4	1.1	(0.4)	(0.3)	1.8	1.4	0.3	0.2
Total	$ 7.4	€ 5.8	$ 7.9	€ 5.8	$ 13.9	€ 10.5	$ 6.4	€ 4.8
Included in:								
Operating expense	$ 1.0	€ 0.8	$ 1.3	€ 0.9	$ 1.7	€ 1.3	$ 1.1	€ 0.8
SG&A expense	6.4	5.0	6.6	4.9	12.2	9.2	5.3	4.0
Total	$ 7.4	€ 5.8	$ 7.9	€ 5.8	$ 13.9	€ 10.5	$ 6.4	€ 4.8

(a) As restated. See note 3.

(b) Includes stock-based compensation expense related to the LGI Performance Plans (as defined below) and, for the 2010 periods, LGI performance-based restricted share units (PSUs). See below for information regarding the LGI Performance Plans and LGI PSUs. The amount presented for the six months ended June 30, 2009 includes a €0.8 million reduction associated with the first quarter 2009 settlement of the second installment of awards under the LGI Performance Plans and an €8.2 million reduction related to the first quarter 2009 forfeiture of certain awards granted under the LGI Performance Plans.

The following table provides certain information related to stock-based compensation not yet recognized for stock incentive awards related to LGI common stock as of June 30, 2010:

	LGI common stock (a)		LGI Performance Plans (b)		LGI PSUs	
	U.S. $	Euro equivalent (c)	U.S. $	Euro equivalent (c)	U.S. $	Euro equivalent (c)
Total compensation expense not yet recognized (in millions)	$ 28.6	€ 23.3	$ 4.5	€ 3.7	$ 9.4	€ 7.7
Weighted average period remaining for expense recognition (in years)	2.8		0.8		2.0	

(a) Amounts relate to (i) the Liberty Global, Inc. 2005 Incentive Plan (as amended and restated October 31, 2006) (the LGI Incentive Plan). The LGI Incentive Plan had 14,373,430 shares available for grant as of June 30, 2010. These shares may be awarded at or above fair value in any series of LGI common stock.

(b) Includes compensation expense under the LGI Performance Plans. This compensation expense is reported as stock-based compensation in our condensed consolidated statements of operations, notwithstanding the fact that the compensation committee of LGI's board of directors has elected to cash settle a portion of the vested awards under the LGI Performance Plans.

(c) Convenience translations into euros are calculated as of June 30, 2010.

The following table summarizes certain information related to the incentive awards granted and exercised with respect to LGI common stock:

LGI common stock:	Six months ended June 30, 2010	Six months ended June 30, 2009
Assumptions used to estimate fair value of stock appreciation rights (SARs) granted:		
Risk-free interest rate	1.26 – 2.53%	1.82 – 2.97%
Expected life	3.4 – 4.9 years	3.2 – 4.2 years
Expected volatility	42.1 – 45.5%	47.50 – 54.50%
Expected dividend yield	none	none
Weighted average grant-date fair value per share of awards granted:		
SARs	$ 9.28	$ 6.20
Restricted stock	$ 24.81	$ 13.20
PSUs	$ 27.67	$ —
Total intrinsic value of awards exercised (in millions):		
Options	$ 0.1	$ —
SARs	$ 4.8	$ 0.2
Cash received from exercise of options (in millions)	$ 0.5	$ —
Income tax benefit related to stock-based compensation (in millions)	$ 0.3	$ —

LGI Performance Plans

The LGI Performance Plans are five-year performance-based incentive plans for LGI's senior executives and certain key employees. The LGI Performance Plans have a two-year performance period, beginning January 1, 2007, and a three-year service period beginning January 1, 2009. At the end of the two-year performance period, each participant became eligible to receive varying percentages of the maximum achievable award specified for such participant based on LGI's achievement of specified compound annual growth rates (CAGR) in consolidated operating cash flow (see note 13), adjusted for events such as acquisitions, dispositions and changes in foreign currency exchange rates that affect comparability (OCF CAGR), and the participant's annual performance ratings during the performance period.

On February 16, 2010, the compensation committee of LGI's board of directors determined the method of payment for the four remaining installments of the awards that had been earned. In accordance with the compensation committee's determination, LGI (i) paid cash aggregating $50.9 million (€41.5 million) (including $9.8 million (€8.0 million) paid to employees of our subsidiaries), together with 32,802 restricted plan shares (as defined in the performance plans) with respect to LGI Series A common stock and 31,708 restricted plan shares with respect to LGI Series C common stock to settle the March 31, 2010 installment, and (ii) granted an aggregate of 3,248,061 restricted plan shares of LGI Series A common stock and 3,139,707 restricted plan shares of LGI Series C common stock (including 608,160 and 587,868, respectively, granted to employees of our subsidiaries), relating to the final three installments of each participant's earned award. In accordance with the performance plans, restricted plan shares may be restricted shares or restricted share units. The restricted plan shares issued in relation to the March 31, 2010 installment vested in full on March 31, 2010. The restricted plan shares issued in relation to the balance of the earned awards will vest in three equal installments on each of September 30, 2010, March 31, 2011 and September 30, 2011. For purposes of determining the number of restricted plan shares to be granted, the compensation committee valued the restricted plan shares at the respective closing market prices for LGI Series A and Series C common stock on February 16, 2010. The decision by the compensation committee to settle the final three installments of each earned award with restricted plan shares represents a modification that resulted in the reclassification of this portion of the earned awards from a liability to equity during the first quarter of 2010.

LGI PSUs

In March 2010, the compensation committee of LGI's board of directors determined to modify the equity incentive award component of LGI's executive officers' and other key employees' compensation packages, whereby a target annual equity value would be set for each executive or key employee, of which approximately two-thirds will be delivered in the form of an annual award of PSUs and approximately one-third in the form of an annual award of SARs.

In connection with each year's award of PSUs, the compensation committee will select one or more performance measures for the ensuing two-year performance period. Different performance measures may be selected for the awards in subsequent years. The compensation committee will also set the performance targets corresponding to the selected performance measure(s), which will determine the percentage of the PSU award earned during the relevant performance period, and a base performance objective that must be achieved in order for any portion of the PSU award to be earned. Earned PSUs will then vest in two equal installments on March 31 and September 30 of the year following the end of the performance period. Each year's award of SARs will be made at the same time as awards are made under our annual equity grant program for employees and on terms consistent with our standard form of SAR award agreement.

In March and April 2010, the compensation committee granted to LGI's executive officers and certain key employees a total of 686,278 LGI Series A PSUs and 686,278 LGI Series C PSUs (including 178,044 and 178,044, respectively, granted to employees of our subsidiaries) pursuant to the LGI Incentive Plan. Each PSU represents the right to receive one share of Series A common stock or Series C common stock, as applicable, subject to performance and vesting.

The performance period for the 2010 PSUs is January 1, 2010 to December 31, 2011. The performance target selected by the committee is achievement of an OCF CAGR of approximately 7% for the two-year performance period, subject to upward or downward adjustment for certain events in accordance with the terms of the grant agreement. A performance range of 75% to 125% of the target OCF CAGR would generally result in award recipients earning 50% to 150% of their 2010 PSUs, subject to reduction or forfeiture based on individual performance. One-half of the earned 2010 PSUs will vest on March 31, 2012 and the balance on September 30, 2012. The compensation committee also established a base performance objective of a 5.0% OCF CAGR, which must be satisfied in order for award recipients to be eligible to earn any of their 2010 PSUs and is not subject to adjustment. Compensation costs attributable to the 2010 PSUs will be recognized over the requisite service period of the awards.

Stock Award Activity – LGI Common Stock

The following tables summarize the stock award activity during the six months ended June 30, 2010 with respect to LGI common stock held by employees of our subsidiaries:

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, 2010	495,344	$ 22.23		
Granted	—	$ —		
Transfers, net	(14,532)	$ 23.22		
Expired or canceled	—	$ —		
Forfeited	—	$ —		
Exercised	(8,965)	$ 21.42		
Outstanding and exercisable at June 30, 2010	471,847	$ 22.21	2.2	$ 2.0

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, 2010	523,604	$ 20.91		
Granted	—	$ —		
Transfers, net	(3,282)	$ 19.92		
Expired or canceled	—	$ —		
Forfeited	—	$ —		
Exercised	(15,528)	$ 21.46		
Outstanding and exercisable at June 30, 2010	504,794	$ 20.90	2.4	$ 2.7

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, 2010	242,164	$ 23.71	
Granted	679,808	$ 25.01	
Transfers, net	(12,051)	$ 25.05	
Expired or canceled	—	$ —	
Forfeited	(3,031)	$ 23.57	
Released from restrictions	(51,703)	$ 25.02	
Outstanding at June 30, 2010	855,187	$ 24.65	1.3

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, 2010	242,164	$ 22.78	
Granted	659,516	$ 24.60	
Transfers, net	(12,051)	$ 23.95	
Expired or canceled	—	$ —	
Forfeited	(3,031)	$ 22.74	
Released from restrictions	(51,703)	$ 23.93	
Outstanding at June 30, 2010	834,895	$ 24.13	1.4

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, 2010	1,362,325	$ 17.39		
Granted	469,232	$ 27.46		
Transfers, net	(30,822)	$ 15.79		
Expired or canceled	(22,725)	$ 36.96		
Forfeited	(8,152)	$ 16.01		
Exercised	(284,637)	$ 17.19		
Outstanding at June 30, 2010	1,485,221	$ 20.36	5.3	$ 8.7
Exercisable at June 30, 2010	511,336	$ 18.23	3.3	$ 3.6

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, 2010	1,309,975	$ 17.21		
Granted	469,232	$ 27.06		
Transfers, net	(30,822)	$ 15.60		
Expired or canceled	(22,725)	$ 34.44		
Forfeited	(8,152)	$ 15.83		
Exercised	(214,900)	$ 18.37		
Outstanding at June 30, 2010	1,502,608	$ 19.91	5.3	$ 9.2
Exercisable at June 30, 2010	528,723	$ 17.55	3.3	$ 4.0

PSUs — 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, 2010	—	$ —	
Granted	178,044	$ 27.87	
Expired or canceled	—	$ —	
Forfeited	—	$ —	
Released from restrictions	—	$ —	
Outstanding at June 30, 2010	178,044	$ 27.87	2.0

PSUs — 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, 2010	—	$ —	
Granted	178,044	$ 27.48	
Expired or canceled	—	$ —	
Forfeited	—	$ —	
Released from restrictions	—	$ —	
Outstanding at June 30, 2010	178,044	$ 27.48	2.0

At June 30, 2010, total SARs outstanding held by our employees included 36,654 LGI Series A common stock capped SARs and 36,654 LGI Series C common stock capped SARs, all of which were exercisable. The holder of an LGI Series A common stock capped SAR will receive the difference between $6.84 and the lesser of $10.90 or the market price of LGI Series A common stock on the date of exercise. The holder of an LGI Series C common stock capped SAR will receive the difference between $6.48 and the lesser of $10.31 or the market price of LGI Series C common stock on the date of exercise.

