UPC HOLDING B.V.

Condensed Consolidated Financial Statements
March 31, 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)

	March 31, 2010	December 31, 2009
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 135.1	€ 159.7
Trade receivables, net	270.6	385.6
Receivables – related party (note 11)	4.3	7.5
Deferred income taxes	45.1	49.0
Derivative instruments (note 5)	83.9	107.6
Other current assets	78.1	66.8
Total current assets	617.1	776.2
Restricted cash (note 8)	—	318.2
Investments (note 4)	30.0	30.7
Property and equipment, net (note 7)	3,896.6	3,864.3
Goodwill (note 7)	4,875.0	4,761.1
Intangible assets subject to amortization, net (note 7)	421.4	445.9
Other assets, net (note 5)	264.7	315.2
Total assets	€ 10,104.8	€ 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)

	March 31, 2010	December 31, 2009
	in millions	
LIABILITIES AND OWNERS' DEFICIT		
Current liabilities:		
Accounts payable:		
Third party	€ 194.4	€ 184.6
Related party (note 11)	8.0	12.6
Accrued liabilities:		
Third party	525.2	481.9
Related party (note 11)	27.5	6.1
Deferred revenue and advance payments from subscribers and others	387.9	418.6
Current portion of debt and capital lease obligations (note 8)	5.5	14.4
Derivative instruments (note 5)	369.8	415.7
Total current liabilities	1,518.3	1,533.9
Long-term debt and capital lease obligations (note 8):		
Third party	7,967.5	8,202.7
Related party (note 11)	8,286.4	8,331.4
Other long-term liabilities (notes 5 and 11)	1,024.3	852.4
Total liabilities	18,796.5	18,920.4
Commitments and contingencies (notes 12)		
Owners' deficit:		
Parent's deficit:		
Distributions and accumulated losses in excess of contributions	(8,958.8)	(8,600.2)
Accumulated other comprehensive earnings, net of taxes	101.2	30.7
Total parent's deficit	(8,857.6)	(8,569.5)
Noncontrolling interests	165.9	160.7
Total owners' deficit	(8,691.7)	(8,408.8)
Total liabilities and owners' deficit	€ 10,104.8	€ 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 March 31, 2010	Three months ended March 31, 2009 (a)
	in millions	
Revenue (note 11)	€ 894.5	€ 849.4
Operating costs and expenses:		
Operating (other than depreciation and amortization) (including stock-based compensation) (notes 10 and 11)	329.1	312.4
Selling, general and administrative (SG&A) (including stock-based compensation) (notes 10 and 11)	147.2	136.2
Related-party fees and allocations, net (note 11)	8.3	9.7
Depreciation and amortization	245.9	260.8
Impairment, restructuring and other operating charges, net (note 7)	1.9	3.6
	732.4	722.7
Operating income	162.1	126.7
Non-operating income (expense):		
Interest expense:		
Third party	(111.7)	(89.8)
Related party (note 11)	(98.6)	(160.0)
Interest income	2.7	6.2
Realized and unrealized losses on derivative instruments, net (note 5)	(285.7)	(45.1)
Foreign currency transaction losses, net	(10.1)	(240.2)
Realized and unrealized gains (losses) due to changes in fair values of certain investments, net (notes 4 and 6)	(0.6)	1.4
Other income (expense), net	3.2	(0.6)
	(500.8)	(528.1)
Loss from continuing operations before income taxes	(338.7)	(401.4)
Income tax benefit (expense) (note 9)	(10.9)	14.1
Loss from continuing operations	(349.6)	(387.3)
Earnings from discontinued operations, net of taxes (note 3)	—	2.3
Net loss	(349.6)	(385.0)
Net loss (earnings) attributable to noncontrolling interests	(3.4)	4.0
Net loss attributable to parent	€ (353.0)	€ (381.0)

(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 STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	Three months ended March 31,	
	2010	2009 (a)
	in millions	
Net loss	€ (349.6)	€ (385.0)
Other comprehensive earnings, net of taxes:		
Foreign currency translation adjustments	74.9	81.8
Pension related adjustments	(1.4)	—
Other comprehensive earnings	73.5	81.8
Comprehensive loss	(276.1)	(303.2)
Comprehensive earnings attributable to noncontrolling interests	(6.4)	(7.0)
Comprehensive loss attributable to parent	€ (282.5)	€ (310.2)

(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	(353.0)	—	(353.0)	3.4	(349.6)
Other comprehensive earnings, net of taxes	—	70.5	70.5	3.0	73.5
Stock-based compensation (note 10)	4.4	—	4.4	—	4.4
Capital charge in connection with the exercise of LGI stock incentive awards (notes 10 and 11)	(10.0)	—	(10.0)	—	(10.0)
Adjustments due to changes in subsidiaries' equity and other, net	—	—	—	(1.2)	(1.2)
Balance at March 31, 2010	€ (8,958.8)	€ 101.2	€ (8,857.6)	€ 165.9	€ (8,691.7)

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

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

	Three months ended March 31,	
	2010	**2009 (a)**
	in millions	
Cash flows from operating activities:		
Net loss	€ (349.6)	€ (385.0)
Earnings from discontinued operations	—	(2.3)
Loss from continuing operations	(349.6)	(387.3)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:		
Stock-based compensation	4.7	(1.0)
Related-party fees and allocations, net	8.3	9.7
Depreciation and amortization	245.9	260.8
Impairment, restructuring and other operating charges, net	1.9	3.6
Non-cash interest on shareholder loan	98.6	160.0
Amortization of deferred financing costs and non-cash interest	5.8	1.4
Realized and unrealized losses on derivative instruments, net	285.7	45.1
Foreign currency transaction losses, net	10.1	240.2
Realized and unrealized losses (gains) due to changes in fair values of certain investments, net	0.6	(1.4)
Deferred income tax expense (benefit)	7.9	(16.3)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	(49.7)	(80.1)
Net cash provided by operating activities of discontinued operations	—	6.1
Net cash provided by operating activities	270.2	240.8
Cash flows from investing activities:		
Capital expended for property and equipment	(186.3)	(220.5)
Other investing activities, net	(0.3)	0.6
Net cash used by investing activities of discontinued operations	—	(3.3)
Net cash used by investing activities	€ (186.6)	€ (223.2)

(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)

	Three months ended March 31,	
	2010	2009 (a)
	in millions	
Cash flows from financing activities:		
Repayments of third-party debt and capital lease obligations	€ (846.0)	€ (0.6)
Borrowings of third-party debt	797.0	—
Net repayments of shareholder loan	(49.1)	(47.2)
Payment of deferred financing costs	(14.2)	(20.5)
Other financing activities, net	0.2	—
Net cash used by financing activities	(112.1)	(68.3)
Effect of exchange rate changes on cash – continuing operations	3.9	(1.4)
Net increase (decrease) in cash and cash equivalents:		
Continuing operations	(24.6)	(54.9)
Discontinued operations	—	2.8
Total	(24.6)	(52.1)
Cash and cash equivalents:		
Beginning of period	159.7	108.6
End of period	€ 135.1	€ 56.5
Cash paid for interest – continuing operations	€ 68.1	€ 118.2
Net cash paid for taxes		
Continuing operations	€ 2.5	€ 2.2
Discontinued operations	—	0.3
Total	€ 2.5	€ 2.5

(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 March 31, 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 March 31, 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.

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.

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) <u>Common Control Transfer and Discontinued Operation</u>

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 March 31, 2009		
	Prior to restatement (a)	Common control restatement	As restated
		in millions	
SG&A expenses (including stock-based compensation)			
Stock-based compensation included in SG&A expenses	€ 2.8	€ (3.7)	€ (0.9)
Other SG&A expenses	145.8	(8.7)	137.1
Total	€ 148.6	€ (12.4)	€ 136.2
Related party fees and allocations, net	€ (5.7)	€ 15.4	€ 9.7
Loss from continuing operations	€ (386.1)	€ (1.2)	€ (387.3)

(a) Amounts shown reflect the reclassification of UPC Slovenia to discontinued operations.

2009 Discontinued Operation

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 months ended March 31, 2009 are classified as discontinued operations in our condensed consolidated statement of operations and are summarized in the following table:

	Three months ended March 31, 2009
	in millions
Revenue	€ 11.4
Operating income	€ 2.0
Earnings before income taxes and noncontrolling interests	€ 2.0
Income tax benefit	€ 0.3
Earnings from discontinued operations attributable to parent, net of taxes	€ 1.8

(4) Investments

The details of our investments are set forth below:

Accounting Method	March 31, 2010	December 31, 2009
	in millions	
Fair value	€ 25.8	€ 26.9
Equity	3.8	3.4
Cost	0.4	0.4
Total	€ 30.0	€ 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 euro (€), the United States (U.S.) dollar ($), the Czech koruna (CZK), the Hungarian forint (HUF), the Polish zloty (PLN), the Romanian lei (RON), the Swiss franc (CHF) and the

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

	March 31, 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)	€ 82.0	€ 42.4	€ 124.4	€ 107.0	€ 107.6	€ 214.6
Foreign currency forward contracts	0.7	—	0.7	—	—	—
Embedded derivatives	1.2	1.3	2.5	0.6	0.4	1.0
Total	€ 83.9	€ 43.7	€ 127.6	€ 107.6	€ 108.0	€ 215.6
Liabilities:						
Cross-currency and interest rate derivative contracts (b)	€ 368.8	€ 796.3	€ 1,165.1	€ 411.9	€ 733.1	€ 1,145.0
Foreign currency forward contracts	0.8	—	0.8	3.6	—	3.6
Embedded derivatives	0.2	0.4	0.6	0.2	0.7	0.9
Total	€ 369.8	€ 796.7	€ 1,166.5	€ 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 March 31, 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 €2.6 million and the fair values of our cross-currency and interest rate derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating €82.5 million. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market and market quotations for certain of our subsidiaries' debt instruments, as applicable. Based on our evaluation of market conditions and recent transactions, we may determine that interest rate spreads obtained from market quotations for our subsidiaries' debt instruments require adjustment in order to estimate credit spreads. These adjustments are intended to remove the impacts of estimated liquidity spreads and other factors, such as distressed sales, that cause market quotations to not be reflective of fair values. The change in the credit risk valuation adjustments associated with our derivative instruments resulted in a net gain of €27.6 million and a net loss of €27.3 million during the three months ended March 31, 2010 and 2009, respectively, and 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 March 31,	
	2010	2009
	in millions	
Cross-currency and interest rate derivative contracts	€ (290.7)	€ (38.0)
Foreign currency forward contracts	3.2	(4.7)
Embedded derivatives	1.8	(2.4)
Total	€ (285.7)	€ (45.1)

The net cash received or 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 net cash paid related to our derivative instruments of €183.2 million and €119.2 million during the three months ended March 31, 2010 and 2009, respectively, is classified within operating activities in our condensed consolidated statements of cash flows.

