UPC HOLDING B.V.

Consolidated Financial Statements
December 31, 2010

Recasted to reflect certain changes to our segment presentation.

UPC Holding B.V.
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Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of UPC Holding B.V. (a B.V. registered in the Netherlands) and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, comprehensive loss, owner's deficit, and cash flows for the years ended December 31, 2010, 2009 and 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UPC Holding B.V. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years ended December 31, 2010, 2009 and 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2, in 2009, UPC Holding B.V. changed its method of accounting for business combinations and noncontrolling interests and in 2008 UPC Holding B.V. changed its method of accounting for certain investments.

As discussed in Note 18, UPC Holding B.V. reclassified UPC DTH results reported within UPC Europe's central and eastern Europe segment to UPC Europe's central and other category and recasted information regarding their operating segments for all periods presented to give retrospective effect for the reclassification of UPC DTH operating results.

As discussed in Note 18, UPC Holding B.V. allocated certain backbone costs included in operating expenses of UPC Europe's central and other category to the applicable operating segment and recasted information regarding their operating segments for all periods presented to give retrospective effect for the allocation of these backbone costs.

Amstelveen, the Netherlands, March 14, 2011, except as to note 18, which is as of November 2, 2011.
KPMG ACCOUNTANTS N.V.

UPC HOLDING B.V.
CONSOLIDATED BALANCE SHEETS

	December 31,			
	2010		2009	
	in millions			
ASSETS				
Current assets:				
Cash and cash equivalents	€	123.1	€	159.7
Trade receivables, net		420.5		385.6
Deferred income taxes (note 11)		61.1		49.0
Derivative instruments (note 7)		67.8		107.6
Other current assets (note 14)		91.4		74.3
Total current assets		763.9		776.2
Restricted cash (note 10)		—		318.2
Investments (including €30.1 million and €26.9 million, respectively, measured at fair value) (notes 6 and 8)		32.6		30.7
Property and equipment, net (note 9)		4,055.4		3,864.3
Goodwill (note 9)		5,192.8		4,761.1
Intangible assets subject to amortization, net (note 9)		343.9		445.9
Other assets, net (notes 7, 9 and 11)		424.2		315.2
Total assets	€	10,812.8	€	10,511.6

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

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

	December 31,			
	2010		2009	
	in millions			
LIABILITIES AND OWNERS' DEFICIT				
Current liabilities:				
Accounts payable (note 14)	€	229.8	€	197.2
Accrued liabilities (note 14)		623.0		488.0
Deferred revenue and advance payments from subscribers and others		452.8		418.6
Current portion of debt and capital lease obligations (note 10)		2.5		14.4
Derivative instruments (note 7)		351.6		415.7
Total current liabilities		1,659.7		1,533.9
Long-term debt and capital lease obligations (note 10):				
Third party		7,995.9		8,202.7
Related party (note 14)		8,511.4		8,331.4
Other long-term liabilities (notes 7 and 11)		1,416.1		852.4
Total liabilities		19,583.1		18,920.4
Commitments and contingencies (notes 10, 11 and 17)				
Owners' deficit (note 12):				
Parent's deficit:				
Distributions and accumulated losses in excess of contributions		(9,441.7)		(8,600.2)
Accumulated other comprehensive earnings, net of taxes (note 16)		494.0		30.7
Total parent's deficit		(8,947.7)		(8,569.5)
Noncontrolling interests		177.4		160.7
Total owners' deficit		(8,770.3)		(8,408.8)
Total liabilities and owners' deficit	€	10,812.8	€	10,511.6

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

UPC HOLDING B.V.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2010	2009	2008
		in millions	
Revenue (note 14)	€ 3,739.9	€ 3,453.9	€ 3,472.9
Operating costs and expenses:			
Operating (other than depreciation and amortization) (including stock-based compensation) (notes 13 and 14)	1,368.1	1,251.0	1,267.2
Selling, general and administrative (SG&A) (including stock-based compensation) (notes 13 and 14)	613.6	555.2	587.2
Related-party fees and allocations, net (note 14)	18.1	30.6	31.5
Depreciation and amortization (note 9)	974.0	1,048.5	1,079.9
Impairment, restructuring and other operating charges, net (notes 9 and 15)	16.0	90.5	118.9
	2,989.8	2,975.8	3,084.7
Operating income	750.1	478.1	388.2
Non-operating income (expense):			
Interest expense:			
Third party	(456.8)	(383.0)	(463.3)
Related party (note 14)	(406.0)	(568.1)	(616.5)
Interest income	5.1	16.0	23.2
Realized and unrealized losses on derivative instruments, net (note 7)	(813.5)	(642.9)	(181.9)
Foreign currency transaction gains (losses), net	47.8	102.6	(185.3)
Losses on debt modifications and extinguishments, net (note 10)	(17.8)	(17.7)	—
Other income (expense), net	(3.6)	1.4	(3.0)
	(1,644.8)	(1,491.7)	(1,426.8)
Loss from continuing operations before income taxes	(894.7)	(1,013.6)	(1,038.6)
Income tax benefit (expense) (note 11)	100.9	124.8	(62.0)
Loss from continuing operations	(793.8)	(888.8)	(1,100.6)
Discontinued operations (note 5):			
Earnings from discontinued operations, net of taxes	—	2.7	11.3
Gain on disposal of discontinued operations, net of taxes	—	15.2	—
	—	17.9	11.3
Net loss	(793.8)	(870.9)	(1,089.3)
Net earnings attributable to noncontrolling interests	(23.5)	(16.8)	(20.1)
Net loss attributable to parent	€ (817.3)	€ (887.7)	€ (1,109.4)

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

UPC HOLDING B.V.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year ended December 31,		
	2010	2009	2008
		in millions	
Net loss	€ (793.8)	€ (870.9)	€ (1,089.3)
Other comprehensive earnings, net of taxes (note 16):			
Foreign currency translation adjustments	484.5	94.8	148.8
Pension related adjustments and other	(1.5)	9.8	(14.9)
Other comprehensive earnings	483.0	104.6	133.9
Comprehensive loss	(310.8)	(766.3)	(955.4)
Comprehensive earnings attributable to noncontrolling interests	(43.2)	(32.3)	(4.8)
Comprehensive loss attributable to parent	€ (354.0)	€ (798.6)	€ (960.2)

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

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

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

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

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

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

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

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

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings, 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	(817.3)	—	(817.3)	23.5	(793.8)
Other comprehensive earnings, net of taxes (note 16)	—	463.3	463.3	19.7	483.0
Stock-based compensation (notes 3 and 13)	15.6	—	15.6	—	15.6
Distributions by subsidiaries to noncontrolling interest owners	—	—	—	(26.5)	(26.5)
Capital charge in connection with exercise of LGI stock incentive awards (notes 13 and 14)	(39.8)	—	(39.8)	—	(39.8)
Balance at December 31, 2010	€ (9,441.7)	€ 494.0	€ (8,947.7)	€ 177.4	€ (8,770.3)

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

UPC HOLDING B.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2010	2009	2008
		in millions	
Cash flows from operating activities:			
Net loss	€ (793.8)	€ (870.9)	€ (1,089.3)
Earnings from discontinued operations	—	(17.9)	(11.3)
Loss from continuing operations	(793.8)	(888.8)	(1,100.6)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:			
Stock-based compensation expense	17.3	15.1	27.6
Related-party fees and allocations, net	18.1	30.6	31.5
Depreciation and amortization	974.0	1,048.5	1,079.9
Impairment, restructuring and other operating charges, net	16.0	90.5	118.9
Non-cash interest on shareholder loan	406.0	568.1	616.5
Amortization of deferred financing costs and non-cash interest accretion	21.5	16.6	8.2
Realized and unrealized losses on derivative instruments, net	813.5	642.9	181.9
Foreign currency transaction losses (gains), net	(47.8)	(102.6)	185.3
Losses on debt modifications and extinguishments, net	17.8	17.7	—
Deferred income tax expense (benefit)	(117.7)	(134.5)	54.6
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:			
Receivables and other operating assets	302.6	275.1	95.0
Payables and accruals	(464.7)	(546.6)	(174.2)
Net cash provided by operating activities of discontinued operations	—	7.2	17.9
Net cash provided by operating activities	1,162.8	1,039.8	1,142.5
Cash flows from investing activities:			
Capital expenditures	(802.7)	(853.9)	(979.5)
Cash paid in connection with acquisitions, net of cash acquired	(2.9)	(3.4)	(49.0)
Proceeds received upon disposition of discontinued operations, net of disposal costs	—	118.5	—
Other investing activities, net	3.9	2.3	1.9
Net cash used by investing activities of discontinued operations	—	(6.9)	(15.4)
Net cash used by investing activities	€ (801.7)	€ (743.4)	€ (1,042.0)