(11) Related Party Transactions

The related party transactions of our continuing operations are as follows:

	Three months ended June 30,				Six months ended June 30,			
	2010		2009 (a)		2010		2009 (a)	
	in millions							
Revenue	€	2.5	€	5.8	€	5.2	€	7.8
Operating expenses		(17.2)		(15.9)		(33.6)		(31.5)
SG&A expenses		(2.0)		(0.8)		(2.2)		(1.1)
Allocated stock-based compensation expense		(4.7)		(6.1)		(9.1)		(4.6)
Fees and allocations, net		0.2		(5.9)		(8.1)		(15.6)
Included in operating income		(21.2)		(22.9)		(47.8)		(45.0)
Interest expenses		(101.7)		(217.9)		(200.3)		(377.9)
Included in net loss	€	(122.9)	€	(240.8)	€	(248.1)	€	(422.9)

(a) As restated. See note 3.

Revenue. Amounts consist primarily of construction and programming services provided to our affiliates and, to a lesser extent programming services provided to Chellomedia BV (Chellomedia), another indirect subsidiary of LGI.

Operating expenses. Amounts consist primarily of programming and digital interactive services provided by Chellomedia and, to a lesser extent, programming services provided by Pramer S.C.A., an indirect subsidiary of LGI, in the aggregate amounts of €14.9 million and €12.5 million during the three months ended June 30, 2010 and 2009, respectively, and €29.2 million and €25.7 million during the six months ended June 30, 2010 and 2009, respectively. In addition, operating expenses include costs for programming and interconnect fees charged by certain of LGI's affiliates of €2.3 million and €3.4 million during the three months ended June 30, 2010 and 2009, respectively, and €4.4 million and €5.8 million during the six months ended June 30, 2010 and 2009, respectively.

SG&A expenses. Amounts consist primarily of marketing and other administrative charges between our company, Chellomedia, and LG Europe.

Allocated stock-based compensation expense. As further described in note 10, LGI allocates stock-based compensation to our company.

Fees and allocations, net. These amounts represent the aggregate net effect of charges between subsidiaries of UPC Holding and various LGI subsidiaries, including (i) aggregate charges from LG Europe and LGE Ltd. of €11.4 million and €10.8 million during the three months ended June 30, 2010 and 2009, respectively, and €24.4 million and €26.2 million during the six months ended June 30, 2010 and 2009, respectively, (ii) charges to Unitymedia GmbH (Unitymedia), another indirect subsidiary of LGI, of €4.3 million and nil during the three months ended June 30, 2010 and 2009, respectively, and €8.6 million and nil during the six months ended June 30, 2010 and 2009, respectively, and (iii) charges to LGI and certain other LGI subsidiaries of €7.3 million and €4.9 million during the three months ended June 30, 2010 and 2009, respectively, and €7.7 million and €10.6 million during the six months ended June 30, 2010 and 2009, respectively. These charges generally relate to management, finance, legal, technology and other corporate and administrative services provided to or by our subsidiaries and, in the case of charges to Unitymedia, also include charges related to marketing and other services that support Unitymedia's broadband communications operations. The amounts charged generally are based on the respective subsidiary's estimated share of the applicable costs incurred (including personnel and other costs related to the services provided, which, in the case of the charges from LG Europe and LGE Ltd., include stock-based compensation) plus a mark-up. The monthly charges 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. The annual revision to reflect actual costs for 2009 and 2008 amounted to a €2.8 million decrease and a €1.7 million increase in our billings to LGI and certain other LGI subsidiaries during the three months ended March 31, 2010 and 2009, respectively. With the exception of the costs allocated to Unitymedia during the first quarter of 2010, which were cash settled with an indirect parent of Unitymedia, the charges are settled through adjustments of the amount due under the shareholder loan with LGE Financing.

Interest expense. Amount includes interest accrued on our shareholder loan. The interest expense is not paid in cash, but accrued in other long-term liabilities during the year and then added to the shareholder loan balance at the end of the year. See note 8.

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

The following table provides details of our related-party balances:

	June 30, 2010	December 31, 2009
	in millions	
Receivables	€ 5.9	€ 7.5
Accounts payable	€ 10.4	€ 12.6
Accrued liabilities	34.7	6.1
Other long-term liabilities (a)	200.3	—
Shareholder loan (note 8)	8,299.5	8,331.4
Total	€ 8,544.9	€ 8,350.1

(a) Represents accrued interest on the shareholder loan. See note 8.

(12) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancellable operating leases, programming contracts, satellite carriage commitments, purchases of customer premise equipment and other items. We expect that in the ordinary course of business, operating leases that expire generally will be renewed or replaced by similar leases.

Contingent Obligations

In September 2009, VTR Móvil SA (VTR Móvil), a wholly-owned subsidiary of VTR, was officially notified by the Undersecretary of Telecommunications of Chile's Ministry of Transport and Telecommunications that VTR Móvil had been awarded one of three "3G" mobile licenses recently auctioned by the Chilean government pursuant to a public bidding process. The term "3G" refers to a set of mobile technologies that allow mobile telephony providers to offer, among other things, higher-speed internet access, data and video services. The purchase price for the 3G license is CLP 1,669 million (€2.5 million). In order to guarantee its compliance with the terms of the 3G license, in October 2009, VTR Móvil posted a performance bond in the amount of CLP 35.6 billion (€53.1 million). This performance bond is fully guaranteed by VTR.

Guarantees and Other Credit Enhancements

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

Legal and Regulatory Proceedings and Other Contingencies

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

Chilean Antitrust Matter — On December 12, 2006, Liberty Media Corporation (Liberty Media), the former parent company of our predecessor, announced publicly that it had agreed to acquire an approximate 39% interest in The DirecTV Group, Inc. (DirecTV). On August 1, 2007, VTR received formal written notice from the Chilean Federal Economic Prosecutor (FNE) that Liberty Media's acquisition of the DirecTV interest would violate one of the conditions imposed by the Chilean Antitrust Court on VTR's combination with Metrópolis Intercom SA prohibiting VTR and its control group from participating, directly or indirectly through related persons, in Chilean satellite or microwave television businesses through April 2010. On March 10, 2008, following the closing of Liberty Media's investment in DirecTV, the FNE commenced an action before the Chilean Antitrust Court against John C. Malone who is chairman of LGI's board of directors and of Liberty Media's board of directors. In this action, the FNE alleges that Mr. Malone is a controller of VTR and either controls or indirectly participates in DirecTV's satellite operations in Chile, thus violating the condition. The FNE requests the Antitrust Court to impose a fine on Mr. Malone and order him to effect the transfer of the shares, interests or other assets that are necessary to restore the independence, in ownership and administration, of VTR and DirecTV. We currently are unable to predict the outcome of this matter or its impact on VTR.

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

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

(13) Segment Reporting

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

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

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

Segment information for all periods presented has been restated to (i) reflect the above change, (ii) give effect to the 2009 common control transfer described in note 3 and (iii) present UPC Slovenia as a discontinued operation. We present only the reportable segments of our continuing operations in the tables below.

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

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

- VTR (Chile)

All of the reportable segments set forth above derive their revenue primarily from broadband communications and/or DTH services, including video, voice and broadband internet services. Certain segments also provide business-to-business (B2B) services. At June 30, 2010, our operating segments in UPC Europe provided services in nine European countries. Our Other Western Europe segment includes our operating segments in Austria and Ireland. Our Central and Eastern Europe segment includes our operating segments in the Czech Republic, Hungary, Poland, Romania and Slovakia. VTR provides broadband communications services in Chile. UPC Europe's central operations category includes billing systems, network operations, technology, marketing, facilities, finance and other administrative costs.

Performance Measures of Our Reportable Segments

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

	Revenue			
	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	in millions			
UPC Europe:				
The Netherlands	€ 215.5	€ 203.6	€ 428.9	€ 408.1
Switzerland	197.0	182.4	385.0	364.9
Other Western Europe	153.0	148.7	307.7	297.6
Total Western Europe	565.5	534.7	1,121.6	1,070.6
Central and Eastern Europe	207.8	198.7	414.5	393.3
Central operations	0.3	(0.1)	0.5	(0.6)
Total UPC Europe	773.6	733.3	1,536.6	1,463.3
VTR (Chile)	150.5	126.8	282.0	246.2
Total	€ 924.1	€ 860.1	€ 1,818.6	€ 1,709.5

	Operating cash flow			
	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	in millions			
UPC Europe:				
The Netherlands	€ 125.3	€ 116.9	€ 247.5	€ 233.9
Switzerland	105.8	101.8	208.4	201.9
Other Western Europe	68.0	69.3	139.1	137.2
Total Western Europe	299.1	288.0	595.0	573.0
Central and Eastern Europe	100.8	99.6	203.6	199.1
Central operations	(30.4)	(25.3)	(56.9)	(57.0)
Total UPC Europe	369.5	362.3	741.7	715.1
VTR (Chile)	62.8	51.5	113.5	98.5
Total	€ 432.3	€ 413.8	€ 855.2	€ 813.6

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

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	in millions			
Total segment operating cash flow from continuing operations	€ 432.3	€ 413.8	€ 855.2	€ 813.6
Stock-based compensation expense	(5.8)	(5.8)	(10.5)	(4.8)
Related party fees and allocations, net	0.2	(5.9)	(8.1)	(15.6)
Depreciation and amortization	(244.8)	(263.9)	(490.7)	(524.7)
Impairment, restructuring and other operating charges, net	(3.9)	(85.9)	(5.8)	(89.5)
Operating income	178.0	52.3	340.1	179.0
Interest expense:				
Third party	(111.4)	(91.1)	(223.1)	(180.9)
Related party	(101.7)	(217.9)	(200.3)	(377.9)
Interest income	0.5	3.7	3.2	9.9
Realized and unrealized losses on derivative instruments, net	(26.0)	(242.3)	(311.7)	(287.4)
Foreign currency transaction gains (losses), net	(274.9)	219.2	(285.0)	(21.0)
Realized and unrealized gains (losses) due to changes in fair values of certain investments, net	(0.2)	0.7	(0.8)	2.1
Gains (losses) on debt modifications	(2.3)	(17.3)	1.1	(17.3)
Other expense, net	(1.2)	(0.7)	(1.4)	(1.3)
Loss from continuing operations before income taxes	€ (339.2)	€ (293.4)	€ (677.9)	€ (694.8)

Revenue by Major Category

Our revenue by major category is set forth below:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	in millions			
Subscription revenue (a):				
Video	€ 454.8	€ 432.3	€ 898.7	€ 861.2
Broadband internet	234.4	213.8	460.1	423.0
Telephony	130.3	118.9	255.4	239.2
Total subscription revenue	819.5	765.0	1,614.2	1,523.4
Other revenue (b)	104.6	95.1	204.4	186.1
Total	€ 924.1	€ 860.1	€ 1,818.6	€ 1,709.5

(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 standalone price for each individual service. However, due to regulatory, billing system and other constraints, the allocation of bundling discounts may vary among our broadband communications operating segments.