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative contracts will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative contracts is spread across a relatively broad counterparty base of banks and financial institutions. We generally do not require counterparties to our derivative instruments to provide collateral or other security or to enter into master netting arrangements. At March 31, 2010, our exposure to credit risk included derivative assets with a fair value of €127.6 million.

Under our derivative contracts, the exercise of termination and set-off provisions is generally at the option of the non-defaulting party only. However, in an insolvency of a derivative counterparty, a liquidator may be able to force the termination of a derivative contract. In addition, mandatory set-off of amounts due under the derivative contract and potentially other contracts between our company and the relevant counterparty may be applied under the insolvency regime of the relevant jurisdiction. Accordingly, it is possible that certain amounts owing between our company and an insolvent counterparty could be set-off, even if that counterparty had previously defaulted on its obligations under a derivative contract with our company. While we anticipate that, in the event of the insolvency of one of our derivative counterparties, we would seek to novate our derivative contracts to different counterparties, no assurance can be given that we would be able to do this on terms or pricing that would be acceptable to us. If we are unable to, or choose not to, novate to a different 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 March 31, 2010 are as follows:

Subsidiary (a)		Notional amount due from counterparty	Notional amount due to counterparty		Interest rate due from counterparty	Interest rate due to counterparty
		in millions				
UPC Holding:						
April 2016	$	400.0	CHF	441.8	9.88%	9.87%
UPC Broadband Holding BV (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	€	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%
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%
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 March 31, 2010, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to March 31, 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 March 31, 2010 are as follows:

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

(a) For each subsidiary, the notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. For derivative instruments that were in effect as of March 31, 2010, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to March 31, 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 March 31, 2010 are as follows:

Subsidiary (a)		**Notional amount in millions**	**Interest rate due from counterparty**	**Interest rate due to counterparty**
UPC Broadband Holding:				
April 2010	€	1,000.0	6 mo. EURIBOR	3.28%
April 2010 – 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%
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 March 31, 2010, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to March 31, 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 our cross-currency option contracts, we have the option to require the counterparty to deliver U.S. dollars in exchange for Swiss francs at a fixed exchange rate of 1.10 Swiss francs per one U.S. dollar, in the notional amounts listed below:

Contract expiration date	Notional amount at March 31, 2010 in millions
October 13, 2016	$ 19.8
April 12, 2017	$ 19.8
October 12, 2017	$ 19.8
April 12, 2018	$ 419.8

Foreign Currency Forwards

The following table summarizes our outstanding foreign currency forward contracts at March 31, 2010:

Subsidiary	Currency purchased forward		Currency sold forward		Maturity dates
	in millions				
UPC Broadband Holding	€	1.7	HUF	457.3	April 2010 – June 2011
UPC Broadband Holding	€	1.1	PLN	4.5	April 2010 – March 2011
UPC Broadband Holding	€	67.2	$	90.2	April 2010
VTR	$	48.1	CLP	25,747.1	April 2010 — February 2011

(6) Fair Value Measurements

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

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

Description	March 31, 2010	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Fair value measurements at March 31, 2010 using:		
		in millions	
Assets:			
Derivatives:			
Cross-currency and interest rate derivative contracts	€ 124.4	€ 124.4	€ —
Foreign currency forward contracts	0.7	0.7	—
Embedded derivatives	2.5	2.5	—
Total derivatives	127.6	127.6	—
Investments	25.8	—	25.8
Total assets	€ 153.4	€ 127.6	€ 25.8
Liabilities – Derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 1,165.1	€ 1,165.1	€ —
Foreign currency forward contracts	0.8	0.8	—
Embedded derivatives	0.6	0.6	—
Total liabilities – derivative instruments	€ 1,166.5	€ 1,166.5	€ —

Description	March 31, 2010	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Fair value measurements at December 31, 2009 using:		
		in millions	
Assets:			
Derivatives:			
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 values of certain investments, net (a)	(0.6)
Dispositions	(1.6)
Foreign currency translation adjustments	1.1
Balance at March 31, 2010	€ 25.8

(a) Substantially all of the losses recognized during the three months ended March 31, 2010 relate to assets and liabilities that we continue to carry on our condensed consolidated balance sheet as of March 31, 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:

	March 31, 2010	December 31, 2009
	in millions	
Distribution systems	€ 6,540.1	€ 6,306.3
Support equipment, buildings and land	1,046.8	1,013.8
	7,586.9	7,320.1
Accumulated depreciation	(3,690.3)	(3,455.8)
Total property and equipment, net	€ 3,896.6	€ 3,864.3

Goodwill

Changes in the carrying amount of our goodwill for the three months ended March 31, 2010 are set forth below:

	January 1, 2010	Foreign currency translation adjustments and other	March 31, 2010
		in millions	
UPC Europe:			
The Netherlands	€ 912.1	€ —	€ 912.1
Switzerland	1,916.1	81.4	1,997.5
Other Western Europe	781.6	—	781.6
Total Western Europe	3,609.8	81.4	3,691.2
Central and Eastern Europe	784.1	23.5	807.6
Total UPC Europe	4,393.9	104.9	4,498.8
VTR (Chile)	367.2	9.0	376.2
Total	€ 4,761.1	€ 113.9	€ 4,875.0

We continue to experience difficult economic environments and significant competition in most of our markets, particularly in Romania and Hungary, which collectively accounted for €323.4 million of the goodwill in our Central and Eastern Europe reportable segment at March 31, 2010. If, among other factors, (i) LGI's equity value declines or (ii) the adverse impacts of economic or competitive factors are worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

At March 31, 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 €189.8 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:

	March 31, 2010	December 31, 2009
	in millions	
Gross carrying amount:		
Customer relationships	€ 1,110.3	€ 1,088.4
Other	5.5	8.1
	€ 1,115.8	€ 1,096.5
Accumulated amortization:		
Customer relationships	€ (690.3)	€ (644.0)
Other	(4.1)	(6.6)
	€ (694.4)	€ (650.6)
Net carrying amount:		
Customer relationships	€ 420.0	€ 444.4
Other	1.4	1.5
	€ 421.4	€ 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:

	March 31, 2010						
	Weighted average interest rate (a)	Unused borrowing capacity (b)		Estimated fair value (c)		Carrying value (d)	
		Borrowing currency	Euro equivalent	March 31, 2010	December 31, 2009	March 31, 2010	December 31, 2009
				in millions			
Debt:							
Parent:							
Shareholder loan	4.80%	€ —	€ —	(e)	(e)	€ 8,286.4	€ 8,331.4
UPC Holding Senior Notes	8.81%	€ —	—	€ 1,660.5	€ 1,602.1	1,564.5	1,548.3
Subsidiaries:							
UPC Broadband Holding Bank Facility	3.82%	€ 769.7	769.7	€ 5,678.7	€ 5,935.8	5,884.6	6,316.5
UPCB Finance Senior Secured Notes (f)	7.63%	€ —	—	€ 511.8	€ —	495.7	—
VTR Bank Facility (g)	—	CLP —	—	€ —	€ 321.5	—	321.5
Other	6.60%	€ —	—	€ 0.8	€ 6.6	0.8	6.6
Total debt	4.91%		€ 769.7			16,232.0	16,524.3
Capital lease obligations						27.4	24.2
Total debt and capital lease obligations						16,259.4	16,548.5
Current maturities						(5.5)	(14.4)
Long-term debt and capital lease obligations						€ 16,253.9	€ 16,534.1

(a) Represents the weighted average interest rate in effect at March 31, 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 commitment fees, but excluding the impact of financing costs, our estimated weighted average interest rate on our aggregate variable and fixed rate third-party indebtedness was approximately 8.2% at March 31, 2010. For information concerning our derivative instruments, see note 5.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at March 31, 2010 without regard to covenant compliance calculations. At March 31, 2010, our availability under the UPC Broadband Holding Bank Facility (as defined below) was limited to €58.9 million. Additionally, when the March 31, 2010 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €148.1 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, 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 is scheduled to be repaid in 2020 and is subordinated in right of payment to the prior payment in full of the UPC Holding Senior Notes in the event of (i) a total or partial liquidation, dissolution or winding up of UPC Holding, (ii) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (iii) an assignment for the benefit of creditors or (iv) any marshalling of UPC Holding's assets or liabilities. Accrued interest is included in other long-term liabilities until the end of each fiscal year and then it is transferred to the loan balance. The interest rate on the shareholder loan is reviewed annually, with any adjustment effective on October 1 of each year. The interest rate was 4.80% and 7.58% for the three months ended March 31, 2010 and 2009, respectively. The net decrease in the shareholder loan balance during the three months ended March 31, 2010 includes (i) cash payments of €1,134.8 million, (ii) cash borrowings of €1,085.7 million, (iii) a €3.4 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 increases aggregating €0.7 million. During the three months ended March 31, 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. On January 19, 2010, the existing Facility S and existing Facility T under the UPC Broadband Holding Bank Facility were increased by (i) a €40.0 million term loan facility (Facility S3) made pursuant to an Additional Facility S Accession Agreement (the Facility S3 Accession Agreement) and (ii) a $162.0 million (€119.7 million) term loan facility (Facility T5) made pursuant to an Additional Facility T Accession Agreement (the Facility T5 Accession Agreement). Pursuant to the Facility S3 Accession Agreement and the Facility T5 Accession Agreement, certain Facility P lenders (the Rolling P Lenders) agreed to roll their Facility P commitments into the new Facility S3 or T5, as applicable, by novating their Facility P commitments to UPC Broadband Operations B.V. (UPC Broadband Operations), a direct subsidiary of UPC Broadband Holding, and entered into the new Facility S3 and T5 as relevant. UPC Broadband Operations, the initial lender under Facility S3 and T5, novated its Facility S3 and Facility T5 commitments to the Rolling P Lenders.