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

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

	Year ended December 31,		
	2010	2009	2008
		in millions	
Cash flows from financing activities:			
Repayments and repurchases of debt and capital lease obligations	€ (1,488.7)	€ (774.6)	€ (13.2)
Borrowings of debt	1,437.0	1,249.3	1,075.6
Net repayment of shareholder loan	(277.5)	(641.6)	(1,175.6)
Payment of net settled employee withholding taxes on stock incentive awards	(8.8)	(5.7)	(2.2)
Payment of financing costs and debt premiums	(44.2)	(61.4)	(5.3)
Other financing activities, net	(24.1)	(17.3)	(7.7)
Net cash used by financing activities of discontinued operations	—	—	(2.7)
Net cash used by financing activities	(406.3)	(251.3)	(131.1)
Effect of exchange rate changes on cash – continuing operations	8.6	6.0	(14.4)
Net increase (decrease) in cash and cash equivalents:			
Continuing operations	(36.6)	50.8	(44.8)
Discontinued operations	—	0.3	(0.2)
Net increase (decrease) in cash and cash equivalents	(36.6)	51.1	(45.0)
Cash and cash equivalents:			
Beginning of period	159.7	108.6	153.6
End of period	€ 123.1	€ 159.7	€ 108.6
Cash paid for interest – continuing operations	€ 384.8	€ 376.4	€ 583.8
Net cash paid for taxes:			
Continuing operations	€ 9.4	€ 6.2	€ 10.5
Discontinued operations	—	0.3	1.5
Total	€ 9.4	€ 6.5	€ 12.0

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

(1) Basis of Presentation

UPC Holding B.V. (UPC Holding) is a wholly-owned subsidiary of Liberty Global Holding BV (Liberty Global Holding). Liberty Global Holding is a subsidiary of UnitedGlobalCom, Inc. (UGC), which in turn is a wholly-owned subsidiary of Liberty Global, Inc. (LGI). LGI was formed for the purpose of effecting the June 2005 combination of LGI International, Inc. (LGI International) and UGC (the LGI Combination). As a result of the LGI Combination, LGI International and UGC each became wholly-owned subsidiaries of LGI. LGI International is the predecessor to LGI and was formed in connection with the June 2004 spin-off of certain international cable television and programming subsidiaries and assets of Liberty Media Corporation (Liberty Media). The full amount of LGI's cost basis in UPC Holding, including the basis that resulted from the LGI Combination, is included in these consolidated financial statements. UPC Holding is an international provider of video, broadband internet and telephony services, with consolidated broadband communications and/or direct-to-home satellite (DTH) operations at December 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 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 predecessors and subsidiaries.

On July 15, 2009, one of our subsidiaries sold 100% of its interest in our Slovenian cable operations (UPC Slovenia). We have presented UPC Slovenia as a discontinued operation in our consolidated statements of operations and cash flows. As such, all statement of operations and cash flow statement amounts presented in the notes to these consolidated financial statements relate only to our continuing operations, unless otherwise noted. See note 5.

Unless otherwise indicated, ownership percentages and convenience translations into euros are calculated as of December 31, 2010.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 14, 2011, the date of issuance.

(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 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 FIN 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 and such adoption did not have a material impact on our consolidated financial statements.

FASB ASU 2009-05

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

FASB ASU 2009-13

In October 2009, the FASB issued FASB 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 consolidated financial statements.

SFAS 141(R)

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

SFAS 160

In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160), subsequently codified within FASB ASC Topic 810, *Consolidation* (FASB ASC 810).

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

SFAS 159

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

(3) Summary of Significant Accounting Policies

Estimates

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

Reclassifications

Certain prior period amounts have been reclassified, including certain cash outflows related to the payment of employee withholding taxes that are net settled upon the exercise of certain stock incentive awards, which cash outflows have been reclassified in our consolidated cash flow statements from operating to financing activities.

Principles of Consolidation

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

Cash and Cash Equivalents and Restricted Cash

Cash equivalents consist of money market funds and other investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition. We record money market funds at the net asset value reported by the investment manager as there are no restrictions on our ability, contractual or otherwise, to redeem our investments at the stated net asset value reported by the investment manager.

Restricted cash includes cash held in escrow and cash held as collateral for debt and other compensating balances. Restricted cash amounts that are required to be used to purchase long-term assets or repay long-term debt are classified as long-term assets. All other cash that is restricted to a specific use is classified as current or long-term based on the expected timing of the disbursement. At December 31, 2010 and 2009, our current and long-term restricted cash balances aggregated €2.5 million and €323.6 million, respectively. For additional information concerning our December 31, 2009 restricted cash balances, see note 10.

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

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €77.3 million and €76.1 million at December 31, 2010 and 2009, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

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

Investments

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

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

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

Through December 31, 2008, changes in our proportionate share of the underlying share capital of an equity method investee, including those which result from the issuance of additional equity securities by such equity investee, were recognized as increases or decreases to additional paid-in capital. As a result of a change in U.S. GAAP, we began recognizing any such changes as gains or losses in our consolidated statement of operations effective January 1, 2009.

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

We continually review our equity and cost method investments to determine whether a decline in fair value below the cost basis is other-than-temporary. The primary factors we consider in our determination are the extent and length of time that the fair value of the investment is below our company's carrying value and the financial condition, operating performance and near-term prospects of the investee, changes in the stock price or valuation subsequent to the balance sheet date, and the impacts of exchange rates, if applicable. In addition, we consider the reason for the decline in fair value, such as (i) general market conditions and (ii) industry specific or investee specific factors, as well as our intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. If the decline in fair value of an equity or cost method investment is deemed to be other-than-temporary, the cost basis of the security is written down to fair value. Writedowns for cost investments are included in our consolidated statement of operations as other-than-temporary declines in fair values of investments. Writedowns of equity method investments are included in share of results of affiliates.

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

Financial Instruments

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

Derivative Instruments

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

Property and Equipment

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

Depreciation is computed using the straight-line method over estimated useful lives of 3 to 30 years for cable distribution systems, 5 to 40 years for buildings and leasehold improvements and 2 to 20 years for support equipment. Equipment under capital leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Useful lives used to depreciate our property and equipment are assessed periodically and are adjusted when warranted. The useful lives of cable distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed.

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

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

As of December 31, 2010 and 2009, the recorded value of our asset retirement obligations was €15.6 million and €33.9 million, respectively.

Intangible Assets

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

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

We do not amortize certain other intangible assets as these assets have indefinite-lives. Our customer relationship intangible assets are amortized on a straight line basis over estimated useful lives ranging from 4 to 10 years for broadband communications and DTH satellite customer relationships.

Impairment of Property and Equipment and Intangible Assets

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

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

Income Taxes

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

Foreign Currency Translation and Transactions

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

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

Revenue Recognition

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

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

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

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

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

Stock-Based Compensation

We recognize all share-based payments from LGI to our employees, including grants of employee stock options based on their grant-date fair values and LGI's estimates of forfeitures. We recognize the fair value of outstanding options as a charge to operations over the vesting period.