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

Geographic Segments

The revenue of our geographic segments is set forth below:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	in millions			
Europe:				
UPC Europe:				
The Netherlands	€ 215.5	€ 203.6	€ 428.9	€ 408.1
Switzerland	197.0	182.4	385.0	364.9
Austria	84.2	86.8	171.6	174.6
Ireland	68.8	61.9	136.1	123.0
Poland	58.4	48.1	115.8	93.6
Hungary	55.4	58.3	110.6	116.8
Czech Republic	48.4	47.0	96.0	92.0
Romania	30.8	30.5	62.3	61.0
Slovakia	13.2	13.4	26.8	26.8
Other (a)	1.9	1.3	3.5	2.5
Total Europe	773.6	733.3	1,536.6	1,463.3
Chile	150.5	126.8	282.0	246.2
Total	€ 924.1	€ 860.1	€ 1,818.6	€ 1,709.5

(a) Primarily represents certain revenue related to Luxco DTH.

(14) Subsequent Event

Issuance of 8.375% Notes. On August 13, 2010, UPC Holding issued €640.0 million principal amount of 8.375% Senior Notes (the 8.375% Notes), resulting in net cash proceeds after fees of €627.2 million. The 8.375% Notes mature on August 15, 2020. The 8.375% Notes are senior obligations of UPC Holding and rank equally with all of the other existing and future senior debt of UPC Holding and senior to all existing and future subordinated debt of UPC Holding. The 8.375% Notes are secured (on a shared basis) by a pledge over the shares of UPC Holding.

Concurrently with the offering of the 8.375% Notes, holders of UPC Holding's (i) €384.6 million aggregate principal amount of 7.75% Senior Notes due 2014 (the 7.75% Notes) and (ii) €230.9 million aggregate principal amount of 8.625% Senior Notes due 2014 (the 8.625% Notes and together with the 7.75% Notes, the 2014 Senior Notes) were invited, subject to certain offering restrictions, to tender their 7.75% Notes and 8.625% Notes to UPC Holding (the Tender Offers). A total of €205.5 million aggregate principal amount of the 7.75% Notes and €101.3 million aggregate principal amount of the 8.625% Notes were tendered. The proceeds of the issuance of the 8.375% Notes will be used to (i) purchase the 2014 Senior Notes tendered pursuant to the Tender Offers, (ii) redeem and discharge the 2014 Senior Notes not tendered in the Tender Offers (the Post Closing Redemption) and (iii) pay fees and expenses incurred in connection with the offering of the 8.375% Notes and the Tender Offers. To effect the Post-Closing Redemption, UPC Holding has deposited funds sufficient to redeem and discharge such notes and such redemption will be completed on (i) August 20, 2010 for the 7.75% Notes, which is five Business Days (as defined in the respective indentures governing the 2014 Senior Notes) following the closing of the offering of the 8.375% Notes and (ii) September 13, 2010 for the 8.625% Notes, which is 30 days following the closing of the offering of the 8.375% Notes.

The 8.375% Notes are non-callable until August 15, 2015. At any time prior to August 15, 2015, UPC Holding may redeem some or all of the 8.375% Notes by paying a "make-whole" premium, which is the present value of all remaining scheduled interest payments using the discount rate (as specified in the indenture governing the 8.375% Notes) as of the redemption date plus 50 basis points. UPC Holding may redeem some or all of the 8.375% 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 August 15 of the years set out below:

Year	**Percentage of principal**
2015	104.188%
2016	102.792%
2017	101.396%
2018 and thereafter	100.000%

Impact of redemption of 2014 Senior Notes on certain maturity provisions of the UPC Broadband Holding Bank Facility. Under the UPC Broadband Holding Bank Facility, Facilities M, N, Q, R, S, T, U, W and X all currently mature on the earlier of (i) the respective final maturity dates specified in the applicable accession agreements for each such Facility and (ii) October 17, 2013, being the date falling 90 days prior to the date on which the 2014 Senior Notes were originally specified to fall due (the Contingent Early Maturity Date) if, (a), in respect of Facilities S, T, U, W and X, on such date, the 2014 Senior Notes are outstanding in an aggregate amount of €250.0 million or more or (b), in respect of Facilities M, N, Q and R, the 2014 Senior Notes have not been repaid, refinanced or redeemed prior to such date. Pursuant to the settlement of the Tender Offers and Post-Closing Redemption, all 2014 Senior Notes will be refinanced or redeemed and so the Contingent Early Maturity Date, in respect of each of the abovementioned Facilities, will no longer be applicable.

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

The following discussion and analysis, which should be read in conjunction with the discussion and analysis included in our 2009 annual financial statements, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Forward-Looking Statements.* This section provides a description of certain of the factors that could cause actual results or events to differ materially from anticipated results or events.

- *Overview.* This section provides a general description of our business and recent events.

- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three and six months ended June 30, 2010 and 2009.

- *Material Changes in Financial Condition.* This section provides an analysis of our corporate and subsidiary liquidity, condensed consolidated cash flow statements and our off balance sheet arrangements.

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

Unless otherwise indicated, convenience translations into euros are calculated as of June 30, 2010.

Forward-Looking Statements

Certain statements in this quarterly report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* contain forward-looking statements, including statements regarding business, product and finance strategies, our capital expenditures, subscriber growth and retention rates, competitive and economic factors, anticipated cost increases, liquidity, credit risks, foreign currency risks and target leverage levels. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In addition to the risk factors described in our 2009 annual financial statements, the following are some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the countries in which we operate;

- the competitive environment in the broadband communications and programming industries in the countries in which we operate;

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

- fluctuations in currency exchange rates and interest rates;

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

- changes in consumer television viewing preferences and habits;

- consumer acceptance of existing service offerings, including our digital video, voice and broadband internet services;

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

The broadband communications services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this quarterly 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 quarterly report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statements.

Overview

We are an international provider of video, voice and broadband internet services with consolidated broadband communications and/or DTH operations at June 30, 2010 in nine European countries and in Chile. Our European broadband communications and DTH operations are collectively referred to as UPC Europe. Our broadband communications operations in Chile are provided through VTR.

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

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

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

As further described in note 3 to our condensed consolidated financial statements, we give retroactive effect to a common control transfer that was completed on December 17, 2009, such that our condensed consolidated financial statements reflects the effect of this common control transfer for all periods presented.

In addition, we sold UPC Slovenia on July 15, 2009 and accordingly, we have presented UPC Slovenia as a discontinued operation in our condensed consolidated statements of operations and cash flows. In the following discussion and analysis, the operating statistics, results of operations, cash flows and financial condition that we present and discuss are those of our continuing operations unless otherwise indicated.

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

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

At June 30, 2010, we owned and operated networks that passed 16,620,400 homes and served 16,203,700 RGUs, consisting of 9,244,400 4 video subscribers, 4,127,600 broadband internet subscribers and 2,831,700 telephony subscribers.

Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition RGU additions, our continuing operations added 67,500 and 172,300 RGUs during the three and six months ended June 30, 2010, as compared to 32,000 and 108,900 RGUs that were added on an organic basis during the corresponding periods in 2009. The organic RGU growth during the 2010 periods is attributable to the growth of our (i) digital cable services, which added 175,000 and 365,700 RGUs, respectively, (ii) broadband internet services, which added 83,300 and 182,800 RGUs, respectively, and (iii) telephony services, which added 64,900 and 158,100 RGUs, respectively. The growth of our digital cable, broadband internet and telephony services was partially offset by declines in our analog cable RGUs of 249,300 and 518,200, respectively, and by other less significant declines in our DTH video multi-channel multi-point (microwave) distribution system (MMDS) video RGUs.

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

(i) organic declines in overall revenue in Austria and, to a lesser extent, Slovakia during the second quarter of 2010, as compared to the first quarter of 2010;

(ii) organic declines in (a) subscription revenue in Hungary, Austria and Switzerland and (b) overall revenue in Hungary and Austria during the second quarter of 2010, as compared to the second quarter of 2009;

(iii) organic declines in (a) broadband internet revenue in Switzerland and Austria and (b) telephony revenue in Switzerland during the second quarter of 2010, as compared to the first quarter of 2010;

(iv) organic declines in (a) video revenue in Hungary and the Czech Republic, (b) broadband internet revenue in Austria, Hungary and Switzerland during the second quarter of 2010, as compared to the second quarter of 2009;

(v) an organic decline in RGUs in Romania and, to a lesser extent, Hungary and Slovakia during the second quarter of 2010;

(vi) organic declines in video RGUs in all of our European markets except Poland during the second quarter of 2010; and

(vii) organic declines in the average monthly subscription revenue per average RGU (ARPU) in Hungary, Austria, the Czech Republic and, to a lesser extent, Switzerland and Slovakia during the second quarter of 2010, as compared to the second quarter of 2009.