On March 24, 2010, UPC Broadband Holding entered into a new additional facility accession agreement (the Additional Facility W Accession Agreement) under the UPC Broadband Holding Bank Facility. Pursuant to the Additional Facility W Accession Agreement, certain Facility M and Facility P lenders (the Rolling M and P Lenders) agreed to roll all or part of their existing Facility M and Facility P commitments into a new redrawable term loan facility (Facility W) in an aggregate principal amount of €218.0 million. The Rolling M and P Lenders novated their existing drawn Facility M and Facility P commitments of €208.8 million and €26.1 million, respectively, to UPC Broadband Operations, and entered into the new Facility W, which was undrawn at closing. UPC Broadband Operations, the initial lender under the Additional Facility W Accession Agreement, novated its undrawn Facility W commitment of €218.0 million to the Rolling M and P Lenders in the amounts of €191.9 million and €26.1 million, respectively. An annual commitment fee of 1.20% of the undrawn uncancelled portion of the total Facility W commitment is payable quarterly in arrears. Facility W may be upsized in the future by entering into one or more additional facility accession agreements.

The details of our borrowings under the UPC Broadband Holding Bank Facility as of March 31, 2010 are summarized in the following table:

		March 31, 2010						
Facility	Final maturity date	Interest rate	Facility amount (in borrowing currency) (a)		Unused borrowing capacity (b)		Carrying value (c)	
					in millions			
L	July 3, 2012	EURIBOR + 2.25%	€	129.7	€	129.7	€	—
M	(d)	EURIBOR + 2.00%	€	592.7		—		592.7
N	(d)	LIBOR + 1.75%	$	1,400.0		—		1,034.5
O	July 31, 2013	(e)		(e)		—		52.3
P	September 2, 2013	LIBOR + 2.75%	$	259.2		—		191.5
Q	(f)	EURIBOR + 2.75%	€	422.0		422.0		—
R	(f)	EURIBOR + 3.25%	€	263.3		—		263.3
S	(g)	EURIBOR + 3.75%	€	1,740.0		—		1,740.0
T	(g)	LIBOR + 3.50%	$	1,038.1		—		759.5
U	(h)	EURIBOR + 4.00%	€	1,250.8		—		1,250.8
V (i)	January 15, 2020	7.625%	€	500.0		—		500.0
W	(j)	EURIBOR + 3.00%	€	218.0		218.0		—
Elimination of Facility V in consolidation (i)			€	(500.0)		—		(500.0)
Total					€	769.7	€	5,884.6

(a) Amounts represent total commitments at March 31, 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 March 31, 2010, our availability under the UPC Broadband Holding Bank Facility was limited to €58.9 million. When the March 31, 2010 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €148.1 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 (€22.5 million) sub-tranche and (ii) a PLN 115.1 million (€29.8 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 Facility U is the earlier of (i) December 31, 2017 and (ii) October 17, 2013, the date falling 90 days prior to the date on which 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) 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.

(j) 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.

Subsequent refinancing events. On April 20, 2010 (i) €26.1 million of commitments under Facility M were effectively rolled into Facility W and (ii) $37.2 million (€27.5 million) and $9.7 million (€7.2 million) of commitments under Facility P were effectively rolled into Facilities R and T, respectively. On May 4, 2010, certain Facility N lenders (the Rolling N Lenders) agreed to roll their existing Facility N commitments into a new term loan facility (Facility X) in an aggregate principal amount of $1,042.8 million (€770.5 million). The Rolling N lenders novated their existing Facility N commitments to UPC Broadband Operations and entered into the new Facility X. UPC Broadband Operations, the initial lender under Facility X, novated its Facility X commitment to the Rolling N Lenders. This novation process was completed on May 21, 2010. The final maturity date for Facility X is equivalent to that of Facility U, as described above. Facility X bears interest at (i) LIBOR plus 1.75% per annum from May 4, 2010 up to and including June 30, 2010 and (ii) LIBOR plus 3.50% per annum after June 30, 2010.

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 March 31, 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	859.6	—	859.6
2014	1,627.2	—	1,627.2
Thereafter	5,516.8	8,286.4	13,803.2
Total debt maturities	8,004.2	8,286.4	16,290.6
Unamortized discount	(58.6)	—	(58.6)
Total debt	€ 7,945.6	€ 8,286.4	€ 16,232.0
Current portion	€ 0.2	€ —	€ 0.2
Noncurrent portion	€ 7,945.4	€ 8,286.4	€ 16,231.8

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

Capital lease obligations (in millions):

Year ended December 31:		
Remainder of 2010	€	5.6
2011		3.8
2012		3.1
2013		2.7
2014		2.5
Thereafter		25.8
		43.5
Amounts representing interest		(16.1)
Present value of net minimum lease payments	€	27.4
Current portion	€	5.3
Noncurrent portion	€	22.1

Non-cash Refinancing Transactions

During the three months ended March 31, 2010 and 2009, we completed certain refinancing transactions that resulted in non-cash borrowings and repayments of debt aggregating €114.8 million and €503.0 million, respectively.

(9) Income Taxes

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

	Three months ended March 31,	
	2010	2009 (a)
	in millions	
Computed "expected" income tax benefit	€ 86.4	€ 102.4
Change in valuation allowance	(84.8)	(45.4)
Non-deductible or non-taxable interest and other expenses	(13.1)	(30.0)
International rate differences	(1.3)	(11.2)
Other, net	1.9	(1.7)
	€ (10.9)	€ 14.1

(a) As restated. See note 3.

(10) Stock Incentive Awards

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

	Three months ended March 31, 2010		2009 (a)	
	in millions			
	U.S. dollar	Euro equivalent	U.S. dollar	Euro equivalent
LGI common stock:				
LGI Performance Plans (b)	$ 3.3	€ 2.4	$ (4.7)	€ (3.6)
Other LGI stock incentive awards	2.8	2.0	2.7	2.1
Total LGI common stock	6.1	4.4	(2.0)	(1.5)
Other	0.4	0.3	0.7	0.5
Total	$ 6.5	€ 4.7	$ (1.3)	€ (1.0)
Included in:				
Operating expense	$ 0.7	€ 0.5	$ (0.2)	€ (0.1)
SG&A expense	5.8	4.2	(1.1)	(0.9)
Total	$ 6.5	€ 4.7	$ (1.3)	€ (1.0)

(a) As restated. See note 3.

(b) The stock-based compensation related to the LGI Performance Plans (as defined below) during the three months ended March 31, 2009 includes a €0.8 million reduction associated with the settlement of the second installment of awards under the LGI Performance Plans (as defined below) and an €8.2 million reduction related to the forfeiture of certain awards.

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 March 31, 2010:

	LGI common stock (a)		LGI Performance Plans (b)		LGI PSUs (c)	
	U.S. $	Euro equivalent (d)	U.S. $	Euro equivalent (d)	U.S. $	Euro equivalent (d)
Total compensation expense not yet recognized (in millions)	$ 25.6	€ 18.9	$ 6.4	€ 4.7	$ 2.3	€ 1.7
Weighted average period remaining for expense recognition (in years)	2.3		1.0		2.3	

(a) Amounts relate to the Liberty Global, Inc. 2005 Incentive Plan (as amended and restated October 31, 2006) (the LGI Incentive Plan). The LGI Incentive Plan had 18,585,296 shares available for grant as of March 31, 2010. These shares may be awarded in any series of our common stock.

(b) Compensation expense under these performance-based incentive plans 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 these performance-based incentive plans.

(c) Amounts relate to LGI performance-based restricted share units (PSUs), as discussed below.

(d) The U.S. dollar amounts have been translated into euros at the March 31, 2010 spot rate.

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

LGI common stock:	Three months ended March 31, 2010		Three months ended March 31, 2009	
Weighted average grant-date fair value per share of awards granted:				
Restricted stock	$	24.52	$	11.82
PSUs	$	28.44	$	—
Total intrinsic value of awards exercised (in millions):				
Options	$	0.1	$	—
Stock appreciation rights (SARs)	$	3.2	$	0.1
Cash received from exercise of options (in millions)	$	0.3	$	—
Income tax benefit related to stock-based compensation (in millions)	$	—	$	0.1

LGI Performance Plans

The LGI Performance Plans are the performance-based incentive plans for LGI's senior executives and certain key employees. The LGI Performance Plans are five-year plans, with a two-year performance period, beginning January 1, 2007, and a three-year service period beginning January 1, 2009. At the end of the two-year performance period, each participant became eligible to receive varying percentages of the maximum achievable award specified for such participant based on LGI's achievement of specified compound annual growth rates (CAGR) in consolidated operating cash flow (see note 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 (€37.6 million) (including $9.8 million (€7.2 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.