We use the straight-line method to recognize stock-based compensation expense for LGI's outstanding stock awards to our employees that do not contain a performance condition and the accelerated expense attribution method for our outstanding stock awards that contain a performance condition and vest on a graded basis. We also recognize the equity component of deferred compensation as additional paid-in capital.

LGI has calculated the expected life of options and stock appreciation rights (SARs) granted by LGI to employees based on historical exercise trends. The expected volatility for LGI options and SARs is generally based on a combination of (i) historical volatilities of LGI common stock for a period equal to the expected average life of the LGI awards and (ii) volatilities implied from publicly traded LGI options. For options with an expected life longer than the period for which historical volatilities of LGI common stock are available, LGI's estimate of expected volatility also takes into account the volatilities of certain other companies with characteristics similar to LGI.

(4) Common Control Transfers and Acquisitions

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

Pending Acquisition

Aster. On December 4, 2010, UPC Polska SP z.o.o., one of our subsidiaries, reached an agreement to acquire 100% of the equity of Aster Sp. z.o.o (Aster), a broadband communications provider in Poland. LGI will acquire 100% of the shares of Aster for an equity purchase price of PLN 870 million (€220 million). The purchase price, together with Aster's adjusted net debt at December 31, 2010 of approximately PLN 1,560 million (€394 million), represents total consideration before transaction costs of approximately PLN 2,430 million (€614 million). This transaction, which is subject to regulatory approval by the Polish competition authorities, is expected to close in the first half of 2011.

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 subsidiaries, Liberty Global Europe BV (LG Europe) and Liberty Global Europe Ltd. (LGE Ltd.), to another 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 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), a subsidiary of Liberty Global Holding, were recorded as capital transactions during the fourth quarter of 2009. LG Europe and LGE Ltd. were transferred at the €125.7 million carrying value of their aggregate net liabilities. Certain related changes to intercompany payable and receivable arrangements have also been given retroactive effect in our consolidated financial statements.

2008 Common Control Transfer of Chellomedia Interactive Services Group

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

(5) Discontinued Operations

UPC Slovenia — On July 15, 2009, one of our subsidiaries sold 100% of its interest in UPC Slovenia for a cash purchase price of €119.5 million. As a result of this disposition, we have accounted for UPC Slovenia as a discontinued operation. In connection with the disposal of UPC Slovenia, we recognized a net gain of €15.2 million. This net gain is reflected in discontinued operations in our consolidated statement of operations for the year ended December 31, 2009.

The operating results of UPC Slovenia are classified as discontinued operations in our consolidated statements of operations and are summarized in the following table:

	Year ended December 31,	
	2009	2008
	in millions	
Revenue	€ 22.7	€ 43.2
Operating income	€ 2.4	€ 12.1
Earnings before income taxes and noncontrolling interests	€ 2.4	€ 12.3
Income tax benefit (expense)	€ 0.3	€ (1.0)
Earnings from discontinued operations attributable to parent, net of taxes	€ 2.7	€ 11.3

(6) Investments

The details of our investments are set forth below:

	December 31,	
	2010	2009
Accounting Method	in millions	
Fair value	€ 30.1	€ 26.9
Equity	2.0	3.4
Cost	0.5	0.4
Total	€ 32.6	€ 30.7

(7) Derivative Instruments

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

	December 31, 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)	€ 64.0	€ 73.2	€ 137.2	€ 107.0	€ 107.6	€ 214.6
Foreign currency forward contracts	3.0	—	3.0	—	—	—
Embedded derivatives	0.8	0.7	1.5	0.6	0.4	1.0
Total	€ 67.8	€ 73.9	€ 141.7	€ 107.6	€ 108.0	€ 215.6
Liabilities:						
Cross-currency and interest rate derivative contracts (b)	€ 347.4	€ 1,276.1	€ 1,623.5	€ 411.9	€ 733.1	€ 1,145.0
Foreign currency forward contracts	3.9	—	3.9	3.6	—	3.6
Embedded derivatives	0.3	0.5	0.8	0.2	0.7	0.9
Total	€ 351.6	€ 1,276.6	€ 1,628.2	€ 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 consolidated balance sheets.

(b) We consider credit risk in our fair value assessments. As of December 31, 2010 and 2009, (i) the fair values of our cross-currency and interest rate derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €7.1 million and €3.9 million, respectively, and (ii) the fair values of our cross-currency and interest rate derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating €133.9 million and €56.2 million, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market and market quotations for certain of our subsidiaries' debt instruments, as applicable. The changes in the credit risk valuation adjustments associated with our derivative instruments resulted in a gain (loss) of €73.9 million, (€14.1 million) and €66.4 million during 2010, 2009 and 2008, respectively, and these amounts are included in realized and unrealized losses on derivative instruments, net, in our consolidated statements of operations. For further information concerning our fair value measurements, see note 8.

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

	Year ended December 31,		
	2010	2009	2008
	in millions		
Continuing operations:			
Cross-currency and interest rate derivative contracts	€ (808.7)	€ (638.3)	€ (179.1)
Foreign currency forward contracts	(6.2)	(5.7)	0.9
Embedded derivatives	1.4	1.1	(3.7)
Total – continuing operations	€ (813.5)	€ (642.9)	€ (181.9)

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

	Year ended December 31,		
	2010	2009	2008
		in millions	
Continuing operations:			
Operating activities	€ (279.4)	€ (199.6)	€ 105.4
Financing activities	2.0	(13.9)	3.1
Total – continuing operations	€ (277.4)	€ (213.5)	€ 108.5

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative contracts will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative contracts is spread across a relatively broad counterparty base of banks and financial institutions. We generally do not require counterparties to our derivative instruments to provide collateral or other security or to enter into master netting arrangements. At December 31, 2010, our exposure to credit risk included derivative assets with a fair value of €141.7 million.

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

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

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at December 31, 2010 are as follows:

Subsidiary / Final maturity date (a)		Notional amount due from counterparty		Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
		in millions				
UPC Holding:						
April 2016	$	400.0	CHF	441.8	9.88%	9.87%
UPC Broadband Holding BV (UPC Broadband Holding), a subsidiary of UPC Holding:						
December 2014	€	165.8	CZK	4,721.8	5.50%	5.89%
December 2014	€	200.0	CZK	5,800.0	5.46%	5.30%
December 2014 – December 2016	€	60.0	CZK	1,703.1	5.50%	6.99%
July 2017	€	39.6	CZK	1,000.0	3.00%	3.75%
December 2014	€	488.0	HUF	138,437.5	5.50%	9.47%
December 2014 – December 2016	€	260.0	HUF	75,570.0	5.50%	10.56%
December 2014	€	400.5	PLN	1,605.6	5.50%	7.50%
December 2014 – December 2016	€	245.0	PLN	1,000.6	5.50%	9.03%
July 2017	€	82.0	PLN	318.0	3.00%	5.60%
December 2014	$	171.5	CHF	187.1	6 mo. LIBOR + 2.75%	6 mo. CHF LIBOR + 2.95%
December 2016	$	340.0	CHF	370.9	6 mo. LIBOR + 3.50%	6 mo. CHF LIBOR + 4.01%
July 2015	€	123.8	CLP	86,500.0	2.50%	5.84%
December 2015	€	69.1	CLP	53,000.0	3.50%	5.75%
December 2016	€	31.9	RON	116.8	5.50%	12.14%
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 December 31, 2010, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 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 December 31, 2010 are as follows:

Subsidiary / Final maturity date (a)	Notional amount due from counterparty		Notional amount due to counterparty		Interest rate due from counterparty	Interest rate due to counterparty
	in millions					
UPC Broadband Holding:						
March 2013	$	100.0	€	75.4	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 2016	$	376.1	RON	912.4	6 mo. LIBOR + 3.50%	13.86%
December 2014	$	340.0	CLP	181,322.0	6 mo. LIBOR + 1.75%	8.76%
December 2014	€	134.2	CLP	107,800.0	6 mo. EURIBOR + 2.00%	10.00%
VTR:						
September 2014	$	456.0	CLP	252,396.0	6 mo. LIBOR + 3.00%	11.16%