On February 27, 2010, certain areas served by VTR's broadband distribution network in Chile experienced a significant earthquake. This earthquake and the related tsunami destroyed or otherwise adversely impacted an estimated 24,000 homes passed by VTR's broadband communications network, resulting in the loss of an estimated 15,500 RGUs. With the exception of homes destroyed by the earthquake, service has been restored to substantially all of the homes within VTR's network footprint. The lost revenue associated with (i) the temporary service outages and the destroyed or adversely impacted homes, and (ii) VTR's allowance of free telephone usage during the weeks following the earthquake, resulted in an estimated €2.8 million decrease in VTR's revenue during the first quarter of 2010. In addition, the earthquake led to (i) an estimated €0.6 million increase in certain operating and selling, general and administrative expenses, (ii) a €1.6 million impairment loss and (iii) other adverse impacts on VTR's results of operations that are less quantifiable. During the second quarter of 2010, the adverse effects of the earthquake were not material to VTR's standalone or our consolidated results of operations. Although the impact of the earthquake, in combination with competitive and economic factors, could adversely impact VTR's results of operations in future periods, we do not expect any such impacts to be material in relationship to VTR's standalone or our consolidated operations.

In general, our ability to increase or maintain the fees we receive for our services is limited by competitive, economic and, to a lesser extent, regulatory factors. In this regard, most of our broadband communications markets experienced declines in ARPU from broadband internet and telephony services during the second quarter of 2010, as compared to the second quarter of 2009. These declines generally were mitigated by the positive impacts of (i) increased digital cable RGUs and other improvements in our RGU mix and (ii) the implementation of rate increases for analog cable and, to a lesser extent, other product offerings in certain markets.

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

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

Material Changes in Results of Operations

As noted under *Overview* above, the comparability of our operating results during 2010 and 2009 is affected by a minor acquisition. In the following discussion, we quantify the impact of acquisitions on our operating results. The acquisition impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the acquisition impact on an acquired entity's operating results during the first three months following the acquisition date such that changes from those operating results in subsequent periods are considered to be organic changes.

Changes in foreign currency exchange rates have a significant impact on our reported operating results as all of our operating segments have functional currencies other than the euro. Our primary exposure to FX risk during the six months ended June 30, 2010 was to the Swiss franc and the Chilean peso. In addition, our reported operating results are impacted by changes in the exchange rates for other local currencies in Europe. In this regard, 57.2% of our euro revenue during the six months ended June 30, 2010 was derived from subsidiaries whose functional currency is other than the euro. The portions of the changes in the various components of our results of operations that are attributable to changes in FX are highlighted under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* below.

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

Discussion and Analysis of our Reportable Segments

All of the reportable segments set forth below derive their revenue primarily from broadband communications and/or DTH services, including video, voice and broadband internet services. Certain segments also provide B2B services. At June 30, 2010, our operating segments in UPC Europe provided services in nine European countries. Our Other Western Europe segment includes our operating segments in Austria and Ireland. Our Central and Eastern Europe segment includes our operating segments in the Czech Republic, Hungary, Poland, Romania and Slovakia. VTR provides broadband communications services in Chile. UPC Europe's central operations category includes billing systems, network operations, technology, marketing, facilities, finance and other administrative costs.

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, as further discussed in note 13 to our condensed consolidated financial statements) as well as an analysis of operating cash flow by reportable segment for the three and six months ended June 30, 2010, as compared to the corresponding periods in 2009. These tables present (i) the amounts reported by each of our reportable segments for the comparative periods, (ii) the euro change and percentage change from period to period and (iii) the percentage change from period to period, after removing FX. The comparisons that exclude FX assume that exchange rates remained constant at the prior year rate during the comparative periods that are included in each table. We have significant exposure to movements in foreign currency exchange rates. We also provide a table showing the operating cash flow margins of our reportable segments for the three and six months ended June 30, 2010 and 2009 at the end of this section.

The revenue of our reportable segments includes amounts received from subscribers for ongoing services, installation fees, advertising revenue, mobile telephony revenue, channel carriage fees, telephony interconnect fees, late fees and amounts received for B2B services. Consistent with the presentation of our revenue categories in note 13 to our condensed consolidated financial statements, we use the term “subscription revenue” in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile telephony revenue.

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

Revenue of our Reportable Segments

	Three months ended June 30,		Increase		Increase (decrease) excluding FX
	2010	2009	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 215.5	€ 203.6	€ 11.9	5.8	5.8
Switzerland	197.0	182.4	14.6	8.0	0.5
Other Western Europe	153.0	148.7	4.3	2.9	2.9
Total Western Europe	565.5	534.7	30.8	5.8	3.2
Central and Eastern Europe	207.8	198.7	9.1	4.6	(0.2)
Central operations	0.3	(0.1)	0.4	N.M.	N.M.
Total UPC Europe	773.6	733.3	40.3	5.5	2.3
VTR (Chile)	150.5	126.8	23.7	18.7	3.9
Total	€ 924.1	€ 860.1	€ 64.0	7.4	2.6

	Six months ended June 30,		Increase		Increase (decrease) excluding FX
	2010	2009	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 428.9	€ 408.1	€ 20.8	5.1	5.1
Switzerland	385.0	364.9	20.1	5.5	0.6
Other Western Europe	307.7	297.6	10.1	3.4	3.4
Total Western Europe	1,121.6	1,070.6	51.0	4.8	3.1
Central and Eastern Europe	414.5	393.3	21.2	5.4	(0.9)
Central operations	0.5	(0.6)	1.1	N.M.	N.M.
Total UPC Europe	1,536.6	1,463.3	73.3	5.0	2.1
VTR (Chile)	282.0	246.2	35.8	14.5	1.9
Total	€ 1,818.6	€ 1,709.5	€ 109.1	6.4	2.1

N.M. – Not Meaningful

The Netherlands. The Netherlands' revenue increased €11.9 million or 5.8% and €20.8 million or 5.1% during the three and six month periods ended June 30, 2010, respectively as compared to the corresponding periods in 2009. These increases are primarily attributable to increases in subscription revenue that resulted from (i) higher ARPU and (ii) a higher average numbers of RGUs. ARPU increased during the three and six month ended June 30, 2010, as compared to the corresponding periods in 2009, as the positive impacts of (i) improvements in the Netherlands' RGU mix, attributable to higher proportions of digital cable, broadband internet and telephony RGUs, (ii) January 2010 price increases for certain video, broadband internet and telephony services and (iii) growth in the Netherlands' digital cable services, including increased revenue from customers selecting higher-priced tiers of service and premium digital services and products, were only partially offset by the negative impacts of (a) competition, (b) lower ARPU from telephony services, due primarily to somewhat lower telephony call volumes and changes in subscriber calling patterns, and (c) lower ARPU from broadband internet services, due primarily to higher proportions of customers selecting lower-priced tiers of service. The increases in the average numbers of RGUs are attributable to the net effect of (i) increases in the average numbers of digital cable, broadband internet and telephony RGUs and (ii) declines in the average numbers of analog cable RGUs. The declines in the Netherlands' average numbers of analog cable RGUs are primarily attributable to (i) the migration of 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 Netherlands' non-subscription revenue increased slightly during the three and six months ended June 30, 2010, as compared to the corresponding periods in 2009.

Switzerland. Switzerland's revenue increased €14.6 million or 8.0% and €20.1 million or 5.5% during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009. Excluding the effects of FX, Switzerland's revenue increased €0.9 million or 0.5% and €2.3 million or 0.6%, respectively. These increases are attributable to increases in non-subscription revenue that were partially offset by slight decreases in subscription revenue. The slight decreases in subscription revenue reflect (i) slight decreases in ARPU, (ii) a slight increase in the average number of RGUs during the three-month period and (iii) a slight decrease in the average number of RGUs during the six-month period. The slight declines in ARPU are due primarily to the net impact of (i) the adverse effects of competition, (ii) lower ARPU from telephony services, due primarily to lower telephony call volumes and changes in subscriber calling patterns, (iii) lower ARPU from broadband internet services, due primarily to increases in the proportion of broadband internet subscribers selecting lower-priced tiers of service, (iv) improvements in Switzerland's RGU mix, attributable to higher proportions of digital cable and, to a lesser extent, broadband internet and telephony RGUs and (v) increased revenue from premium digital services and products. The negative effect of the declines in ARPU from broadband internet and telephony services led to organic declines in Switzerland's revenue from each of these services during the three and six months ended June 30, 2010, as compared to the corresponding periods in 2009. The changes in the average numbers of RGUs are attributable to the net impact of (i) decreases in the average numbers of analog cable RGUs and (ii) increases in the average numbers of digital cable, broadband internet and telephony RGUs. The declines in the average numbers of Switzerland's analog cable RGUs are primarily attributable to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition. The increases in Switzerland's non-subscription revenue are largely attributable to increases in (i) B2B revenue, due primarily to growth in business broadband internet and telephony services and (ii) installation revenue.

Other Western Europe. Other Western Europe's revenue increased €4.3 million or 2.9% and €10.1 million or 3.4% during the three and six month periods ended June 30, 2010, respectively as compared to the corresponding periods in 2009. These increases are attributable to increases in both subscription and non-subscription revenue. The increases in subscription revenue during the three and six months ended June 30, 2010 are attributable to the net effect of (i) higher average numbers of RGUs and (ii) lower ARPU. The increases in subscription revenue in Other Western Europe are net of (i) declines in revenue from broadband internet and to a lesser extent, telephony services in Austria and (ii) during the six-month period, a slight decline in revenue from video services in Ireland. The revenue declines in Austria, which are largely attributable to increased competition, led to (i) decreases in subscription and overall revenue during the three and six months ended June 30, 2010, as compared to the corresponding periods in 2009, and (ii) a decline in revenue from video services in Ireland during the 2010 six-month period, as compared to the corresponding period in 2009. The increases in Other Western Europe's average numbers of RGUs are attributable to increases in the average numbers of digital cable, telephony and broadband internet RGUs that were only partially offset by decreases in the average numbers of analog cable and, to a lesser extent, MMDS RGUs. The declines in the average numbers of analog cable RGUs are primarily attributable to (i) the migration of analog cable customers to digital cable services and (ii) the effects of competition. The negative impact of lower average numbers of analog cable and MMDS RGUs led to declines in the average numbers of total video RGUs in Other Western Europe during the three and six months ended June 30, 2010, as compared to the corresponding periods in 2009. ARPU decreased in our Other Western Europe segment during the 2010 periods, due primarily to the negative impacts of (i) competition, (ii) fewer subscriptions to premium digital products and services and higher proportions of subscribers selecting lower-priced tiers of analog and, during the six-month period, digital cable services, (iii) lower ARPU from broadband internet services, due primarily to higher proportions of customers selecting lower-priced tiers of broadband internet services and (iv) lower ARPU from telephony services, due primarily to lower telephony call volumes and changes in subscriber calling patterns. These negative factors were partially offset by the positive impacts of (i) improvements in RGU mix, attributable to higher proportions of digital cable and broadband internet RGUs and (ii) rate increases for certain analog cable, digital cable, broadband internet and telephony services. The increases in Other Western Europe's non-subscription revenue during the three and six months ended June 30, 2010 are primarily attributable to increases in B2B revenue, including, during the six-month period, the positive impact of a first quarter 2010 settlement with the incumbent telecommunications operator in Austria.