On March 26, 2010, the compensation committee granted to LGI's executive officers a total of 349,100 LGI Series A PSUs and 349,100 LGI Series C PSUs (including 40,728 and 40,728, respectively, granted to an employee of one of our subsidiaries) pursuant to the Liberty Global, Inc. 2005 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. Subsequent to March 31, 2010, in connection with its annual equity grant process, the compensation committee approved a grant of PSUs to certain key employees.

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 7.0% 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 three months ended March 31, 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	(3,281)	$ 20.48		
Outstanding at March 31, 2010	477,531	$ 22.21	2.4	$ 3.5
Exercisable at March, 2010	471,967	$ 22.23	2.4	$ 3.4

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	(9,844)	$ 21.79		
Outstanding at March 31, 2010	510,478	$ 20.90	2.6	$ 4.2
Exercisable at March 31, 2010	504,914	$ 20.91	2.6	$ 4.1

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	608,160	$ 24.73	
Transfers, net	(12,051)	$ 25.05	
Expired or canceled	—	$ —	
Forfeited	(1,721)	$ 24.89	
Released from restrictions	(25,732)	$ 25.05	
Outstanding at March 31, 2010	810,820	$ 24.41	1.4

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	587,868	$ 24.30	
Transfers, net	(12,051)	$ 23.95	
Expired or canceled	—	$ —	
Forfeited	(1,721)	$ 23.96	
Released from restrictions	(25,732)	$ 23.95	
Outstanding at March 31, 2010	790,528	$ 23.85	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	—	$ —		
Transfers, net	(30,822)	$ 15.79		
Expired or canceled	(22,312)	$ 36.87		
Forfeited	(4,725)	$ 15.89		
Exercised	(196,536)	$ 19.44		
Outstanding at March 31, 2010	1,107,930	$ 16.68	4.6	$ 13.3
Exercisable at March 31, 2010	545,352	$ 17.40	3.1	$ 5.9

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	—	$ —		
Transfers, net	(30,822)	$ 15.60		
Expired or canceled	(22,312)	$ 34.34		
Forfeited	(4,725)	$ 15.71		
Exercised	(193,389)	$ 18.65		
Outstanding at March 31, 2010	1,058,727	$ 16.64	4.8	$ 12.4
Exercisable at March 31, 2010	496,149	$ 17.59	3.4	$ 5.0

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	40,728	$ 28.63	
Expired or canceled	—	$ —	
Forfeited	—	$ —	
Released from restrictions	—	$ —	
Outstanding at March 31, 2010	40,728	$ 28.63	2.3

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	40,728	$ 28.25	
Expired or canceled	—	$ —	
Forfeited	—	$ —	
Released from restrictions	—	$ —	
Outstanding at March 31, 2010	40,728	$ 28.25	2.3

At March 31, 2010, total SARs outstanding included 36,654 LGI Series A common stock capped SARs and 36,654 LGI Series C common stock capped SARs, all of which were exercisable. The holder of an LGI Series A common stock capped SAR will receive the difference between $6.84 and the lesser of $10.90 or the market price of LGI Series A common stock on the date of exercise. The holder of an LGI Series C common stock capped SAR will receive the difference between $6.48 and the lesser of $10.31 or the market price of LGI Series C common stock on the date of exercise.

(11) Related-Party Transactions

Our related-party transactions consist of the following:

	Three months ended March 31,	
	2010	2009 (a)
	in millions	
Revenue	€ 2.7	€ 2.0
Operating expenses	(16.4)	(15.6)
SG&A expenses	(0.2)	(0.3)
Allocated stock-based compensation	(4.4)	1.5
Fees and allocations, net	(8.3)	(9.7)
Included in operating income	(26.6)	(22.1)
Interest expense	(98.6)	(160.0)
Included in net loss	€ (125.2)	€ (182.1)

(a) As restated. See note 3.

Revenue. Amounts consist primarily of construction and programming services provided to our equity method affiliates and, to a lesser extent programming services provided to Chellomedia 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., another indirect subsidiary of LGI, in the aggregate amounts of €14.2 million and €13.2 million during the three months ended March 31, 2010 and 2009, respectively. In addition, operating expenses include costs for programming costs and interconnect fees charged by certain of LGI's affiliates of €2.2 million and €2.4 million during the three months ended March 31, 2010 and 2009, respectively.

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

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

Fees and allocations, net. These amounts include the net effect of charges to and from various LGI subsidiaries, including (i) aggregate charges from LG Europe and LGE Ltd. of €13.1 million and €15.4 million, during the three months ended March 31, 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 March 31, 2010 and 2009, respectively, and (iii) charges to LGI and certain other LGI subsidiaries of €0.5 million and €5.7 million, during the three months ended March 31, 2010 and 2009, respectively. These charges generally relate to management, finance, legal, technology and other corporate and administrative services provided to or by our company 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 amounts charged 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. With the exception of the costs allocated to Unitymedia, which are 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. Amounts represent 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 fees and allocations described above are reasonable, no assurance can be given that the costs and expenses reflected in our condensed consolidated statements of operations are reflective of the costs that we would incur on a stand-alone basis.

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

	March 31, 2010	December 31, 2009
	in millions	
Receivables	€ 4.3	€ 7.5
Accounts payable	€ 8.0	€ 12.6
Accrued liabilities	27.5	6.1
Other long-term liabilities (a)	98.6	—
Shareholder loan (note 8)	8,286.4	8,331.4
Total	€ 8,420.5	€ 8,350.1

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

During the three months ended March 31, 2010, (i) we increased the amount of our shareholder loan to reflect charges to our company from LGI of €2.4 million in connection with the exercise of LGI SARS and stock options and the vesting of LGI restricted stock awards held by employees of our subsidiaries and (ii) we paid €7.6 million during the three months ended March 31, 2010 to LGI as a reimbursement of the amounts paid by LGI to employees of our subsidiaries pursuant to the LGI Performance Plans. These charges and reimbursements are reflected as capital charges and distributions in connection with LGI stock incentive awards in our condensed consolidated statement of owners' deficit.

(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 (€2.4 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 (€50.1 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 became effective on March 17, 2009. UPC Netherlands filed an appeal against the decision on April 15, 2009 with College van Beroep voor het bedrijfsleven (CBb), the Dutch Supreme Administrative Court. Pending the outcome of this appeal, UPC Netherlands will be required to comply with the decision. The appeal hearing took place on March 18, 2010 and a decision of the CBb is not expected before the end of 2010.

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

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

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

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

Pricing of the wholesale offer for analog and digital transmission capacity will be at cost-oriented prices. Pricing of the wholesale offer for resale of the analog package, including access to UPC Netherlands' transmission platform for purposes of resale, will be based on a discount to UPC Netherlands' retail rates, at a level to be determined by OPTA and, if no retail offer of UPC Netherlands is available, on cost-oriented basis. Both access obligations come with the obligation to provide access to the relevant network elements and facilities, including set-top boxes, co-location, software systems and operational supporting systems, at cost-oriented prices if no relevant retail tariff is available to define the retail minus tariff. Furthermore, UPC Netherlands will not be allowed to discriminate between third parties and its own retail business in making these services available. This includes, for example, a prohibition on offering loyalty discounts to its own customers.

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

UPC Netherlands was also required to publish reference offers regarding the wholesale offer for analog resale as well as digital transmission capacity. UPC Netherlands published the reference offer-resale on May 18, 2009, and the reference offer-digital transmission capacity on November 2, 2009. In respect of the reference offer-resale, OPTA published a draft implementation decision on October 30, 2009, which was subject to national consultation and European Commission notification. OPTA initiated Industry Group meetings with respect to the reference offer-digital transmission capacity, which commenced at the end of November 2009 and are ongoing.

OPTA issued its final implementation decision and its final tariff decision on analog resale on March 10, 2010. Both decisions are similar to OPTA's draft decisions. The tariff decision sets a wholesale rate of €8.83 per month or 62.5% of UPC Netherlands' retail rate. The wholesale rate is subject to annual adjustments for cost of living increases beginning in April 2010. UPC Netherlands is required to begin offering its analog cable package (together with the requested access) to resellers in (i) June 2010 with respect to existing analog-only customers and (ii) November 2010 with respect to all of its customers. UPC Netherlands has appealed both decisions.

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

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

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

Chile Earthquake – On February 27, 2010, certain areas served by VTR's broadband communications network in Chile experienced a significant earthquake. This earthquake and the related tsunami destroyed over 24,000 homes that were passed by VTR's broadband communications network, resulting in the loss of an estimated 15,500 revenue generating units. With the exception of these destroyed homes, service had been restored to substantially all of VTR's remaining customers as of March 31, 2010. We expect that the earthquake, in combination with competitive and economic factors, will continue to adversely impact VTR's results of operations during the remainder of 2010 and future periods. However, assuming that aftershocks from the earthquake do not cause further material damage, we currently expect that the direct financial and operational impacts of the earthquake (i) will progressively lessen over time and (ii) will not be material to our consolidated results of operations or financial condition.

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

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

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

Segment information for all periods presented has been restated to (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 March 31, 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.