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

Subsidiary / Final maturity date (a)		Notional amount in millions	Interest rate due from counterparty	Interest rate due to counterparty
UPC Broadband Holding:				
January 2011 – January 2012	$	2,250.0	1 mo.LIBOR + 3.22%	6 mo.LIBOR + 3.11%
January 2011 – January 2012	$	221.5	1 mo.LIBOR + 3.52%	6 mo.LIBOR + 3.43%
January 2011	€	1,500.0	1 mo. EURIBOR + 3.40%	6 mo. EURIBOR + 3.09%
January 2011	€	193.5	6 mo. EURIBOR	3.83%
July 2011	€	850.0	1 mo. EURIBOR + 3.00%	6 mo. EURIBOR + 2.59%
January 2011 – January 2012	€	1,500.0	1 mo. EURIBOR + 3.40%	6 mo. EURIBOR + 3.09%
January 2012	€	1,500.0	1 mo. EURIBOR + 4.00%	6 mo. EURIBOR + 3.68%
April 2012	€	555.0	6 mo. EURIBOR	3.32%
September 2012	€	500.0	3 mo. EURIBOR	2.96%
March 2013	€	75.4	6 mo. EURIBOR	4.24%
December 2013	€	90.5	6 mo. EURIBOR	3.84%
January 2014	€	185.0	6 mo. EURIBOR	4.04%
April 2012 – July 2014	€	337.0	6 mo. EURIBOR	3.94%
January 2011 – December 2014	€	193.5	6 mo. EURIBOR	4.68%
December 2014	€	1,659.5	6 mo. EURIBOR	4.66%
April 2012 - December 2015	€	263.3	6 mo. EURIBOR	3.97%
January 2015 – December 2016	€	500.0	6 mo. EURIBOR	4.32%
September 2012	CHF	711.5	6 mo. CHF LIBOR	2.33%
January 2011 – December 2014	CHF	618.5	6 mo. CHF LIBOR	3.56%
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	86,100.0	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	86,100.0	6 mo. TAB	7.78%

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

UPC Holding Cross-Currency Options

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

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

Foreign Currency Forwards

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

Subsidiary	Currency purchased forward		Currency sold forward		Maturity dates
	in millions				
UPC Broadband Holding	€	1.3	HUF	361.1	January 2011 — December 2011
UPC Broadband Holding	€	4.1	PLN	16.4	January 2011 — December 2011
UPC Broadband Holding	€	1.2	CZK	31.0	January 2011 — December 2011
UPC Broadband Holding	£	4.1	€	4.8	January 2011 — December 2011
UPC Broadband Holding	€	57.9	CHF	76.0	January 2011
VTR	$	51.9	CLP	27,027.8	January 2011 — December 2011

(8) 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 December 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 7, we have entered into various derivative instruments to manage our interest rate and foreign currency exchange risk. The fair value measurements of these derivative instruments are determined using 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 7.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of reporting units, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of private reporting units is based at least in part on discounted cash flow analyses. With the exception of certain inputs in our discount rate assumptions 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. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges, and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During 2010, and 2009, we performed nonrecurring fair value measurements in connection with goodwill impairment assessments. See note 9.

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

Description	December 31, 2010	Fair value measurements at December 31, 2010 using: Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		in millions	
Assets:			
Derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 137.2	€ 137.2	€ —
Foreign currency forward contracts	3.0	3.0	—
Embedded derivatives	1.5	1.5	—
Total derivative instruments	141.7	141.7	—
Investments	30.1	—	30.1
Total assets	€ 171.8	€ 141.7	€ 30.1
Liabilities:			
Derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 1,623.5	€ 1,623.5	€ —
Foreign currency forward contracts	3.9	3.9	—
Embedded derivatives	0.8	0.8	—
Total liabilities – derivative instruments	€ 1,628.2	€ 1,628.2	€ —

Description	December 31, 2009	Fair value measurements at December 31, 2009 using: Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		in millions	
Assets:			
Derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 214.6	€ 214.6	€ —
Embedded derivatives	1.0	1.0	—
Total derivative instruments	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
Gains included in net loss - Realized and unrealized gains due to changes in fair values of certain investments, net (a)		0.2
Distributions, settlements and other, net		(1.7)
Foreign currency translation adjustments		4.7
Balance at December 31, 2010	€	30.1

(a) Substantially all of the gains recognized during 2010 relate to investments that we continue to carry on our consolidated balance sheet as of December 31, 2010.

(9) Long-lived Assets

Property and Equipment, Net

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

	December 31,			
	2010		2009	
	in millions			
Cable distribution systems	€	7,213.1	€	6,306.3
Support equipment, buildings and land		1,132.2		1,013.8
		8,345.3		7,320.1
Accumulated depreciation		(4,289.9)		(3,455.8)
Total property and equipment, net	€	4,055.4	€	3,864.3

Depreciation expense of our continuing operations related to our property and equipment was €842.2 million, €910.1 million and €912.6 million during 2010, 2009 and 2008, respectively. Depreciation expense of our discontinued operations related to our property and equipment was nil, €6.9 million and €8.9 million during 2010, 2009 and 2008, respectively.

At December 31, 2010 and 2009, the amount of property and equipment, net, recorded under capital leases was €23.5 million and €23.0 million, respectively. Most of these amounts relate to assets included in our cable distribution systems category. Depreciation of assets under capital leases of our continuing operations is included in depreciation and amortization in our consolidated statements of operations.

During 2010, 2009 and 2008, we recorded €5.9 million, €2.9 million and €3.5 million of non-cash increases to our property and equipment, respectively, as a result of assets acquired under capital lease arrangements.

Goodwill

Changes in the carrying amount of our goodwill during 2010 are set forth below:

	January 1, 2010	Foreign currency translation adjustments	December 31, 2010
		in millions	
UPC Europe:			
The Netherlands	€ 912.1	€ —	€ 912.1
Switzerland	1,916.1	360.3	2,276.4
Other Western Europe	781.6	—	781.6
Total Western Europe	3,609.8	360.3	3,970.1
Central and Eastern Europe	784.1	11.7	795.8
Total UPC Europe	4,393.9	372.0	4,765.9
VTR (Chile)	367.2	59.7	426.9
Total	€ 4,761.1	€ 431.7	€ 5,192.8

As of our October 1, 2010 impairment test date, our broadband communications operations in Hungary and the Czech Republic had an excess of fair value over carrying value of less than 20%. As of this date, these reporting units had goodwill aggregating €615.2 million. If, among other factors, (i) LGI's equity value declines significantly or (ii) the adverse impacts of economic, competitive or regulatory factors are worse than anticipated, we could conclude in future periods that further impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

At December 31, 2010 and 2009 and based on exchange rates as of those dates, the amount of our accumulated impairments was €181.5 million and €183.6 million, respectively. The 2010 amount includes accumulated impairments related to our broadband communications operations in Romania, which is included within UPC Europe's Central and Eastern Europe segment.

Changes in the carrying amount of goodwill during 2009 are set forth below:

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

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

Intangible Assets Subject to Amortization, Net

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

	December 31,	
	2010	2009
	in millions	
Gross carrying amount:		
Customer relationships	€ 1,055.5	€ 1,088.4
Other	4.0	8.1
	€ 1,059.5	€ 1,096.5
Accumulated amortization:		
Customer relationships	€ (712.6)	€ (644.0)
Other	(3.0)	(6.6)
	€ (715.6)	€ (650.6)
Net carrying amount:		
Customer relationships	€ 342.9	€ 444.4
Other	1.0	1.5
	€ 343.9	€ 445.9

Amortization of intangible assets with finite useful lives of our continuing operations was €131.8 million, €138.4 million and €167.3 million during 2010, 2009 and 2008, respectively. Amortization of intangible assets with finite useful lives of our discontinued operations was nil, €0.9 million and €1.6 million during 2010, 2009 and 2008, respectively. Based on our amortizable intangible asset balances at December 31, 2010, we expect that amortization expense will be as follows for the next five years and thereafter. Amounts presented below represent euro equivalents based on December 31, 2010 exchange rates (in millions).