Central and Eastern Europe. Central and Eastern Europe's revenue increased €9.1 million or 4.6% and €21.2 million or 5.4% during the three and six month periods ended June 30, 2010, respectively as compared to the corresponding 2009 periods. The increase for the six-month period includes €0.3 million attributable to the impact of an acquisition. Excluding the effects of the acquisition and FX, Central and Eastern Europe's revenue decreased €0.5 million or 0.2% and €4.1 million or 1.1%, respectively, as decreases in subscription revenue were only partially offset by increases in non-subscription revenue. The decreases in subscription revenue during the

2010 periods are attributable to the net effect of (i) lower ARPU and (ii) higher average numbers of RGUs. ARPU decreased in our Central and Eastern Europe segment during the three and six months ended June 30, 2010, as compared to the corresponding periods in 2009, due primarily to the negative impacts of (i) competition, (ii) higher proportions of broadband internet and video subscribers selecting lower-priced tiers of service, (iii) lower analog cable revenue from premium video services and products and (iv) lower ARPU from telephony services, due primarily to lower telephony call volumes and changes in subscriber calling patterns. These negative factors were partially offset by the positive impacts of (i) improvements in RGU mix, primarily attributable to higher proportions of digital cable and broadband internet RGUs, and (ii) higher digital cable revenue from premium video services and products. The increases in Central and Eastern Europe's average numbers of RGUs are primarily attributable to increases in the average numbers of digital cable, broadband internet, telephony and, to a lesser extent, DTH video RGUs that were only partially offset by declines in the average numbers of analog cable and, to a much lesser extent, MMDS video RGUs. The declines in the average numbers of analog cable RGUs, which are attributable primarily to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition, led to declines in the average numbers of total video RGUs in each country within our Central and Eastern Europe segment during the three and six months ended June 30, 2010, as compared to the corresponding periods in 2009. Non-subscription revenue in our Central and Eastern Europe segment increased during the 2010 periods, as decreases in revenue from B2B services in Romania was more than offset by (i) increases in interconnect revenue, primarily in Poland, and (ii) slight increases in revenue from B2B services in Hungary, Poland, Slovakia and the Czech Republic.

Although competition is a factor throughout Central and Eastern Europe, we are experiencing particularly intense competition in Hungary and Romania. In response to the competition in Hungary and Romania, we have implemented aggressive pricing and marketing strategies. In Hungary, competition, including competition from a competitor that, as of June 30, 2010, has overbuilt approximately half of our broadband communications network in Hungary, has contributed to declines during the second quarter of 2010 in (i) video, broadband internet and overall revenue and (ii) ARPU, each as compared to the corresponding period in 2009. In Romania, competition contributed to organic declines in video, broadband internet and telephony RGUs during the second quarter of 2010. The organic decline in Romania's video RGUs is largely attributable to the loss of analog cable subscribers to competitors following the expiration of loyalty contracts. Despite the fact that we have increased our subscriber retention efforts in Romania, we believe that competitive factors will continue to adversely impact our ability to retain analog cable customers in Romania, particularly given that (i) a significant number of loyalty contracts are scheduled to expire during the 12-month period ending June 30, 2011 and (ii) the Romanian government recently passed legislation that, effective July 20, 2010, allows customers to break loyalty contracts without paying a penalty. In addition, a July 1, 2010 increase in Romania's value added tax from 19% to 24% may make it more difficult to maintain or increase our ARPU in Romania. Competition also has impacted the Czech Republic and Slovakia during the second quarter of 2010, as lower average numbers of video RGUs led to organic declines in revenue from video services in each of these countries, as compared to the second quarter of 2009. We expect that we will continue to experience significant competition in future periods in Hungary, Romania and other markets within Central and Eastern Europe.

During second quarter of 2010, we turned nearly 200,000 satellite dishes of Luxco DTH customers in connection with Luxco DTH's migration to a new satellite. We will continue these dish-turning activities during the second half of 2010. We cannot predict the extent, if any, that the disruption associated with these dish-turning activities will impact Luxco DTH's revenue, RGUs and operating results.

VTR (Chile). As further described in *Overview* above, the February 27, 2010 earthquake in Chile had an adverse impact on VTR's revenue, RGU base and ARPU during the first quarter of 2010. VTR's revenue increased €23.7 million or 18.7% and €35.8 million or 14.5% during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009. Excluding the effects of FX, VTR's revenue increased €5.0 million or 3.9% and €4.7 million or 1.9%, respectively. These increases are attributable to increases in subscription revenue and, to a lesser extent, non-subscription revenue. The increases in subscription revenue during the three and six months ended June 30, 2010 are attributable to higher average numbers of RGUs, partially offset, during the six-month period, by lower ARPU. ARPU was relatively unchanged during the 2010 three-month period, as compared to the corresponding period in 2009. The increases in the average number of RGUs are attributable to increases in the average numbers of digital cable, broadband internet and telephony RGUs that were only partially offset by declines in the average numbers of analog cable RGUs. VTR's ARPU during the 2010 periods reflects the net effect of (i) competition, particularly from the incumbent telecommunications operator in Chile, (ii) higher proportions of subscribers selecting lower-priced tiers of video, broadband internet and telephony service and (iii) the negative impact of credits provided to customers in the weeks following the earthquake, (iv) improvements in VTR's RGU mix, attributable to higher proportions of digital cable and broadband internet RGUs, and (v) increases due to inflation and other price adjustments for certain telephony services. The increase in VTR's non-subscription revenue is attributable to (i) increases in installation revenue and (ii) net increases resulting from individually insignificant changes in other non-subscription revenue categories.

Operating Expenses of our Reportable Segments

	Three months ended June 30, 2010	Three months ended June 30, 2009	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %
		in millions			
UPC Europe:					
The Netherlands	€ 64.2	€ 64.0	€ 0.2	0.3	0.3
Switzerland	61.8	54.6	7.2	13.2	5.3
Other Western Europe	60.6	56.7	3.9	6.9	6.9
Total Western Europe	186.6	175.3	11.3	6.4	4.0
Central and Eastern Europe	79.8	74.5	5.3	7.1	1.4
Central operations	9.0	7.0	2.0	28.6	27.1
Total UPC Europe	275.4	256.8	18.6	7.2	4.3
VTR (Chile)	62.6	53.8	8.8	16.4	1.8
Total operating expenses excluding stock-based compensation	338.0	310.6	27.4	8.8	3.8
Stock-based compensation	0.8	0.9	(0.1)	(11.1)	
Total	€ 338.8	€ 311.5	€ 27.3	8.8	

	Six months ended June 30, 2010	Six months ended June 30, 2009	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %
		in millions			
UPC Europe:					
The Netherlands	€ 130.4	€ 127.6	€ 2.8	2.2	2.2
Switzerland	118.2	110.1	8.1	7.4	2.4
Other Western Europe	121.5	113.9	7.6	6.7	6.7
Total Western Europe	370.1	351.6	18.5	5.3	3.7
Central and Eastern Europe	158.1	145.7	12.4	8.5	1.9
Central operations	17.8	18.3	(0.5)	(2.7)	(2.7)
Total UPC Europe	546.0	515.6	30.4	5.9	3.1
VTR (Chile)	120.6	107.5	13.1	12.2	(0.1)
Total operating expenses excluding stock-based compensation	666.6	623.1	43.5	7.0	2.5
Stock-based compensation	1.3	0.8	0.5	62.5	
Total	€ 667.9	€ 623.9	€ 44.0	7.1	

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

UPC Europe. UPC Europe's operating expenses (exclusive of stock-based compensation expense) increased €18.6 million or 7.2% and €30.4 million or 5.9% during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009. The increase for the six months ended June 30, 2010 includes €0.1 million attributable to the impact of an acquisition. Excluding the effects of this acquisition and FX, UPC Europe's operating expenses increased €10.9 million or 4.3% and €15.7 million or 3.0%, respectively. These increases include the following factors:

- Increases in programming and related costs of €8.6 million or 14.4% and €12.1 million or 10.0%, respectively, due primarily to (i) growth in digital cable services, predominantly in the Netherlands, Ireland and Poland, and (ii) foreign currency exchange rate fluctuations with respect to non-functional currency expenses associated with certain programming contracts, primarily in Poland, Hungary, the Czech Republic and Switzerland;

- Decreases in bad debt and collection expenses of €4.0 million and €8.0 million, respectively, due largely to improved collection experience in the Czech Republic, the Netherlands and Hungary; and

- An increase during the six-month period in network related expenses of €7.6 million or 12.4%, due largely to (i) higher energy costs in the Netherlands and the Czech Republic and (ii) higher costs associated with the refurbishment of customer premise equipment in the Netherlands and Poland. The higher energy costs in the Netherlands are due primarily to an energy tax refund that was received during the first quarter of 2009. Network related expenses remained relatively unchanged during the three-month period.

- An increase in outsourced labor and professional fees of €1.8 million or 8.9% and €3.7 million or 8.9%, respectively, due largely to (i) costs incurred in connection with the centralization of Luxco DTH's operations and (ii) higher outsourced labor associated with customer facing activities, primarily in Switzerland.

- A decrease in personnel costs of €0.4 million or 0.8% and €2.4 million or 2.3%, respectively, due primarily to an increase in personnel and related costs allocable to capital activities.