	Three months ended March 31,			
	2010		2009	
	Revenue	Operating cash flow	Revenue	Operating cash Flow (a)
Performance Measures	in millions			
UPC Europe:				
The Netherlands	€ 213.4	€ 122.2	€ 204.5	€ 117.0
Switzerland	188.0	102.6	182.5	100.1
Other Western Europe	154.7	71.1	148.9	67.9
Total Western Europe	556.1	295.9	535.9	285.0
Central and Eastern Europe	206.7	102.8	194.6	99.5
Central operations	0.2	(26.5)	(0.5)	(31.7)
Total UPC Europe	763.0	372.2	730.0	352.8
VTR (Chile)	131.5	50.7	119.4	47.0
Total	€ 894.5	€ 422.9	€ 849.4	€ 399.8

(a) As restated. See note 3.

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

	Three months ended March 31, 2010	Three months ended March 31, 2009 (a)
	in millions	
Total segment operating cash flow from continuing operations	€ 422.9	€ 399.8
Stock-based compensation	(4.7)	1.0
Related-party fees and allocations, net	(8.3)	(9.7)
Depreciation and amortization	(245.9)	(260.8)
Impairment, restructuring and other operating charges, net	(1.9)	(3.6)
Operating income	162.1	126.7
Interest expense:		
Third party	(111.7)	(89.8)
Related party	(98.6)	(160.0)
Interest income	2.7	6.2
Realized and unrealized losses on derivative instruments, net	(285.7)	(45.1)
Foreign currency transaction losses, net	(10.1)	(240.2)
Realized and unrealized gains (losses) due to changes in fair values of certain investments, net	(0.6)	1.4
Other income (expense), net	3.2	(0.6)
Loss from continuing operations before income taxes	€ (338.7)	€ (401.4)

(a) As restated. See note 3.

Revenue by Major Category

Our revenue by major category is set forth below:

	Three months ended March 31, 2010	Three months ended March 31, 2009
	in millions	
Subscription revenue (a):		
Video	€ 443.9	€ 428.9
Broadband internet	225.7	209.2
Telephony	125.1	120.3
Total subscription revenue	794.7	758.4
Other revenue (b)	99.8	91.0
Total	€ 894.5	€ 849.4

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

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

Geographic Segments

The revenue of our geographic segments is set forth below:

	Three months ended March 31, 2010	Three months ended March 31, 2009
	in millions	
Europe:		
The Netherlands	€ 213.4	€ 204.5
Switzerland	188.0	182.5
Austria	87.4	87.8
Ireland	67.3	61.1
Poland	57.4	45.5
Hungary	55.2	58.5
Czech Republic	47.6	45.0
Romania	31.5	30.5
Slovakia	13.6	13.4
Other (a)	1.6	1.2
Total Europe	763.0	730.0
Chile	131.5	119.4
Total	€ 894.5	€ 849.4

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

The revenue and operating cash flow of our reportable segments for each quarter of 2009, as restated to give effect to the centralization of UPC Europe's DTH operations, are presented in the following table:

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

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

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 months ended March 31, 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 March 31, 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, the maturity of our markets, anticipated cost increases, liquidity, credit risks, foreign currency risks and target leverage levels. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. 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, and the entities in which we have interests, operate;
- the competitive environment in the broadband communications and programming industries in the countries in which we, and the entities in which we have interests, operate;
- competitor responses to our products and services, and the products and services of the entities in which we have interests;
- fluctuations in currency exchange rates and interest rates;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of existing service offerings, including our digital video, voice and broadband internet services;

- consumer acceptance of new technology, programming alternatives and broadband services that we may offer;
- our ability to manage rapid technological changes;
- our ability to maintain or increase the number of subscriptions to our digital video, voice and broadband internet services and our average revenue per household;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- the outcome of any pending or threatened litigation;
- continued consolidation of the foreign broadband distribution industry;
- changes in, or failure or inability to comply with, government regulations in the countries in which we, and the entities in which we have interests, operate and adverse outcomes from regulatory proceedings;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions, as well as our ability to satisfy conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- government intervention that opens our broadband distribution networks to competitors;
- our ability to successfully negotiate rate 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;
- 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.

Overview

We are an indirect subsidiary of LGI and an international provider of video, voice and broadband internet services with consolidated broadband communications and/or DTH operations at March 31, 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.

We completed a minor acquisition in Europe during the second quarter of 2009 that impacts the comparability of our results for the three months ended March 31, 2010 and 2009.

As further described in note 3 to our condensed consolidated financial statements, we sold UPC Slovenia on July 15, 2009 and accordingly, our condensed consolidated statements of operations and cash flows have been reclassified to present UPC Slovenia as a discontinued operation. In the following discussion and analysis, the operating statistics, results of operations, cash flows and financial condition that we present and discuss are those of our continuing operations unless otherwise indicated.

During the first quarter of 2010, we initiated the process of centralizing UPC Europe's DTH operations into a Luxembourg-based organization, which we refer to as "Luxco DTH," and began reporting the DTH operations under a centralized management structure within UPC Europe's Central and Eastern Europe reportable segment. Previously, these operations, which provide DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia, were managed by the respective local management in these countries with support from UPC Europe's central operations, and accordingly, were included in the results of UPC Europe's Central and Eastern Europe and central operations segments. As a result of this change, the DTH operating results that were 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 March 31, 2010, we owned and operated networks that passed 16,542,200 homes and served 16,132,700 revenue generating units (RGUs), consisting of 9,321,600 video subscribers, 4,044,300 broadband internet subscribers and 2,766,800 telephony subscribers.

Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition RGU additions, our continuing operations added 104,800 RGUs during the three months ended March 31, 2010, as compared to 76,900 RGUs that were added on an organic basis during the corresponding period in 2009. The organic RGU growth during the three months ended March 31, 2010 is attributable to the growth of our (i) digital cable services, which added 190,700 RGUs, (ii) broadband internet services, which added 99,500 RGUs and (iii) telephony services, which added 93,200 RGUs. The growth of our digital cable, broadband internet and telephony services was partially offset by declines in our (i) analog cable RGUs of 268,900, (ii) DTH video RGUs of 7,100 and (iii) multi-channel multi-point (microwave) distribution system (MMDS) video RGUs of 2,600.

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 Switzerland, Hungary, Romania and, to a lesser extent, the Czech Republic and Slovakia during the first quarter of 2010, as compared to the fourth quarter of 2009;

(ii) organic declines in (a) subscription revenue in Hungary, Austria and, to a lesser extent, the Czech Republic, Slovakia and Switzerland and (b) overall revenue in Hungary and, to a lesser extent, Austria, the Czech Republic and Romania during the first quarter of 2010, as compared to the first quarter of 2009;

(iii) organic declines in (a) video revenue in Hungary and, to a lesser extent, the Czech Republic, Romania, Switzerland and Slovakia, (b) broadband internet revenue in Hungary and, to a lesser extent, Romania and (c) telephony revenue in Switzerland and, to a lesser extent, Hungary, Ireland, Austria and Romania during the first quarter of 2010, as compared to the fourth quarter of 2009;

(iv) organic declines in (a) video revenue in Hungary, the Czech Republic, Ireland and, to a lesser extent, Slovakia, (b) broadband internet revenue in Hungary and Austria and (c) telephony revenue in Switzerland and, to a lesser extent, Hungary, Austria and the Czech Republic during the first quarter of 2010, as compared to the first quarter of 2009;

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

(vi) organic declines in video RGUs in all of our European markets during the first 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, Slovakia during the first quarter of 2010, as compared to the first 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 over 24,000 homes that were passed by VTR's broadband communications network, resulting in the loss of an estimated 15,500 RGUs. With the exception of these destroyed homes, service had been restored to substantially all of VTR's remaining customers as of March 31, 2010. The lost revenue associated with the destroyed homes, temporary service outages and 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. Moreover, during the first quarter of 2010, the adverse impacts of the earthquake, along with competitive and economic factors, contributed to (a) a slight organic decline in VTR's total video RGUs, (b) an organic decline in VTR's overall revenue, including organic declines in VTR's telephony, video and broadband internet revenue, as compared to the fourth quarter of 2009, (c) organic declines in VTR's telephony and video revenue, which led to organic declines in VTR's subscription and overall revenue, as compared to the first quarter of 2009, and (d) organic declines in VTR's ARPU from telephony, video and broadband internet services, as compared to the first quarter of 2009. We expect that the earthquake, in combination with competitive and economic factors, will continue to adversely impact VTR's results of operations during the remainder of 2010 and future periods. However, assuming that aftershocks from the earthquake do not cause further material damage, we currently expect that the direct financial and operational impacts of the earthquake (i) will progressively lessen over time and (ii) will not be material to our consolidated results of operations or financial condition.

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 first quarter of 2010, as compared to the first quarter of 2009. These declines were largely mitigated by (i) the impact of increased digital cable RGUs and other improvements in our RGU mix and (ii) the implementation of rate increases for analog cable and, to a lesser extent, other product offerings in certain markets.

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

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 for the three months ended March 31, 2010 and 2009 is affected by a minor acquisition. In the following discussion, we quantify the impact of this acquisition on our operating results. The acquisition impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the acquisition impact on an acquired entity's operating results during the first three months following the acquisition date such that changes from those operating results in subsequent periods are considered to be organic changes.

Changes in foreign currency exchange rates have a significant impact on our reported operating results as certain of our operating segments have functional currencies other than the euro. Our primary exposure to FX risk during the first quarter of 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, 57.1% of our euro revenue during that period 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 March 31, 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, 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 months ended March 31, 2010 as compared to the corresponding period 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 months ended March 31, 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 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 March 31, 2010	Three months ended March 31, 2009	Increase €	Increase %	Increase (decrease) excluding FX %
	in millions				
UPC Europe:					
The Netherlands	€ 213.4	€ 204.5	€ 8.9	4.4	4.4
Switzerland	188.0	182.5	5.5	3.0	0.7
Other Western Europe	154.7	148.9	5.8	3.9	3.9
Total Western Europe	556.1	535.9	20.2	3.8	3.0
Central and Eastern Europe	206.7	194.6	12.1	6.2	(1.7)
Central operations	0.2	(0.5)	0.7	N.M.	N.M.
Total UPC Europe	763.0	730.0	33.0	4.5	1.8
VTR (Chile)	131.5	119.4	12.1	10.1	(0.2)
Total	€ 894.5	€ 849.4	€ 45.1	5.3	1.5

N.M. – Not Meaningful.