2011	€ 96.0
2012	78.9
2013	58.7
2014	53.6
2015	42.9
Thereafter	13.8
Total	€ 343.9

Indefinite-lived Intangible Assets

At December 31, 2010 and 2009, indefinite-lived intangible assets aggregating €23.9 million and €13.2 million, respectively, were included in other assets, net, in our consolidated balance sheets.

(10) Debt and Capital Lease Obligations

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

	December 31, 2010		Estimated fair value (c)		Carrying value (d)	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
			in millions			
Debt:						
Parent:						
Shareholder loan	4.80%	€ —	(e)	(e)	€ 8,511.4	€ 8,331.4
UPC Holding Senior Notes	8.92%	—	€ 1,737.9	€ 1,602.1	1,595.1	1,548.3
Subsidiaries:						
UPC Broadband Holding Bank Facility	4.24%	820.8	€ 5,670.7	€ 5,935.8	5,882.2	6,316.5
UPCB Finance Senior Secured Notes	7.63%	—	€ 529.1	€ —	496.0	—
VTR Bank Facility (f)	—	—	€ —	€ 321.5	—	321.5
Other	6.60%	—	€ 0.4	€ 6.6	0.4	6.6
Total debt	5.08%	€ 820.8			16,485.1	16,524.3
Capital lease obligations					24.7	24.2
Total debt and capital lease obligations					16,509.8	16,548.5
Current maturities					(2.5)	(14.4)
Long-term debt and capital lease obligations					€ 16,507.3	€ 16,534.1

(a) Represents the weighted average interest rate in effect at December 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, original issue discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue discounts and commitments fees, but excluding the impact of financing costs, our estimated weighted average interest rate on our aggregate variable and fixed rate indebtedness was approximately 8.7% at December 31, 2010. For information concerning our derivative instruments, see note 7.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at December 31, 2010 without regard to covenant compliance calculations. At December 31, 2010, our availability under the UPC Broadband Holding Bank Facility (as defined below) was limited to €438.7 million. Additionally, when the December 31, 2010 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €413.7 million.

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

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

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

(f) Pursuant to the deposit arrangements with the lender in relation to an 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. At December 31, 2009, the weighted average interest rate in effect for borrowings outstanding under the VTR Bank Facility was 2.68%.

Shareholder Loan

UPC Holding has an unsecured shareholder loan with its immediate parent, LGE Financing, which, as amended, is scheduled to be repaid in 2030 and is subordinated in right of payment to the prior payment in full of the UPC Holding Senior Notes in the event of (i) a total or partial liquidation, dissolution or winding up of UPC Holding, (ii) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (iii) an assignment for the benefit of creditors or (iv) any marshalling of UPC Holding's assets or liabilities. Accrued interest is included in other long-term liabilities until the end of each fiscal year and then it is transferred to the loan balance. The interest rate on the shareholder loan is reviewed annually, with any adjustment effective on October 1 of each year. The interest rate in effect for the 12 month periods beginning October 1 2010, 2009 and 2008 were 4.80%, 4.80% and 7.58%, respectively. The net increase in the shareholder loan balance during 2010 includes (i) cash payments of €2,325.9 million, (ii) cash borrowings of €2,048.4 million, (iii) additions of €406.0 million in non-cash accrued interest, (iv) a €59.5 million non-cash increase related to the settlement of intercompany charges and allocations and (vi) individually insignificant net non-cash decreases aggregating €8.0 million. The net decrease in the shareholder loan balance during 2009 includes (i) cash payments of €2,535.1 million, (ii) cash borrowings of €1,893.5 million, (iii) additions of €568.1 million in non-cash accrued interest, (iv) consideration received of €11.5 million related to the transfer of LGE Ltd. and LG Europe (see note 4) and (v) a €2.3 million non-cash decrease related to the settlement of intercompany charges and allocations. The net decrease in the shareholder loan balance during 2008 includes (i) cash payments of €1,729.4 million, (ii) cash borrowings of €553.8 million, (iii) additions of €616.5 million in non-cash accrued interest and (iv) a €20.5 million non-cash increase related to the settlement of intercompany charges and allocations. During the three year period ending December 31, 2010, none of the debt repayments were payments of interest.

UPC Broadband Holding Bank Facility

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

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

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

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

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

		December 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	December 31, 2014	EURIBOR + 2.00%	€ 566.6	—	566.6
N	December 31, 2014	LIBOR + 1.75%	$ 357.2	—	267.2
O	July 31, 2013	(d)	(d)	—	50.6
P	September 2, 2013	LIBOR + 2.75%	$ 188.6	—	141.1
Q	July 31, 2014	EURIBOR + 2.75%	€ 422.0	422.0	—
R	December 31, 2015	EURIBOR + 3.25%	€ 290.7	—	290.7
S	December 31, 2016	EURIBOR + 3.75%	€ 1,740.0	—	1,740.0
T	December 31, 2016	LIBOR + 3.50%	$ 1,071.5	—	795.0
U	December 31, 2017	EURIBOR + 4.00%	€ 1,250.8	—	1,250.8
V (e)	January 15, 2020	7.625%	€ 500.0	—	500.0
W	March 31, 2015	EURIBOR + 3.00%	€ 269.1	269.1	—
X	December 31, 2017	LIBOR + 3.50%	$ 1,042.8	—	780.2
Elimination of Facility V in consolidation (e)			€ (500.0)	—	(500.0)
Total				€ 820.8	€ 5,882.2

(a) Represents total third-party facility amounts at December 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 BV (UPC Broadband Operations), a subsidiary of UPC Broadband Holding, and, accordingly, such amounts are not included in the table above.

(b) At December 31, 2010, our availability under the UPC Broadband Holding Bank Facility was limited to €438.7 million. When the December 31, 2010 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €413.7 million. Facility L and Facility Q have commitment fees on unused and uncancelled balances of 0.75% per year. Facility W has a commitment fee on unused and uncancelled balances of 1.2% per year.

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

(d) The applicable interest payable under Facility O is 2.75% per annum plus the specified percentage rate per annum determined by the Polish Association of Banking Dealers - Forex Poland or the National Bank of Hungary, as appropriate for the relevant period. The principal amount of Facility O is comprised of (i) a HUF 5,962.5 million (€21.5 million) sub-tranche and (ii) a PLN 115.1 million (€29.1 million) sub-tranche.

(e) See discussion below regarding the elimination of the amount outstanding under Facility V through the consolidation of UPCB Finance (as defined below) within UPC Holding's consolidated financial statements.

2010 Transactions. During 2010, pursuant to various additional facility accession agreements, (i) new Facilities W and X were executed and (ii) commitments under existing Facilities R, S and T were increased. Facility W is a redrawable term loan facility and Facility X is a non-redrawable term loan facility. In connection with the completion of these transactions, certain lenders under existing Facilities M, N and P novated their commitments to UPC Broadband Operations and entered into one or more of Facilities R, S, T, W or X. As a result, total commitments of (i) €218.1 million under Facility M were rolled into Facility W, (ii) $1,042.8 million (€780.2 million) under Facility N were rolled into Facility X and (iii) $322.9 million (€241.6 million) under Facility P were rolled into Facilities R, S, T and W. In addition, in July 2010, Facility W was increased by an aggregate principal amount of €25.0 million. Among other matters, the completion of the foregoing transactions resulted in the extension of a significant portion of the maturities under the UPC Broadband Holding Bank Facility.