VTR (Chile). VTR's operating expenses (exclusive of stock-based compensation expense) increased €8.8 million or 16.4% and €13.1 million or 12.2% during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009. Excluding the effects of FX, VTR's operating expenses increased €1.0 million or 1.8% during the 2010 three-month period and remained relatively unchanged during the 2010 six-month period, due primarily to:

- Decreases in network-related expenses of €1.3 million or 17.9% and €2.4 million or 17.1%, respectively, due primarily to lower tariff rates for pole rentals;

- Increases in programming and related costs of €0.9 million or 5.5% and €1.2 million or 3.5%, respectively, as increases associated with growth in digital cable services were only partially offset by decreases associated with foreign currency exchange rate fluctuations with respect to VTR's U.S. dollar denominated programming contracts. Most of VTR's programming costs are denominated in U.S dollars;

- Decreases in interconnect and access costs of €0.2 million or 2.0% and €1.2 million or 6.5%, respectively, due primarily to decreases associated with lower tariff rates and call volumes; and

- Net increases resulting from individually insignificant changes in other operating expense categories.

For information regarding the impact on VTR's operations of the February 27, 2010 earthquake in Chile, see *Overview* above.

SG&A Expenses of our Reportable Segments

	Three months ended June 30, 2010	Three months ended June 30, 2009	Increase €	Increase %	Increase excluding FX %
	in millions				
UPC Europe:					
The Netherlands	€ 26.0	€ 22.7	€ 3.3	14.5	14.5
Switzerland	29.4	26.0	3.4	13.1	5.4
Other Western Europe	24.4	22.7	1.7	7.5	7.5
Total Western Europe	79.8	71.4	8.4	11.8	9.0
Central and Eastern Europe	27.2	24.6	2.6	10.6	3.3
Central operations	21.7	18.2	3.5	19.2	19.2
Total UPC Europe	128.7	114.2	14.5	12.7	9.8
VTR (Chile)	25.1	21.5	3.6	16.7	2.3
Total SG&A expenses excluding stock-based compensation	153.8	135.7	18.1	13.3	8.6
Stock-based compensation	5.0	4.9	0.1	2.0	
Total	€ 158.8	€ 140.6	€ 18.2	12.9	

	Six months ended June 30, 2010	Six months ended June 30, 2009	Increase €	Increase %	Increase excluding FX %
	in millions				
UPC Europe:					
The Netherlands	€ 51.0	€ 46.6	€ 4.4	9.4	9.4
Switzerland	58.4	52.9	5.5	10.4	5.3
Other Western Europe	47.1	46.5	0.6	1.3	1.3
Total Western Europe	156.5	146.0	10.5	7.2	5.3
Central and Eastern Europe	52.8	48.5	4.3	8.9	1.9
Central operations	39.6	38.1	1.5	4.0	3.9
Total UPC Europe	248.9	232.6	16.3	7.0	4.6
VTR (Chile)	47.9	40.2	7.7	19.2	6.2
Total operating expenses excluding stock-based compensation	296.8	272.8	24.0	8.8	4.8
Stock-based compensation	9.2	4.0	5.2	129.2	
Total	€ 306.0	€ 276.8	€ 29.2	10.5	

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 *Discussion and Analysis of Our Consolidated Operating Results* below. As noted under *Operating Expenses* above, we are subject to inflationary pressures with respect to our labor and other costs and foreign currency exchange risk with respect to non-functional currency expenses.

UPC Europe. UPC Europe's SG&A expenses (exclusive of stock-based compensation expense) increased €14.5 million or 12.7% and €16.3 million or 7.0%, respectively, during the three and six months ended June 30, 2010, as compared to the corresponding periods in 2009. Excluding the effects of FX, UPC Europe's SG&A expenses increased €11.2 million or 9.8% and €10.6 million or 4.6%, respectively. These increases include the following factors:

- Increases in personnel costs of €3.5 million or 7.0% and €3.4 million or 3.4%, due largely to increased marketing staffing levels in Switzerland and the Netherlands;

- Increases in outsourced labor and professional fees of €1.2 million and €1.4 million, due largely to (i) an increase in consulting activities related to sales and marketing and information technology activities in Switzerland and UPC Europe's central operations and (ii) costs associated with the centralization of Luxco DTH operations; and

- An increase in sales and marketing costs of €3.7 million or 10.7% and €1.8 million or 2.5%, due primarily to the net effect of (i) higher marketing expenditures in the Netherlands due largely to campaigns promoting high definition programming, and (ii) higher costs associated with rebranding efforts in Ireland.

VTR (Chile). VTR's SG&A expenses (exclusive of stock-based compensation expense) increased €3.6 million or 16.7% and €7.7 million or 19.2%, during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009. Excluding the effects of FX, VTR's SG&A expenses increased €0.5 million or 2.3% and €2.5 million or 6.2%, respectively. These increases include the following factors:

- Increases in personnel costs of €0.7 million or 8.9% and €1.9 million or 12.4%, respectively, due primarily to (i) higher severance costs, (ii) higher bonus costs and (iii) increased sales commissions;

- Increase in sales and marketing costs of €0.4 million or 6.0% and €1.2 million or 10.2%, due primarily to higher sales commissions that were partially offset by decreases in marketing efforts; and

- Net decreases resulting from individually insignificant changes in other SG&A expense categories.

For information regarding the impact on VTR's operations of the February 27, 2010 earthquake in Chile, see *Overview* above.

Operating Cash Flow of our Reportable Segments

Operating cash flow is the primary measure used by our chief operating decision maker to evaluate segment operating performance. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding stock-based compensation, costs allocated to parent company, depreciation and amortization, and impairment, restructuring and other operating charges or credits). Operating cash flow margin is defined as operating cash flow divided by revenue. For additional information concerning this performance measure and for a reconciliation of total segment operating cash flow to our loss from continuing operations before income taxes, see note 13 to our condensed consolidated financial statements.

Operating Cash Flow

	Three months ended June 30,		Increase (decrease)		Increase (decrease) excluding FX
	2010	2009	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 125.3	€ 116.9	€ 8.4	7.2	7.2
Switzerland	105.8	101.8	4.0	3.9	(3.3)
Other Western Europe	68.0	69.3	(1.3)	(1.9)	(1.9)
Total Western Europe	299.1	288.0	11.1	3.9	1.3
Central and Eastern Europe	100.8	99.6	1.2	1.2	(3.7)
Central operations	(30.4)	(25.3)	(5.1)	(20.2)	(19.7)
Total UPC Europe	369.5	362.3	7.2	2.0	(1.4)
VTR (Chile)	62.8	51.5	11.3	21.9	6.8
Total	€ 432.3	€ 413.8	€ 18.5	4.5	(0.3)

	Six months ended June 30,		Increase		Increase (decrease) excluding FX
	2010	2009	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 247.5	€ 233.9	€ 13.6	5.8	5.8
Switzerland	208.4	201.9	6.5	3.2	(1.5)
Other Western Europe	139.1	137.2	1.9	1.4	1.4
Total Western Europe	595.0	573.0	22.0	3.8	2.2
Central and Eastern Europe	203.6	199.1	4.5	2.3	(4.2)
Central operations	(56.9)	(57.0)	0.1	0.2	0.2
Total UPC Europe	741.7	715.1	26.6	3.7	0.6
VTR (Chile)	113.5	98.5	15.0	15.2	2.3
Total	€ 855.2	€ 813.6	€ 41.6	5.1	0.8

Operating Cash Flow Margin

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
			%	
UPC Europe:				
The Netherlands	58.1	57.4	57.7	57.3
Switzerland	53.7	55.8	54.1	55.3
Other Western Europe	44.4	46.6	45.2	46.1
Total Western Europe	52.9	53.9	53.0	53.5
Central and Eastern Europe	48.5	50.1	49.1	50.6
Total UPC Europe, including central operations	47.8	49.4	48.3	48.9
VTR (Chile)	41.7	40.6	40.2	40.0

While the operating cash flow margins of the Netherlands improved, competitive, economic and other factors have resulted in declines in the operating cash flow margins of most of our other reportable segments during the three and six months ended June 30, 2010, as compared to the corresponding periods in 2009. During the 2010 periods, foreign currency impacts associated with non-functional currency expenses had a positive impact on our operating cash flow margins in Chile and a negative impact on our operating cash flow margins in Central and Eastern Europe. In addition, the February 27, 2010 earthquake in Chile had a negative impact on VTR's operating cash flow margins during the first quarter of 2010. 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. For information regarding the impact on VTR's operations of the February 27, 2010 earthquake in Chile, see *Overview* above. As discussed under *Overview* and *Discussion and Analysis of our Reportable Segments* above, most of our broadband communications operations are experiencing significant competition and difficult economic conditions. Sustained or increased competition, particularly in combination with difficult economic conditions, could adversely affect our ability to maintain or improve the operating cash flow margins of our reportable segments.

Discussion and Analysis of our Consolidated Operating Results

General

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

Revenue

Our revenue by major category is set forth below:

	Three months ended June 30,		Increase		Increase excluding FX	Increase excluding acquisitions and FX
	2010	2009	€	%	%	%
	in millions					
Subscription revenue (a):						
Video	€ 454.8	€ 432.3	€ 22.5	5.2	0.9	0.9
Broadband internet	234.4	213.8	20.6	9.6	4.0	4.0
Telephony	130.3	118.9	11.4	9.6	3.5	3.5
Total subscription revenue	819.5	765.0	54.5	7.1	2.2	2.2
Other revenue (b)	104.6	95.1	9.5	10.0	5.8	5.8
Total	€ 924.1	€ 860.1	€ 64.0	7.4	2.6	2.6

	Six months ended June 30,		Increase (decrease)		Increase (decrease) excluding FX	Increase (decrease) excluding acquisitions and FX
	2010	2009	€	%	%	%
	in millions					
Subscription revenue (a):						
Video	€ 898.7	€ 861.2	€ 37.5	4.4	0.5	0.5
Broadband internet	460.1	423.0	37.1	8.8	3.7	3.7
Telephony	255.4	239.2	16.2	6.8	1.7	1.7
Total subscription revenue	1,614.2	1,523.4	90.8	6.0	1.6	1.5
Other revenue (b)	204.4	186.1	18.3	9.8	6.1	6.1
Total	€ 1,818.6	€ 1,709.5	€ 109.1	6.4	2.1	2.0

(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 standalone price for each individual service. However, due to regulatory, billing system and other constraints, the methodology used to allocate bundling discounts may vary between our broadband communications operating segments.

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

Total revenue. Our consolidated revenue increased €64.0 million and €109.1 million during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009. These increases include €0.1 million and €0.3 million attributable to the impact of an acquisition. Excluding the effects of this acquisition and FX, total consolidated revenue increased €22.0 million or 2.6% and €34.8 million or 2.0%, respectively.