The Netherlands. The Netherlands' revenue increased €8.9 million or 4.4% during the three months ended March 31, 2010, as compared to the corresponding period in 2009. This increase is attributable to an increase in subscription revenue that was partially offset by a decrease in non-subscription revenue. The increase in subscription revenue during the first quarter of 2010 is attributable to the positive impacts of (i) higher ARPU and (ii) a higher average number of RGUs. ARPU increased during the first quarter of 2010, as compared to the first quarter of 2009, as the positive impacts of (i) an improvement 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 a change in subscriber calling patterns, and (c) a higher proportion of customers selecting lower-priced tiers of broadband internet services. The increase in the average number of RGUs during the first quarter of 2010 is attributable to the net effect of increases in the average numbers of digital cable, broadband internet and telephony RGUs and a decline in the average number of analog cable RGUs. The decline in the Netherlands' average number of analog cable RGUs is primarily attributable to (i) the migration of analog cable customers to digital cable services and (ii) the effects of 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 decrease in the Netherlands' non-subscription revenue is primarily attributable to individually insignificant changes in various non-subscription revenue categories.

For information concerning potential adverse impacts on ARPU and revenue from analog cable services as a result of regulatory developments in the Netherlands, see note 12 to our condensed consolidated financial statements.

Switzerland. Switzerland's revenue increased €5.5 million or 3.0% during the three months ended March 31, 2010, as compared to the corresponding period in 2009. Excluding the effects of FX, Switzerland's revenue increased €1.3 million or 0.7%. This increase is attributable to an increase in non-subscription revenue that was partially offset by a slight decrease in subscription revenue. The slight decrease in subscription revenue is due primarily to the net effect of (i) a slight decrease in the average number of RGUs and (ii) a slight increase in ARPU. The decrease in the average number of RGUs is attributable to the net effect of (i) decreases in the average numbers of analog cable and, to a lesser extent, telephony RGUs and (ii) increases in the average numbers of digital cable and broadband internet RGUs. The decline in the average number of Switzerland's analog cable RGUs is primarily attributable to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition. ARPU increased slightly during the first quarter of 2010, as compared to the first quarter of 2009, due primarily to the net impact of (i) an improvement in Switzerland's RGU mix, attributable to higher proportions of digital cable and broadband internet RGUs, (ii) increased revenue from premium digital services and products, (iii) the adverse effects of competition, (iv) lower ARPU from telephony services, due primarily to lower telephony call volumes and a change in subscriber calling patterns, and (v) lower ARPU from broadband internet services, due primarily to an increase in the proportion of broadband internet subscribers selecting lower-priced tiers of service. The negative effects of the lower average number of telephony RGUs and the decline in telephony ARPU contributed to an organic decline in Switzerland's revenue from telephony services during the first quarter of 2010, as compared to the first quarter of 2009. The increase in Switzerland's non-subscription revenue is largely attributable to an increase in B2B revenue, due primarily to growth in the number of business broadband internet and telephony customers.

Other Western Europe. Other Western Europe's revenue increased €5.8 million or 3.9% during the three months ended March 31, 2010, as compared to the corresponding period in 2009. This increase is attributable to increases in both non-subscription and subscription revenue. The increase in subscription revenue during the first quarter of 2010 is attributable to the net effect of (i) a higher average number of RGUs and (ii) lower ARPU. The increase in subscription revenue in Other Western Europe, which is adversely impacted by the significant competition we are experiencing in Austria and, to a lesser extent, Ireland, is net of declines in (i) revenue from broadband internet and telephony services in Austria and (ii) revenue from video services in Ireland. The declines in Austria's revenue from broadband internet and telephony services led to declines in Austria's subscription and overall revenue during the first quarter of 2010, as compared to the first quarter of 2009. The increase in Other Western Europe's average number of RGUs is attributable to increases in the average numbers of digital cable, telephony and broadband internet RGUs that were only partially offset by decreases in the average numbers of analog cable and, to a lesser extent, MMDS RGUs. The decline in the average number of analog cable RGUs is primarily attributable to (i) the migration of analog cable customers to digital cable services and (ii) the effects of competition. The negative impact of lower average numbers of analog cable and MMDS RGUs led to an organic decline in the average number of total video RGUs in Other Western Europe during the first quarter of 2010, as compared to the first quarter of 2009. ARPU decreased in our Other Western Europe segment during the first quarter of 2010, due primarily to the negative impacts of (i) competition, (ii) a higher proportion of subscribers selecting lower-priced tiers of digital cable service and fewer premium digital products and services, (iii) lower ARPU from broadband internet services, due primarily to a higher proportion 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 a change in subscriber calling patterns. These negative factors were partially offset by the positive impacts of (i) an improvement 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 increase in Other Western Europe's non-subscription revenue during the first quarter of 2010 is primarily attributable to increases in (i) B2B revenue, due primarily to a first quarter 2010 settlement with the incumbent telecommunications operator in Austria, and (ii) installation revenue.

Central and Eastern Europe. Central and Eastern Europe's revenue increased €12.1 million or 6.2% during the three months ended March 31, 2010, as compared to the corresponding period in 2009. This increase includes €0.2 million attributable to the impact of an acquisition. Excluding the effects of an acquisition and FX, Central and Eastern Europe's revenue decreased €3.6 million or 1.8%, attributable to a decrease in subscription revenue that was only partially offset by a slight increase in non-subscription revenue. The decrease in subscription revenue during the first quarter of 2010 is attributable to the net effect of (i) lower ARPU and (ii) a higher average number of RGUs. ARPU decreased in our Central and Eastern Europe segment during the first quarter of 2010, due primarily to the negative impacts of (i) competition, (ii) a higher proportion of broadband internet and video subscribers selecting lower-priced tiers of service, (iii) lower analog cable revenue from premium video services and products and (iv) lower ARPU from telephony services, due primarily to lower telephony call volumes and a change in subscriber calling patterns. These negative factors were partially offset by the positive impacts of (i) an improvement in RGU mix, attributable to higher proportions of digital cable and broadband internet RGUs, and (ii) higher digital cable revenue from premium video services and products. The increase in Central and Eastern Europe's average number of RGUs is 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 lesser extent, MMDS video RGUs. The decline in the average number of analog cable RGUs, which is attributable primarily to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition, led to a decline in the average number of total video RGUs in each country within our Central and Eastern Europe segment during the first quarter of 2010, as compared to the first quarter of 2009. Non-subscription revenue in our Central and Eastern Europe segment increased slightly during the first quarter of 2010, as compared to the first quarter of 2009, as a decrease in revenue from B2B services in Romania was more than offset by (i) an increase 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 has overbuilt approximately half of Hungary's broadband communications network, has contributed to declines during the first quarter of 2010 in (i) video, broadband internet, telephony and overall revenue and (ii) ARPU, each as compared to the first quarter of 2009. In Romania, competition contributed to organic declines in (i) overall revenue during the first quarter of 2010, as compared to the corresponding period in 2009, and (ii) video and overall RGUs during the first quarter of 2010. The organic decline in Romania's video RGUs is largely attributable to the loss of analog and, to a much lesser extent, digital cable subscribers to competitors following the expiration of loyalty contracts. In this regard, loyalty contracts representing more than one-third of the aggregate number of Romania's analog and digital cable RGU's at March 31, 2010 are scheduled to expire during the 12-month period ending March 31, 2011, with approximately half of those contracts scheduled to expire during the second quarter of 2010. Although we have increased our subscriber retention efforts in Romania, no assurance can be given that we will be able to retain video subscribers following the expiration of their loyalty contracts. In addition, during the first quarter of 2010, (i) a decline in average video RGUs in the Czech Republic and Slovakia led to organic declines in revenue from video services in each of these countries and (ii) in the Czech Republic, a decline in telephony ARPU led to a slight organic decline in revenue from telephony services, each as compared to the first 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 the second and third quarters of 2010, we will turn the satellite dishes of Luxco DTH customers in connection with Luxco DTH's migration to a new satellite. 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). VTR's revenue increased €12.1 million or 10.1% during the three months ended March 31, 2010, as compared to the corresponding period in 2009. Excluding the effects of FX, VTR's revenue decreased €0.2 million or 0.2%. This decrease is attributable to a decrease in subscription revenue that was only partially offset by an increase in non-subscription revenue. The decrease in subscription revenue during the first quarter of 2010 is due to the net effect of (i) lower ARPU and (ii) a higher average number of RGUs, with the February 27, 2010 earthquake in Chile having an adverse impact on each of these measures, as further described in *Overview* above. The lower ARPU is primarily attributable to (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. These negative factors were partially offset by (i) an improvement in VTR's RGU mix, attributable to a higher proportion of digital cable and broadband internet RGUs, and (ii) increases due to inflation and other price adjustments for certain telephony services. The increase in the average number of RGUs is attributable to increases in the average number of digital cable, broadband internet and telephony RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The increase in VTR's non-subscription revenue is attributable to individually insignificant changes in various non-subscription revenue categories.