Prior to the redemption of UPC Holding's 2014 Senior Notes (as defined below) in August 2010, Facilities M, N, Q, R, S, T, U, W and X of the UPC Broadband Holding Bank Facility would have matured on or before October 17, 2013 if in respect of Facilities S, T, U, W and X, the 2014 Senior Notes had an outstanding balance of €250.0 million or more on such maturity date or in respect of Facilities M, N, Q and R, the 2014 Senior Notes had not been repaid, refinanced or redeemed prior to such maturity date. With the refinancing or redemption of the 2014 Senior Notes (as described below), such earlier maturity dates no longer apply.

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

In connection with the completion of the 2009 Facilities, certain of the lenders under the existing Facilities L, M and N novated their commitments to Liberty Global Europe BV (LG Europe) (which commitments were subsequently novated by LG Europe to UPC Broadband Operations in December 2009) and entered into the 2009 Facilities. As a result, total commitments of €700.3 million, €2,935.8 million and $500.0 million (€374.1 million) under Facilities L, M and N, respectively, were rolled into the 2009 Facilities during 2009. Among other matters, the completion of the 2009 Facilities resulted in the extension of a significant portion of the maturities under the UPC Broadband Holding Bank Facility.

During September and October 2009, Facility T was increased by $325.0 million (€243.2 million) through the addition of (i) a $25.0 million (€18.7 million) tranche issued at par and (ii) a $300.0 million (€224.5 million) tranche issued at a discount of 4%, resulting in net proceeds after discounts of $313.0 million (€234.2 million).

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

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

2008 Transactions. In August and September 2008, two additional facility accession agreements (Facility O and Facility P, respectively) were entered into under the UPC Broadband Holding Bank Facility. Facility O is an additional term loan facility comprised of (i) a HUF 5,962.5 million (€21.5 million) sub-tranche and (ii) a PLN 115.1 million (€29.1 million) sub-tranche, and both sub-tranches were drawn in full in August 2008. Facility P is an additional term loan facility in the principal amount of $521.2 million (€390.0 million), of which only $511.5 million (€382.7 million) was received due to the failure of one of the lenders to fund a $9.7 million (€7.3 million) commitment. Certain of the lenders under Facility I, which was then a €250.0 million repayable and redrawable term loan under the UPC Broadband Holding Bank Facility, novated €202.0 million of their undrawn commitments to LG Europe (which commitments were subsequently novated by LG Europe to UPC Broadband Operations in December 2009) and entered into Facility P. Facility P was drawn on September 12, 2008. The proceeds of Facilities O and P were used for general corporate and working capital purposes.

UPC Holding Senior Notes

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

Concurrently with the offering of the 8.375% Senior Notes, holders of UPC Holding's (i) €384.6 million aggregate principal amount of 7.75% Senior Notes due 2014 (the 7.75% Senior Notes) and (ii) €230.9 million aggregate principal amount of 8.625% Senior Notes due 2014 (the 8.625% Senior Notes and together with the 7.75% Senior Notes, the 2014 Senior Notes) were invited, subject to certain offering restrictions, to tender their 7.75% Senior Notes and 8.625% Senior Notes to UPC Holding (the Tender Offers). A total of €205.5 million aggregate principal amount of the 7.75% Senior Notes and €101.3 million aggregate principal amount of the 8.625% Senior Notes were tendered. The proceeds of the issuance of the 8.375% Senior Notes were used to (i) purchase the 2014 Senior Notes tendered pursuant to the Tender Offers, (ii) redeem and discharge the 2014 Senior Notes not tendered in the Tender Offers (the Post Closing Redemption) and (iii) pay fees and expenses incurred in connection with the offering of the 8.375% Senior Notes and the Tender Offers. To effect the Post-Closing Redemption, UPC Holding deposited funds sufficient to redeem and discharge such notes and such redemption was completed on (i) August 20, 2010 for the 7.75% Senior Notes and (ii) September 13, 2010 for the 8.625% Senior Notes. In connection with the repurchase and redemption of the 2014 Senior Notes, we paid debt redemption premiums of €12.4 million and wrote-off deferred financing costs of €6.8 million. These amounts are included in losses on debt modifications and extinguishments, net, in our consolidated statement of operations.

2009 Transactions. On April 30, 2009, UPC Holding issued €184.4 million aggregate principal amount of new 9.75% senior notes due April 2018 (the 9.75% Senior Notes), together with cash payments of €4.6 million and €4.1 million, respectively, in exchange for (i) €115.3 million aggregate principal amount of its existing 7.75% Senior Notes and (ii) €69.1 million aggregate principal amount of its existing 8.625% Senior Notes. In connection with this exchange transaction, UPC Holding paid the accrued interest on the exchanged senior notes and incurred applicable commissions and fees, including fees paid to third parties of €3.8 million that are included in losses on debt modifications and extinguishments, net, in our consolidated statement of operations.

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

On May 29, 2009, UPC Holding issued €150.0 million principal amount of additional 9.75% Senior Notes at an original issue discount of 10.853% and $400.0 million (€299.3 million) principal amount of new 9.875% Senior Notes due April 2018 (the 9.875% Senior Notes, and together with the 8.375% Senior Notes, the 8.0% Senior Notes and the 9.75% Senior Notes, the UPC Holding Senior Notes) at an original issue discount of 7.573%, resulting in cash proceeds before commissions and fees of €133.7 million and $369.7 million (€261.8 million at the transaction date), respectively.

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

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

		December 31, 2010						
		Outstanding principal amount						
UPC Holding Senior Notes	**Maturity**	**Borrowing currency**		**Euro equivalent**		**Estimated fair value**		**Carrying value (a)**
				in millions				
8.0% Senior Notes	November 2016	€	300.0	€ 300.0	€	313.5	€	300.0
9.75% Senior Notes	April 2018	€	400.0	400.0		434.4		375.9
9.875% Senior Notes	April 2018	$	400.0	299.3		325.1		279.2
8.375% Senior Notes	August 2020	€	640.0	640.0		664.9		640.0
				€ 1,639.3	€	1,737.9	€	1,595.1

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

At any time prior to April 15, 2013 in the case of the 9.75% Senior Notes, April 15, 2014 in the case of the 9.875% Senior Notes and August 15, 2015 in the case of the 8.375% Senior Notes, UPC Holding may redeem some or all of such Senior Notes by paying a "make-whole" premium, which is the present value of all scheduled interest payments until April 15, 2013, April 15, 2014 or August 15, 2015, as the case may be, using the discount rate (as specified in the applicable indenture) as of the redemption date, plus 50 basis points. In addition, at any time prior to April 15, 2012 in the case of the 9.75% and 9.875% Senior Notes and August 15, 2013 in the case of the 8.375% Senior Notes, UPC Holding may redeem up to 35% of the 9.75%, 9.875% and 8.375% Senior Notes (at a redemption price of 109.75%, 109.875% and 108.375% of the principal amount, respectively) with the net proceeds from one or more specified equity offerings.

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

UPC Holding may redeem some or all of the UPC Holding Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts (as defined in the applicable indenture), if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on November 1 in the case of the 8.0% Senior Notes, April 15 in the case of the 9.75% and 9.875% Senior Notes and August 15 in the case of the 8.375% Senior Notes of the years set out below:

	Redemption price			
Year	**8.0% Senior Notes**	**9.75% Senior Notes**	**9.875% Senior Notes**	**8.375% Senior Notes**
2011	104.000%	N.A.	N.A.	N.A.
2012	102.660%	N.A.	N.A.	N.A.
2013	101.330%	104.875%	N.A.	N.A.
2014	100.000%	102.437%	104.938%	N.A.
2015	100.000%	100.000%	102.469%	104.188%
2016	100.000%	100.000%	100.000%	102.792%
2017	N.A.	100.000%	100.000%	101.396%
2018 and thereafter	N.A.	100.000%	100.000%	100.000%

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

UPCB Finance Senior Secured Notes

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

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

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

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

The UPCB Finance Senior Secured Notes, which mature on January 15, 2020, are non-callable until January 15, 2015. At any time prior to January 15, 2015, upon the occurrence of an Early Redemption Event (being a voluntary prepayment of all or a portion of Facility V), UPCB Finance will redeem an aggregate principal amount of the UPCB Finance Senior Secured Notes equal to the amount of Facility V prepaid, at a redemption price equal to the sum of (i) 100% of the principal amount thereof, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price on January 15, 2015, as set forth in the table below, plus (2) all required remaining scheduled interest payments due through January 15, 2015, computed using the discount rate specified in the UPCB Finance Indenture, over (b) the principal amount of the UPCB Finance Senior Secured Notes on the redemption date and (iii) accrued but unpaid interest and Additional Amounts (as defined in the UPCB Finance Indenture), if any, to the applicable redemption date.