Subscription revenue. Excluding the effects of acquisitions and FX, our consolidated subscription revenue increased €16.5 million or 2.2% and €23.4 million or 1.5% during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009. These increases are attributable to (i) increases in subscription revenue from video services of €3.8 million or 0.9% and €3.9 million or 0.5%, respectively, as the impact of higher ARPU from video services was only partially offset by declines in the average numbers of video RGUs, (ii) increases in subscription revenue from broadband internet services of €8.5 million or 4.0% and €15.5

million or 3.7%, respectively, as the impact of increases in the average numbers of broadband internet RGUs was only partially offset by lower ARPU from broadband internet services and (iii) increases in subscription revenue from telephony services of €4.2 million or 3.5% and €4.0 million or 1.7%, respectively, as the impact of increases in the average numbers of telephony RGUs was only partially offset by lower ARPU from telephony services.

Other revenue. Excluding the effects of acquisitions and FX, our consolidated other revenue increased €5.5 million and €11.4 million during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009. These increases are primarily attributable to increases in B2B revenue, interconnect revenue and installation fees.

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

Operating expenses

Our operating expenses increased €27.3 million and €44.0 million during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009. The six month period increase includes €0.1 million attributable to the impact of an acquisition. Our operating expenses include stock-based compensation expense, which decreased €0.1 million for the three months ended June 30, 2010 and increased €0.5 million for the six months ended June 30, 2010. For additional information, see the discussion following *SG&A expenses* below. Excluding the effects of acquisitions, FX and stock-based compensation expense, total consolidated operating expenses increased €11.9 million or 3.8% and €15.6 million or 2.5% during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009**.** As discussed in more detail under *Discussion and Analysis of Reportable Segments – Operating Expenses* above, these increases generally reflect the net impact of (i) increases in programming and other direct costs, (ii) net increases in network related expenses, (iii) net increases in outsourced labor and professional fees and (iv) less significant net decreases in other operating expense categories.

SG&A expenses

Our SG&A expenses increased €18.2 million and €29.2 million during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009. Our SG&A expenses include stock-based compensation expense, which increased €0.1 million and €5.2 million for the three and six months ended June 30, 2010. For additional information, see the discussion in the following paragraph. Excluding the effects of FX and stock-based compensation expense, total consolidated SG&A expenses increased €11.7 million or 8.6% and €13.1 million or 4.8% during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009. As discussed in more detail under *Discussion and Analysis of our Reportable Segments – SG&A Expenses* above, these increases generally reflect the net impact of (i) net increases in personnel costs, (ii) net increases in sales and marketing costs and (iii) less significant net increases in other SG&A expense categories.

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

We record stock-based compensation that is associated with LGI shares and the shares of certain of our subsidiaries. A summary of the aggregate stock-based compensation expense that is included in our operating and SG&A expenses is set forth below:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	in millions			
LGI common stock:				
LGI performance-based incentive awards (a)	€ 2.2	€ 3.2	€ 4.6	€ (0.4)
Other LGI stock-based incentive awards	2.5	2.9	4.5	5.0
Total LGI common stock	4.7	6.1	9.1	4.6
Other	1.1	(0.3)	1.4	0.2
Total	€ 5.8	€ 5.8	€ 10.5	€ 4.8
Included in:				
Operating expense	€ 0.8	€ 0.9	€ 1.3	€ 0.8
SG&A expense	5.0	4.9	9.2	4.0
Total	€ 5.8	€ 5.8	€ 10.5	€ 4.8

(a) Includes stock-based compensation expense related to the LGI Performance Plans and, for the 2010 periods, LGI PSUs. The amount presented for the six months ended June 30, 2009 includes a €0.8 million reduction associated with the first quarter 2009 settlement of the second installment of awards under the LGI Performance Plans and a €8.2 million reduction related to the first quarter 2009 forfeiture of certain awards granted under the LGI Performance Plans.

For additional information concerning our stock-based compensation, see note 10 to our condensed consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense decreased €19.1 million and €34.0 million during the three and six months ended June 30, 2010, as compared to the corresponding periods in 2009. Excluding the effect of FX, depreciation and amortization expense decreased €29.1 million or 11.0% and €51.9 million or 9.9%, respectively. These decreases are due primarily to the net effect of (i) increases associated with capital expenditures related to the installation of customer premise equipment, the expansion and upgrade of our networks and other capital initiatives, (ii) decreases associated with certain assets becoming fully depreciated, primarily in Switzerland, Hungary, and the Netherlands and (iii) decreases associated with changes in the useful lives of certain property and equipment, primarily in Switzerland, Hungary, the Netherlands, Austria, Romania and Ireland.

Impairment, restructuring and other operating charges, net

We recognized impairment, restructuring and other operating charges, net, of €3.9 million and €5.8 million during the three and six months ended June 30, 2010, respectively, compared to €85.9 million and €89.5 million during the corresponding prior year periods. The amount for the 2010 six-month period includes (i) a second quarter 2010 restructuring charge of €2.9 million, representing dish-turning and duplicate satellite costs incurred in connection with Luxco DTH's migration to a new satellite and (iv) a €1.6 million impairment representing the first quarter 2010 write-off of property and equipment that was damaged by the February 27, 2010 earthquake in Chile. The 2009 amounts include a second quarter 2009 charge of €84.7 million to reduce the carrying amount of the goodwill associated with our Romanian reporting unit.

We continue to experience difficult economic environments and significant competition in most of our markets, particularly in Romania and Hungary, which collectively accounted for €298.3 million of the goodwill in UPC Europe's Central and Eastern Europe reportable segment at June 30, 2010. If, among other factors, (i) our or our subsidiaries' equity values decline or (ii) the adverse impacts of economic or competitive factors are worse than anticipated, we could conclude in future periods that further impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

Interest expense – third party

Our third-party interest expense increased €20.3 million and €42.2 million during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009. Excluding the effects of FX, third-party interest expense increased €20.3 million and €22.7 million during the three and six months ended June 30,2010, respectively, as compared to the corresponding periods in 2009. These increases are primarily attributable to a higher weighted average interest rate. The increase in our weighted average interest rate is primarily related to increases in interest rates on the UPC Broadband Holding Bank Facility and certain of our other variable-rate indebtedness.

It is possible that (i) the interest rates on any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) the interest rates incurred on our variable-rate indebtedness could increase in future periods. For information concerning the derivative instruments that we use to manage our interest rate risks, see note 5 to our condensed 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 decreased €116.2 million and €177.6 million during the three and six months ended June 30, 2010, respectively, as compared to the corresponding periods in 2009. These decreases reflect the effect of (i) a decrease in the weighted average interest rate on our shareholder loan from 7.58% during the 2009 period to 4.80% during the 2010 period and (ii) a slight decrease in the average outstanding balance of our shareholder loan during the 2010 period, as compared to the corresponding prior year period. For additional information, see notes 8 and 11 to our condensed consolidated financial statements.

Interest income

Our interest income decreased €3.2 million and €6.7 million during the three and six months ended June 30, 2010, as compared to the corresponding periods in 2009. These decreases primarily are attributable to (i) a lower weighted average interest rate earned on our cash and cash equivalent and restricted cash balances and (ii) the release of the cash collateral associated with the VTR Bank Facility during the first quarter of 2010. See note 8 to our condensed consolidated financial statements.

Realized and unrealized losses on derivative instruments, net

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

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	in millions			
Cross-currency and interest rate derivative contracts	€ (17.0)	€ (241.7)	€ (307.7)	€ (279.7)
Foreign currency forward contracts	(6.5)	(1.9)	(3.3)	(6.6)
Embedded derivatives	(2.5)	1.3	(0.7)	(1.1)
Total	€ (26.0)	€ (242.3)	€ (311.7)	€ (287.4)

(a) The loss during the 2010 three-month period is primarily attributable to the net effect of (i) gains associated with decreases in the values of the euro, Romanian lei and Chilean peso relative to the U.S. dollar, (ii) a loss associated with an increase in the value of the Swiss franc relative to the euro, (iii) losses associated with decreases in market interest rates in the euro and Swiss franc markets and (iv) gains associated with decreases in the values of the Hungarian forint and Polish zloty relative to the euro. The loss during the 2010 six-month period is primarily attributable to the net effect of (i) losses associated with decreases in market interest rates in the euro, Swiss franc, Romanian lei, Hungarian forint, Czech koruna and Polish zloty markets, (ii) gains associated with decreases in the values of the euro, Chilean peso, Romanian lei and Swiss franc relative to the U.S. dollar and (iii) losses associated with increases in the values of the Swiss franc and Chilean peso relative to the euro. In addition, the losses for the three and six months ended June 30, 2010 include net gains of €24.1 million and €51.7 million, respectively, resulting from changes in our credit risk valuation adjustments, as further described in notes 5 and 6 to our condensed consolidated financial statements. The loss during the 2009 three-month period primarily is attributable to (i) losses associated with increases in the values of the Hungarian forint, Romanian lei and Czech koruna relative to the euro and (ii) losses associated with increases in the values of the euro, Swiss franc and Chilean peso relative to the U.S. dollar. The loss during the 2009 six-month period primarily is attributable to the net effect of (i) losses associated with increases in the values of the Chilean peso and the euro relative to the U.S. dollar, (ii) losses associated with decreases in market interest rates in the euro and Swiss franc markets, (iii) gains associated with decreases in the values of the Hungarian forint, Polish zloty, Swiss franc and Czech koruna relative to the euro and (iv) losses associated with increases in the values of the Romanian lei and Chilean peso relative to the euro. In addition, the losses for the three and six months ended June 30, 2009 include gains (losses) of €18.9 million and (€8.4 million), respectively, resulting from changes in our credit risk valuation adjustments.

For additional information concerning our derivative instruments, including details of the cash payments associated therewith, see note 5 to our condensed consolidated financial statements.

Foreign currency transaction gains (losses), net

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

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	in millions			
U.S. dollar denominated debt issued by European subsidiaries	€ (228.9)	€ 94.9	€ (359.3)	€ 6.4
Intercompany notes denominated in a currency other than the entity's functional currency (a)	(43.2)	111.4	71.6	(83.7)
Cash and restricted cash denominated in a currency other than the entity's functional currency	1.1	(20.3)	20.7	(7.0)
U.S. dollar denominated debt issued by a Latin American subsidiary	—	31.1	(13.0)	62.5
Other	(3.9)	2.1	(5.0)	0.8
Total	€ (274.9)	€ 219.2	€ (285.0)	€ (21.0)

(a) Amounts are related to (i) loans between our non-operating and operating subsidiaries in Europe, which generally are denominated in the currency of the applicable operating subsidiary, (ii) U.S. dollar denominated loans between certain of our non-operating subsidiaries in the U.S. and Europe and, during the 2010 periods, a U.S. dollar denominated loan between a Latin American subsidiary and a non-operating subsidiary in Europe. Accordingly, these gains (losses) are a function of movements of the euro against (i) the U.S. dollar and (ii) other local currencies in Europe and, during the 2010 periods, the U.S. dollar against the Chilean peso and the euro.