Operating Expenses of our Reportable Segments

	Three months ended March 31, 2010	Three months ended March 31, 2009	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %
	in millions				
UPC Europe:					
The Netherlands	€ 66.2	€ 63.6	€ 2.6	4.1	4.1
Switzerland	56.4	55.5	0.9	1.6	(0.6)
Other Western Europe	60.9	57.2	3.7	6.5	6.5
Total Western Europe	183.5	176.3	7.2	4.1	3.4
Central and Eastern Europe	78.3	71.2	7.1	10.0	1.8
Central operations	8.8	11.3	(2.5)	(22.1)	(22.3)
Total UPC Europe	270.6	258.8	11.8	4.6	1.8
VTR (Chile)	58.0	53.7	4.3	8.0	(2.0)
Total operating expenses excluding stock-based compensation	328.6	312.5	16.1	5.2	1.2
Stock-based compensation	0.5	(0.1)	0.6	N.M.	
Total	€ 329.1	€ 312.4	€ 16.7	5.4	

N.M. – Not Meaningful.

General. Operating expenses include programming, network operations, interconnect, customer operations, customer care, stock-based compensation 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 is not included in the performance measures of our reportable segments. Stock-based compensation 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) increased €11.8 million or 4.6% during the three months ended March 31, 2010, as compared to the corresponding period in 2009. This increase includes €0.1 million attributable to the impact of an acquisition. Excluding the effects of acquisitions and FX, UPC Europe's operating expenses increased €4.7 million or 1.8%. This increase includes the following factors:

- An increase in network related expenses of €5.5 million or 19.1%, 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;

- A decrease in bad debt and collection expenses of €4.1 million, due largely to decreases in the Czech Republic, Switzerland and the Netherlands; and

- An increase in programming and related costs of €3.6 million or 5.9%, due primarily to (i) growth in digital cable subscribers and 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, Romania and the Czech Republic. These increases were partially offset by a decrease in programming and related costs in Switzerland as a result of lower copyright fees due primarily to subscribers selecting lower-priced tiers.

VTR (Chile). VTR's operating expenses (exclusive of stock-based compensation) increased €4.3 million or 8.0% during the three months ended March 31, 2010, as compared to the corresponding period in 2009. Excluding the effects of FX, VTR's operating expenses decreased €1.1 million or 2.0%. This decrease includes the following factors:

- A decrease in network-related expenses of €1.1 million or 16.2%, due primarily to lower tariff rates for pole rentals;

- A decrease in interconnect and access costs of €1.0 million or 10.6%, due primarily to decreases associated with lower tariff rates and call volumes;

- A small increase in programming and related costs, as an increase associated with growth in digital cable services was largely offset by a decrease associated with foreign currency exchange fluctuations with respect to VTR's U.S. dollar denominated programming contracts. Most of VTR's programming costs are denominated in U.S dollars; and

- A net increase 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 March 31,		Increase (decrease)		Increase (decrease) excluding FX
	2010	2009	€	%	%
		in millions			
UPC Europe:					
The Netherlands	€ 25.0	€ 23.9	€ 1.1	4.6	4.6
Switzerland	29.0	26.9	2.1	7.8	5.2
Other Western Europe	22.7	23.8	(1.1)	(4.6)	(4.6)
Total Western Europe	76.7	74.6	2.1	2.8	1.9
Central and Eastern Europe	25.6	23.9	1.7	7.1	0.3
Central operations	17.9	19.9	(2.0)	(10.1)	(10.1)
Total UPC Europe	120.2	118.4	1.8	1.5	(0.5)
VTR (Chile)	22.8	18.7	4.1	21.9	10.6
Total SG&A expenses excluding stock-based compensation	143.0	137.1	5.9	4.3	1.1
Stock-based compensation	4.2	(0.9)	5.1	N.M.	
Total	€ 147.2	€ 136.2	€ 11.0	8.1	

N.M. – Not Meaningful.

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 is not included in the performance measures of our reportable segments. Stock-based compensation 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) increased €1.8 million or 1.5% during the three months ended March 31, 2010, as compared to the corresponding period in 2009. Excluding the effects of FX, UPC Europe's SG&A expenses decreased €0.6 million or 0.5%. This decrease includes the following factors:

- A decrease in sales and marketing costs of €1.9 million or 5.4%, due largely to (i) lower marketing expenditures in Austria and Romania and (ii) lower sales commissions in Austria, partially offset by higher marketing expenditures in Ireland; and

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

VTR (Chile). VTR's SG&A expenses (exclusive of stock-based compensation) increased €4.1 million or 21.9% during the three months ended March 31, 2010, as compared to the corresponding period in 2009. Excluding the effects of FX, VTR's SG&A expenses increased €2.0 million or 10.6%. This increase includes the following factors:

- An increase in personnel costs of €1.2 million or 16.8%, due primarily to (i) higher severance costs, (ii) higher bonus costs and (iii) increased sales commissions; and

- An increase in sales and marketing costs of €0.8 million or 14.4%, due primarily to higher sales commissions that were partially offset by a decrease in marketing efforts.

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, related-party fees and allocations, 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 March 31,		Increase		Increase (decrease) excluding FX
	2010	2009	€	%	%
		in millions			
UPC Europe:					
The Netherlands	€ 122.2	€ 117.0	€ 5.2	4.4	4.4
Switzerland	102.6	100.1	2.5	2.5	0.3
Other Western Europe	71.1	67.9	3.2	4.7	4.7
Total Western Europe	295.9	285.0	10.9	3.8	3.0
Central and Eastern Europe	102.8	99.5	3.3	3.3	(4.6)
Central operations	(26.5)	(31.7)	5.2	16.4	16.5
Total UPC Europe	372.2	352.8	19.4	5.5	2.6
VTR (Chile)	50.7	47.0	3.7	7.9	(2.5)
Total	€ 422.9	€ 399.8	€ 23.1	5.8	2.0

Operating Cash Flow Margin

	Three months ended March 31,	
	2010	2009
	%	
UPC Europe:		
The Netherlands	57.3	57.2
Switzerland	54.6	54.8
Other Western Europe	46.0	45.6
Total Western Europe	53.2	53.2
Central and Eastern Europe	49.7	51.1
Total UPC Europe, including central operations	48.8	48.3
VTR (Chile)	38.6	39.4

While the operating cash flow margins of most of our reportable segments remained relatively unchanged during the three months ended March 31, 2010, as compared to the corresponding period in 2009, competitive and economic factors and, in the case of VTR, the impact of the February 27, 2010 earthquake, have resulted in declines in the operating cash flow margins of Central and Eastern Europe and VTR. Foreign currency impacts associated with non-functional currency expenses have also negatively impacted our operating cash flow margins, primarily in Central and Eastern Europe and VTR. 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.

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 March 31,		Increase		Increase (decrease) excluding FX	Increase (decrease) excluding acquisitions and FX
	2010	2009	€	%	%	%
	in millions					
Subscription revenue (a):						
Video	€ 443.9	€ 428.9	€ 15.0	3.5	0.1	—
Broadband internet	225.7	209.2	16.5	7.9	3.3	3.3
Telephony	125.1	120.3	4.8	4.0	(0.1)	(0.1)
Total subscription revenue	794.7	758.4	36.3	4.8	0.9	0.9
Other revenue (b)	99.8	91.0	8.8	9.7	6.7	6.7
Total	€ 894.5	€ 849.4	€ 45.1	5.3	1.5	1.5

(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 stand-alone price for each individual service. However, due to regulatory 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 €45.1 million during the three months ended March 31, 2010, as compared to the corresponding period in 2009. This increase includes €0.2 million attributable to the impact of an acquisition. Excluding the effects of acquisitions and FX, total consolidated revenue increased €12.9 million or 1.5%.

Subscription revenue. Excluding the effects of an acquisition and FX, our consolidated subscription revenue increased €6.8 million or 0.9% during the three months ended March 31, 2010, as compared to the corresponding period in 2009. This increase is primarily attributable to a €6.9 million or 3.3% increase in subscription revenue from broadband internet services, as the impact of an increase in the average number of broadband internet RGUs was only partially offset by lower ARPU from broadband internet services. Subscription revenue from video and telephony services each remained relatively unchanged during the three months ended March 31, 2010, as (i) higher ARPU from video services was offset by a decline in the average number of video RGUs and (ii) an increase in the average number of telephony RGUs was offset by lower ARPU from telephony services.

Other revenue. Excluding the effects of an acquisition and FX, our consolidated other revenue increased €6.1 million, or 6.7%, during the three months ended March 31, 2010, as compared to the corresponding period in 2009. This increase is primarily attributable to the net effect of (i) increases in B2B, interconnect and installation revenue and (ii) a net decrease resulting from individually insignificant changes in other non-subscription revenue categories.

For additional information concerning the changes in our subscription and other revenue, see *Discussion and Analysis of Reportable Segments – Revenue* 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 €16.7 million during the three months ended March 31, 2010, as compared to the corresponding period in 2009. This increase includes €0.1 million attributable to the impact of an acquisition. Our operating expenses include stock-based compensation, which increased €0.6 million during the first quarter of 2010. For additional information, see the discussion following *SG&A expenses* below. Excluding the effects of an acquisition, FX and stock-based compensation, total consolidated operating expenses increased €3.6 million or 1.2% during the three months ended March 31, 2010, as compared to the corresponding period in 2009. As discussed in more detail under *Discussion and Analysis of Reportable Segments – Operating Expenses* – above, this increase generally reflects the net impact of (i) net increases in network related expenses, (ii) increases in programming and other direct costs, (iii) net decreases in bad debt and collection expenses and (iii) less significant net decreases in other operating expense categories.