On or after January 15, 2015, upon the occurrence of an Early Redemption Event, UPCB Finance may redeem an aggregate principal amount of the UPCB Finance Senior Secured Notes equal to the principal amount of Facility V prepaid at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date, if redeemed during the twelve month period commencing on January 15 of the years set forth below:

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

Maturities of Debt and Capital Lease Obligations

Maturities of our debt and capital lease obligations as of December 31, 2010 are presented below. Amounts presented below represent euro equivalents based on December 31, 2010 exchange rates:

Debt:

	Third-party debt	Shareholder loan	Total
		in millions	
Year ended December 31:			
2011	€ 0.2	€ —	€ 0.2
2012	0.2	—	0.2
2013	191.8	—	191.8
2014	833.8	—	833.8
2015	290.7	—	290.7
Thereafter	6,711.9	8,511.4	15,223.3
Total debt maturities	8,028.6	8,511.4	16,540.0
Unamortized discount	(54.9)	—	(54.9)
Total debt	€ 7,973.7	€ 8,511.4	€ 16,485.1
Current portion	€ 0.2	€ —	€ 0.2
Noncurrent portion	€ 7,973.5	€ 8,511.4	€ 16,484.9

Capital lease obligations (in millions):

Year ended December 31:	
2011	€ 4.0
2012	2.8
2013	2.6
2014	2.6
2015	2.5
Thereafter	26.3
	40.8
Amounts representing interest	(16.1)
Present value of net minimum lease payments	€ 24.7
Current portion	€ 2.3
Noncurrent portion	€ 22.4

Non-cash Refinancing Transactions

During 2010, 2009 and 2008, we completed certain refinancing transactions that resulted in non-cash borrowings and repayments of debt aggregating €991.5 million, €4,094.9 million and €250.0 million, respectively.

Subsequent Events

For information regarding certain financing transactions completed subsequent to December 31, 2010, see note 19.

(11) Income Taxes

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

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

Income tax benefit (expense) consists of:

	Current	Deferred	Total
		in millions	
Year ended December 31, 2010:			
Continuing operations:			
Domestic	€ —	€ (0.7)	€ (0.7)
Foreign	(16.8)	118.4	101.6
Total – continuing operations	€ (16.8)	€ 117.7	€ 100.9
Year ended December 31, 2009:			
Continuing operations:			
Domestic	€ —	€ (0.8)	€ (0.8)
Foreign	(9.7)	135.3	125.6
Total – continuing operations	€ (9.7)	€ 134.5	€ 124.8
Discontinued operations	€ (0.6)	€ 0.9	€ 0.3
Year ended December 31, 2008:			
Continuing operations:			
Domestic	€ 0.1	€ 0.8	€ 0.9
Foreign	(7.5)	(55.4)	(62.9)
Total – continuing operations	€ (7.4)	€ (54.6)	€ (62.0)
Discontinued operations	€ (1.6)	€ 0.6	€ (1.0)

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

	Year ended December 31,		
	2010	2009	2008
		in millions	
Computed "expected" tax benefit	€ 228.1	€ 258.5	€ 264.8
Non-deductible or non-taxable interest and other expenses	(63.7)	(91.6)	(113.6)
Change in valuation allowance	(45.2)	3.1	(162.2)
Enacted tax law and rate changes	(14.5)	(1.7)	(0.5)
State and local income taxes, net of federal income taxes	(2.9)	(3.7)	(5.2)
International rate differences	(2.3)	(32.4)	(25.5)
Impairment of goodwill	—	(13.5)	(17.1)
Other, net	1.4	6.1	(2.7)
	€ 100.9	€ 124.8	€ (62.0)

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

	December 31,	
	2010	2009
	in millions	
Current deferred tax assets	€ 61.1	€ 49.0
Non-current deferred tax assets	235.9	100.2
Current deferred tax liabilities	(0.7)	(0.2)
Non-current deferred tax liabilities	(23.9)	(10.9)
Net deferred tax asset	€ 272.4	€ 138.1

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

	December 31,	
	2010	2009
	in millions	
Deferred tax assets:		
Net operating loss and other carryforwards	€ 1,445.1	€ 1,115.2
Property and equipment, net	42.7	53.1
Intangible assets	15.7	7.2
Derivative instruments	12.0	12.2
Investments	8.2	—
Other future deductible amounts	117.6	87.8
Deferred tax assets	1,641.3	1,275.5
Valuation allowance	(1,234.5)	(1,007.2)
Deferred tax assets, net of valuation allowance	406.8	268.3
Deferred tax liabilities:		
Intangible assets	(78.6)	(90.6)
Property and equipment, net	(48.8)	(38.2)
Other future taxable amounts	(7.0)	(1.4)
Deferred tax liabilities	(134.4)	(130.2)
Net deferred tax asset	€ 272.4	€ 138.1

Our deferred income tax valuation allowance increased €227.3 million in 2010. This increase reflects the net effect of (i) acquisitions and similar transactions, (ii) the net tax expense related to our continuing operations of €45.2 million (which amount is net of a €159.3 million tax benefit recorded in France upon the release of valuation allowances during the fourth quarter of 2010) and (iii) other.

The significant components of our tax loss carryforwards and related tax assets at December 31, 2010 are as follows:

Country	Tax loss carryforward	Related tax asset	Expiration date
	in millions		
The Netherlands	€ 3,799.9	€ 950.1	2011-2019
Luxembourg	724.5	208.5	Indefinite
France	462.9	159.3	Indefinite
Ireland	362.3	44.9	Indefinite
Switzerland	169.4	33.6	2011-2017
Austria	98.6	24.2	Indefinite
Hungary	70.5	6.5	Indefinite
Romania	57.7	8.8	2011-2016
Chile	36.5	7.3	Indefinite
Other	10.6	1.9	Various
Total	€ 5,792.9	€ 1,445.1	

Net operating losses arising from the deduction of stock-based compensation are not included in the above table. These net operating losses, which aggregated €6.0 million at December 31, 2010, will not be recognized for financial reporting purposes until such time as these tax benefits can be realized as a reduction of income taxes payable.

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

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

With a few exceptions in certain foreign jurisdictions, tax returns filed by our company or our subsidiaries for years prior to 2004 are no longer subject to examination by tax authorities. Certain of our foreign subsidiaries are also currently involved in income tax examinations in various foreign jurisdictions in which we operate, including Czech Republic (2006 – 2008), Hungary (2005 – 2008), Romania (2007) and Switzerland (2005 – 2008). Any adjustments that might arise from the foregoing examinations are not expected to have a material impact on our consolidated financial position or results of operations.

The changes in our unrecognized tax benefits are summarized below:

	2010	2009	2008
		in millions	
Balance at January 1	€ 12.1	€ 27.8	€ 186.7
Additions for tax positions of prior years	20.3	3.8	46.4
Reductions for tax positions of prior years	(5.0)	(22.2)	(220.1)
Additions based on tax positions related to the current year	1.9	3.2	9.3
Foreign currency translation	0.4	(0.3)	5.9
Lapse of statute of limitations	—	(0.2)	(0.4)
Balance at December 31	€ 29.7	€ 12.1	€ 27.8

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

As of December 31, 2010, our unrecognized tax benefits included €9.5 million of tax benefits that would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

During 2011, it is reasonably possible that the resolution of currently ongoing examinations by tax authorities could result in changes to our unrecognized tax benefits related to tax positions taken as of December 31, 2010. We do not expect that any such changes will have a material impact on our unrecognized tax benefits. No assurance can be given as to the nature or impact of any other changes in our unrecognized tax positions during 2011.