Income tax benefit (expense)

We recognized income tax expense of €23.8 million and income tax benefit of €4.0 million during the three months ended June 30, 2010 and 2009, respectively.

The income tax expense during the three months ended June 30, 2010 differs from the expected income tax benefit of €86.5 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain tax jurisdictions and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items.

The income tax benefit during the three months ended June 30, 2009 differs from the expected income tax benefit of €74.8 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) certain permanent differences between the financial and tax accounting treatment of interest and other items, (ii) a net increase in valuation allowances established against currently arising deferred tax assets in certain tax jurisdictions and (iii) a permanent difference associated with the impairment of goodwill in our Romanian reporting unit and (iv) differences in the statutory and local tax rates in certain jurisdictions in which we operate.

We recognized income tax expense of €34.7 million and income tax benefit of €18.1 million during the six months ended June 30, 2010 and 2009, respectively.

The income tax expense during the six months ended June 30, 2010 differs from the expected income tax benefit of €172.9 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain tax jurisdictions and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items.

The income tax benefit during the six months ended June 30, 2009 differs from the expected income tax benefit of €177.2 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain tax jurisdictions and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items and (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.

For additional information concerning our income taxes, see note 9 to our condensed consolidated financial statements.

Loss from continuing operations

During the three months ended June 30, 2010 and 2009, we reported a loss from continuing operations of €363.0 million and €289.4 million, respectively, including (i) operating income of €178.0 million and €52.3 million, respectively, and (ii) non-operating expenses of €517.2 million and €345.7 million, respectively. During the six months ended June 30, 2010 and 2009, we reported a loss from continuing operations of €712.6 million and €676.7 million, respectively, including (i) operating income of €340.1 million and €179.0 million, respectively, and (ii) non-operating expenses of €1,018.0 million and €873.8 million, respectively.

Gains or losses associated with (i) the disposition of assets (ii) changes in the fair values of derivative instruments and (iii) movements in foreign currency exchange rates are subject to a high degree of volatility, and as such, any gains from these sources do not represent a reliable source of income. In the absence of significant gains in the future from these sources or from other non-operating items, our ability to achieve earnings from continuing operations is largely dependent on our ability to increase our aggregate operating cash flow to a level that more than offsets the aggregate amount of our (a) stock-based compensation, (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 condensed consolidated statements of operations, see the discussion under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* above.

Discontinued operations

Our earnings from discontinued operations, net of taxes, of €1.9 million and €4.2 million during the three and six months ended June 30, 2009, respectively, relate to the operations of UPC Slovenia. For additional information, see note 3 to our condensed consolidated financial statements.

Net earnings attributable to noncontrolling interests

Net earnings attributable to noncontrolling interests decreased €4.3 million during the three months ended June 30, 2010 and increased €3.1 million during the six months ended June 30, 2010, as compared to the corresponding periods in 2009. These changes primarily are related to corresponding changes in the operating results of VTR for these periods.

Material Changes in Financial Condition

Sources and Uses of Cash

As a holding company, UPC Holding's primary assets are its investments in consolidated subsidiaries. UPC Holding's primary subsidiary is UPC Broadband Holding, which owns all of the operating subsidiaries that are consolidated by UPC Holding. Although our consolidated subsidiaries have generated cash from operating activities, the terms of the instruments governing the indebtedness of certain of these subsidiaries, including UPC Broadband Holding and VTR, may restrict our ability to access the assets of these subsidiaries. As set forth in the table below, these subsidiaries accounted for substantially all of our consolidated cash and cash equivalents at June 30, 2010. 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 June 30, 2010 are set forth in the following table. With the exception of UPC Holding, which is reported on a standalone 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)		94.6
VTR		116.1
Total cash and cash equivalents	€	210.7

Liquidity of UPC Holding

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

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

For information regarding a financing transaction completed subsequent to June 30, 2010, see note 14 to our condensed consolidated financial statements.

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, borrowing availability under its respective debt instruments. For the details of the borrowing availability of such entities at June 30, 2010, see note 8 to our condensed consolidated financial statements. Our operating subsidiaries' liquidity generally is used to fund capital expenditures and debt service requirements. From time to time, our operating subsidiaries may also require funding in connection with (i) acquisitions and other investment opportunities, (ii) loans to UGC or (iii) capital distributions to UGC and other equity owners. 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 *Condensed Consolidated Cash Flow Statements* below.

Capitalization

We seek to maintain our debt at levels that provide for attractive returns without assuming undue risk. In this regard, we strive to cause our operating subsidiaries to maintain their debt at levels that result in a consolidated debt balance that is between four and five times our consolidated operating cash flow. The ratio of our June 30, 2010 Senior Debt to Annualized EBITDA (last two quarters annualized) for UPC Holding was 3.83 to 1.00 and the ratio of our June 30, 2010 Total Debt to Annualized EBITDA (last two quarters annualized) was 4.78 to 1.00, with each ratio defined and calculated in accordance with the UPC Broadband Holding Bank Facility.

When it is cost effective, we generally seek to match the denomination of the borrowings of our subsidiaries with the functional currency of the operations that are supporting the respective borrowings. As further discussed in note 5 to our condensed consolidated financial statements, we also use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

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

At June 30, 2010, our outstanding consolidated third-party debt and capital lease obligations aggregated €8,173.2 million, including €2.1 million that is classified as current in our condensed consolidated balance sheet and €7,357.2 million that is due in 2014 or thereafter. For additional information concerning the maturities of our debt and capital lease obligations, see note 8 to our condensed consolidated financial statements.

We believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our debt maturities grow in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. For information concerning certain refinancing transactions completed during 2010 that have resulted in the extension of our subsidiaries' debt maturities, see notes 8 and 14 to our condensed consolidated financial statements. No assurance can be given that we will be able to complete additional refinancing transactions or otherwise extend our debt maturities in light of current market conditions. In this regard, it is not possible to predict how the current state of the credit and equity markets, in combination with weak economic conditions and/or any adverse regulatory developments, could impact our future liquidity and financial position. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) sustained or further tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with weakened economies, could adversely impact our cash flows and liquidity.

At June 30, 2010, €6,579.3 million of our consolidated third-party debt and capital lease obligations had been borrowed or incurred by our subsidiaries. For additional information concerning our debt balances at June 30, 2010, see note 8 to our condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statements

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

General. During the six months ended June 30, 2010, we used net cash provided by our operating activities of €574.6 million to fund net cash used by our investing activities of €393.0 million, net cash used by our financing activities of €141.4 million and a €40.2 million increase in our cash and cash equivalents (excluding a €10.8 million increase due to changes in FX).

Operating Activities. Net cash provided by our operating activities increased €48.3 million, from €526.3 million during the first six months of 2009 to €574.6 million during the first six months of 2010. This increase is primarily attributable to the net effect of (i) an increase in the cash provided by our operating cash flow and related working capital items, (ii) higher cash payments related to derivative instruments, (iii) a decrease in cash payments for interest, and (iv) an increase in the reported net cash provided by operating activities due to FX.

Investing Activities. Net cash used by our investing activities decreased €45.4 million, from €438.4 million during the first six months of 2009 to €393.0 million during the first six months of 2010. This decrease is due primarily to a decrease in capital expenditures of €46.3 million, as a net decrease in the local currency capital expenditures of our subsidiaries was partially offset by an increase due to FX.

UPC Europe accounted for €314.5 million and €372.0 million of our consolidated capital expenditures during the six months ended June 30, 2010 and 2009, respectively. The decrease in the capital expenditures of UPC Europe is due primarily to the net effect of (i) a decrease in expenditures for the purchase and installation of customer premise equipment, (ii) a decrease in expenditures for new build and upgrade projects to expand services, (iii) an increase due to FX and (iv) an increase in expenditures for support capital such as information technology upgrades and general support systems.

VTR accounted for €77.6 million and €66.4 million of our consolidated capital expenditures during the six months ended June 30, 2010 and 2009, respectively. The increase in the capital expenditures of VTR is due primarily to the net effect of (i) an increase due to FX, (ii) an increase in expenditures for the purchase and installation of customer premise equipment, (iii) a decrease in expenditures for support capital, such as information technology upgrades and general support systems and (iv) a decrease in expenditures for new build and upgrade projects.

Excluding capital lease arrangements, we currently expect the percentage of revenue represented by aggregate capital expenditures for the full year 2010 to range from 21% to 23% for UPC Europe and 23% to 25% for VTR. As further described in note 12 to our condensed consolidated financial statements, VTR was awarded a 3G license in September 2009. The full year 2010 estimated range of VTR's capital expenditures includes estimated expenditures of CLP 9.3 billion (€13.9 million) related to the regulatory requirement of the 3G license, but does not include any expenditures that would be required for commercial deployment of a 3G network, which expenditures could be significant. VTR has until July 2011 to complete the regulatory requirement of the 3G license. The actual amount of the 2010 capital expenditures of UPC Europe and VTR may vary from the expected amounts for a variety of reasons, including (i) changes in (a) the competitive or regulatory environment, (b) business plans or (c) our current or expected future operating results, and (ii) the availability of sufficient capital. Accordingly, no assurance can be given that our actual capital expenditures will not vary materially from our expectations.

Financing Activities. Net cash used by our financing activities increased €65.7 million, from €75.7 million during the first six months of 2009 to €141.4 million during the first six months ended June 30, 2010. This increase is primarily attributable to the net effect of (i) an increase in the net repayments of debt and capital lease obligations of €97.0 million and (ii) a decrease in cash paid for financing costs of €27.7 million.

Off Balance Sheet Arrangements

In October 2009, VTR Móvil posted a performance bond to guarantee compliance with the terms of a 3G mobile license it was awarded. This performance bond is fully guaranteed by VTR. For additional information, see note 12 to our condensed consolidated financial statements.

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. We have also 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.