SG&A expenses

Our SG&A expenses increased €11.0 million during the three months ended March 31, 2010, as compared to the corresponding period in 2009. Our SG&A expenses include stock-based compensation, which increased €5.1 million during the first quarter of 2010. For additional information, see the discussion in the following paragraph. Excluding the effects FX and stock-based compensation, total consolidated SG&A expenses increased €1.4 million or 1.0% during the three months ended March 31, 2010, as compared to the corresponding period in 2009. As discussed in more detail under *Discussion and Analysis of our Reportable Segments – SG&A Expenses* – above, this increase generally reflects the net impact of (i) net decreases in sales and marketing costs, (ii) net increases in personnel costs and (ii) less significant net increases in other SG&A expense categories.

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

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
	in millions	
LGI common stock:		
LGI Performance Plans (a)	€ 2.4	€ (3.6)
Other LGI stock incentive awards	2.0	2.1
Total LGI common stock	4.4	(1.5)
Other	0.3	0.5
Total	€ 4.7	€ (1.0)
Included in:		
Operating expense	€ 0.5	€ (0.1)
SG&A expense	4.2	(0.9)
Total	€ 4.7	€ (1.0)

(a) The stock-based compensation related to the LGI Performance Plans during the three months ended March 31, 2009 includes a €0.8 million reduction associated with the settlement of the second installment of awards under the LGI Performance Plans and a €8.2 million reduction related to the forfeiture of certain awards.

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 €14.9 million during the three months ended March 31, 2010, as compared to the corresponding period in 2009. Excluding the effect of FX, depreciation and amortization expense decreased €22.8 million or 8.7%. This decrease is due primarily to the net effect of (i) decreases associated with certain assets becoming fully depreciated, primarily in Switzerland, Hungary, and the Netherlands, (ii) increases associated with capital expenditures related to the installation of customer premise equipment, the expansion and upgrade of our networks and other capital initiatives and (iii) 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 €1.9 million and €3.6 million during the three months ended March 31, 2010 and 2009, respectively. The amount for the 2010 period includes a €1.6 million impairment representing the write-off of property and equipment that was damaged by the February 27, 2010 earthquake in Chile.

We continue to experience difficult economic environments and significant competition in most of our markets, particularly in Romania and Hungary, which collectively accounted for €323.4 million of the goodwill in our Central and Eastern Europe reportable segment at March 31, 2010. If, among other factors, (i) LGI's equity value declines or (ii) the adverse impacts of economic or competitive factors are worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

Interest expense – third party

Our third-party interest expense increased €21.9 million during the three months ended March 31, 2010, as compared to the corresponding period in 2009. Excluding the effects of FX, third-party interest expense increased €21.7 million during the 2010 period. This increase is 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 €61.4 million during the three months ended March 31, 2010, as compared to the corresponding period in 2009. This decrease reflects 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 €3.5 million during the three months ended March 31, 2010, as compared to the corresponding period in 2009. This decrease is primarily attributable to a lower weighted average interest rate earned on our cash and cash equivalent and restricted cash balances.

Realized and unrealized losses on derivative instruments, net

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
	in millions	
Cross-currency and interest rate derivative contracts (a)	€ (290.7)	€ (38.0)
Foreign currency forward contracts	3.2	(4.7)
Embedded derivatives	1.8	(2.4)
Total	€ (285.7)	€ (45.1)

(a) The loss during the 2010 period primarily is attributable to the net effect of (i) losses associated with decreases in market interest rates in the euro, Romanian lei, Hungarian forint, Swiss franc and Polish zloty markets, (ii) losses associated with increases in the values of the Swiss franc, Polish zloty, Czech koruna and Hungarian forint relative to the euro and (iii) gains associated with decreases in the values of the euro and Chilean peso relative to the U.S. dollar. In addition, the loss during the 2010 period includes a net gain of €27.6 million 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 period primarily is attributable to the net effect of (i) gains associated with decreases in the values of the Hungarian forint, Polish zloty, Czech koruna and Swiss franc relative to the euro, (ii) losses associated with decreases in market interest rates in the euro, Chilean peso, Swiss franc and U.S. dollar markets and (iii) a loss associated with a decrease in the value of the Chilean peso relative to the U.S. dollar and the euro. In addition, the loss during the 2009 period includes a net loss of €27.3 million resulting from changes in our credit risk valuation adjustments.

For additional information concerning our derivative instruments, see note 5 to our condensed consolidated financial statements.

Foreign currency transaction losses, net

Our foreign currency transaction 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 losses, net, are as follows:

	Three months ended March 31,	
	2010	**2009**
	in millions	
U.S. dollar denominated debt issued by European subsidiaries	€ (130.4)	€ (88.5)
Intercompany notes denominated in a currency other than the entity's functional currency (a)	114.8	(195.1)
Cash and restricted cash denominated in a currency other than the entity's functional currency	19.6	13.3
U.S. dollar denominated debt issued by a Latin American subsidiary	(13.0)	31.4
Other	(1.1)	(1.3)
Total	€ (10.1)	€ (240.2)

(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 period, 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 period, the U.S. dollar against the Chilean peso and the euro.

Income tax benefit (expense)

We recognized income tax expense of €10.9 million and income tax benefit of €14.1 million during the three months ended March 31, 2010 and 2009, respectively.

The income tax expense during the 2010 period differs from the expected income tax benefit of €86.4 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain tax jurisdictions and, (ii) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible.

The income tax benefit during the 2009 period differs from the expected income tax benefit of €102.4 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain tax jurisdictions, (ii) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible expenses and (iii) differences in the statutory and local tax rates in certain jurisdictions in which we operate.

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 March 31, 2010 and 2009, we reported a loss from continuing operations of €349.6 million and €387.3 million, respectively, including (i) operating income of €162.1 million and €126.7 million, respectively, and (ii) non-operating expense of €500.8 million and €528.1 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.

Net loss (earnings) attributable to noncontrolling interests

We recognized net earnings attributable to noncontrolling interests of €3.4 million and a net loss attributable to noncontrolling interests of €4.0 million during the three months ended March 31, 2010 and 2009, respectively. This change is primarily attributable to an improvement in the results of operations of VTR.

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 March 31, 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 March 31, 2010 are set forth in the following table. With the exception of UPC Holding, which is reported on a stand-alone basis, the amounts presented below include the cash and cash equivalents of the named entity and its subsidiaries unless otherwise noted (in millions):

Cash and cash equivalents held by:	
UPC Holding	€ —
UPC Broadband Holding (excluding VTR)	36.8
VTR	98.3
Total cash and cash equivalents	€ 135.1

Liquidity of UPC Holding

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

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

Liquidity of Subsidiaries

The cash and cash equivalents of our significant subsidiaries are detailed in the table above. In addition to cash and cash equivalents, the primary sources of liquidity of our subsidiaries are cash provided by operations and, in the case of UPC Broadband Holding, borrowing availability under their respective debt instruments. For the details of the borrowing availability of such entities at March 31, 2010, see note 8 to our condensed consolidated financial statements. Our subsidiaries' liquidity generally is used to fund capital expenditures and debt service requirements. From time to time, our subsidiaries may also require funding in connection with (i) acquisitions and other investment opportunities, (ii) loans to UPC Holding or (iii) capital distributions to UPC Holding and other equity owners of UPC Holding's subsidiaries. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

For a discussion of our consolidated capital expenditures and cash provided by operating activities, see the discussion under *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 March 31, 2010 Senior Debt to Annualized EBITDA (last two quarters annualized) for UPC Holding was 3.83 to 1.00 and the ratio of our March 31, 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 the UPC Broadband Holding Bank Facility in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment.

At March 31, 2010, the carrying value of our outstanding consolidated third-party debt and capital lease obligations aggregated €7,973.0 million, including €5.5 million that is classified as current in our condensed consolidated balance sheet and €7,964.1 million that is due in 2013 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 and subsequent to the first quarter of 2010 that have resulted in the extension of our subsidiaries' debt maturities, see note 8 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 and the associated difficult economic conditions could impact our future 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 March 31, 2010, €6,408.5 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 March 31, 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 three months ended March 31, 2010, we used net cash provided by our operating activities of €270.2 million and €28.5 million of our existing cash and cash equivalents (excluding a €3.9 million increase due to changes in FX), to fund (i) net cash used by our investing activities of €186.6 million and net cash used by our financing activities of €112.1 million.

Operating Activities. Net cash provided by our operating activities increased €35.5 million, from €234.7 million during the first three months of 2009 to €270.2 million during the first three months of 2010. This increase is primarily attributable to the net effect of (i) higher cash payments related to derivative instruments, (ii) a decrease in cash payments for interest, (iii) an increase in the cash provided by our operating cash flow and related working capital items 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 €33.3 million, from €219.9 million during the three months of 2009 to €186.6 million during the first three months of 2010. This decrease is due primarily to a decrease in capital expenditures of €34.2 million, as a net decrease in the local currency capital expenditures of our subsidiaries was only slightly offset by an increase due to FX.

UPC Europe accounted for €156.1 million and €187.1 million of our consolidated capital expenditures during the three months ended March 31, 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 in expenditures for support capital such as information technology upgrades and general support systems and (iv) an increase due to FX.

VTR accounted for €30.2 million and €33.4 million of our consolidated capital expenditures during the three months ended March 31, 2010 and 2009, respectively. The decrease in the capital expenditures of VTR is due primarily to the net effect of (i) a decrease in expenditures for support capital, such as information technology upgrades and general support systems, (ii) a decrease in expenditures for new build and upgrade projects, (iii) an increase in expenditures for the purchase and installation of customer premise equipment and (iv) an increase due to FX.

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 22% to 24% 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 the estimated expenditures 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. 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 €43.8 million, from €68.3 million during the three months of 2009 to €112.1 million during the first three months of 2010. This increase is primarily attributable to an increase related to higher net repayments of debt and capital lease obligations of €48.4 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.