(12) Owners' Deficit

UPC Holding is a private limited liability company under Dutch law. The authorized share capital of our company equals one hundred thousands euros (€100,000), divided into one thousand shares with a nominal value of one hundred euros (€100) each. As of December 31, 2010 and 2009, respectively, two hundred shares have been issued and fully paid-in. All shares are registered; no share certificates can be issued. All shares are ordinary shares for a private limited liability company under Dutch law. A shareholder wishing to transfer one or more of his shares must first offer his shares to co-shareholders in a written notification to the Management Board, stating the number of shares to be transferred. Management is required to give notice within two weeks after the notification to the co-shareholders. Co-shareholders have the possibility to notify management of a decision to purchase the shares within two weeks after the notification by the Management Board. If the company itself is a co-shareholder, it can only be entitled to act as an interested party with the consent of the offer or of the shares. Each shareholder has the right of pre-emption in proportion to the aggregate nominal value of its shares subject to certain limitations including as prescribed by Dutch Law. No preference or priority rights exist for profit distribution, voting or dissolution and liquidation.

(13) Stock Incentive Awards

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

	2010		2009		2008	
	U.S. dollar	Euro equivalent	U.S. dollar	Euro equivalent	U.S. dollar	Euro equivalent
			in millions			
LGI common stock:						
LGI performance-based incentive awards (a)	$ 8.9	€ 6.7	$ 5.4	€ 3.9	$ 35.0	€ 23.8
Other LGI stock-based incentive awards	11.9	9.0	13.5	9.7	12.5	8.5
Total LGI common stock	20.8	15.7	18.9	13.6	47.5	32.3
Other	2.1	1.6	2.1	1.5	(6.9)	(4.7)
Total	$ 22.9	€ 17.3	$ 21.0	€ 15.1	$ 40.6	€ 27.6
Included in:						
Operating expense	$ 2.6	€ 2.0	$ 3.6	€ 2.6	$ 6.9	€ 4.7
SG&A expense	20.3	15.3	17.4	12.5	33.7	22.9
Total	$ 22.9	€ 17.3	$ 21.0	€ 15.1	$ 40.6	€ 27.6

(a) Includes stock-based compensation expense related to the LGI Performance Plans (as defined below) and, for the 2010 periods, LGI performance-based restricted share units (PSUs). See below for information regarding the LGI Performance Plans and LGI PSUs.

The following table provides certain information related to stock-based compensation not yet recognized as of December 31, 2010:

	LGI common stock (a)		LGI Performance Plans		LGI PSUs	
	U.S. $	Euro equivalent (b)	U.S. $	Euro equivalent (b)	U.S. $	Euro equivalent (b)
Total compensation expense not yet recognized (in millions)	$ 17.5	€ 13.1	$ 0.8	€ 0.6	$ 3.1	€ 2.3
Weighted average period remaining for expense recognition (in years)	2.5		0.5		1.5	

(a) Amounts relate to the LGI incentive plans (exclusive of amounts related to the LGI Performance Plans and LGI PSUs) and the UGC incentive plans described below.

(b) Convenience translations into euros are calculated as of December 31, 2010.

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

	Year ended December 31, 2010	2009	2008
LGI common stock:			
Assumptions used to estimate fair value of options and SARs granted:			
Risk-free interest rate	1.26 – 2.53 %	1.42 – 2.97 %	3.24 – 3.78 %
Expected life	3.4 – 4.9 years	3.2 – 4.2 years	4.5 years
Expected volatility	42.1 – 45.5 %	47.5 – 56.8 %	24.0 – 25.1 %
Expected dividend yield	none	none	none
Weighted average grant-date fair value per share of awards granted:			
SARs	$ 9.27	$ 6.21	$ 9.85
Restricted shares	$ 24.79	$ 13.24	$ 35.29
PSUs	$ 27.65	$ —	$ —
Total intrinsic value of awards exercised (in millions):			
Options	$ 11.8	$ 0.1	$ 2.2
SARs	$ 17.6	$ 2.7	$ 4.8
Cash received by LGI from exercise of options (in millions)	$ 18.8	$ 0.8	$ 3.7
Income tax expense (benefit) related to stock-based compensation (in millions)	$ (0.4)	$ (0.3)	$ 0.1

Stock Incentive Plans – LGI Common Stock

The LGI Incentive Plan

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

The maximum number of shares of LGI common stock with respect to which awards may be issued under the incentive plan is 50 million, subject to anti-dilution and other adjustment provisions of the LGI Incentive Plan, of which no more than 25 million shares may consist of LGI Series B common stock. With limited exceptions, no person may be granted in any calendar year awards covering more than four million shares of LGI common stock, of which no more than two million shares may consist of LGI Series B common stock. In addition, no person may receive payment for cash awards during any calendar year in excess of $10 million (€7 million). Shares of LGI common stock issuable pursuant to awards made under the incentive plan are made available from either authorized but unissued shares or shares that have been issued but reacquired by LGI. Awards under the LGI Incentive Plan issued prior to June 2005 are fully vested and expire 10 years after the grant date. Awards (other than performance-based awards) under the LGI Incentive Plan issued after June 2005 generally (i) vest 12.5% on the six month anniversary of the grant date and then vest at a rate of 6.25% each quarter thereafter and (ii) expire seven years after the grant date. The LGI Incentive Plan had 14,836,837 shares available for grant as of December 31, 2010.

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

Earned awards are paid in six equal semi-annual installments on each March 31 and September 30 commencing on March 31, 2009, subject to forfeiture upon certain events of termination of employment or acceleration in certain circumstances. Further, the compensation committee of LGI's board of directors has the discretion to reduce the unpaid balance of an earned award based on an assessment of the participant's individual job performance during the service period. With the exception of an initial equity incentive award granted to a new hire in 2007, participants in the LGI Senior Executive Performance Plan were not eligible to receive and were not granted any equity incentive awards during the two-year performance period.

Following completion of the performance period, on February 18, 2009, the compensation committee of LGI's board of directors determined that an OCF CAGR of approximately 15.5% had been achieved during the performance period. Based on this determination and after deducting forfeited awards, participants in the LGI Performance Plans (including certain employees of our subsidiaries) that met minimum annual performance rating levels earned $316.5 million (€236.8 million) or 87.4% of their aggregate maximum achievable awards.

On February 18, 2009, the compensation committee of LGI's board of directors determined the method of payment for the March 31, 2009 and September 30, 2009 installments of the earned awards. In accordance with the compensation committee of LGI's board of directors' determination, LGI (i) paid cash aggregating $56.2 million (€42.0 million) (including $14.6 million (€10.9 million) paid to employees of our subsidiaries) and granted on February 18, 2009 9,464 restricted share units with respect to LGI Series A common stock and 9,094 restricted share units with respect to LGI Series C common stock to settle the first installment of the awards earned under the LGI Performance Plans and (ii) granted restricted share units on February 18, 2009 with respect to 2,002,597 shares of LGI Series A common stock and 1,924,050 shares of LGI Series C common stock (including 418,122 and 402,718, respectively, granted to employees of our subsidiaries) to settle the second installment of the awards earned under the LGI Performance Plans. The restricted share units granted in partial satisfaction of the first installment of the awards vested on March 31, 2009, and the restricted share units granted in satisfaction of the second installment of the awards vested on September 30, 2009. For purposes of determining the number of restricted share units to be granted, the compensation committee of LGI's board of directors assigned a value of $13.50 to each restricted share unit, which represented a premium of approximately 13.5% to the closing price of LGI Series A common stock on February 18, 2009. As required by the terms of the LGI Performance Plans, the restricted share units were allocated between LGI Series A and Series C common stock in the same relative proportions as the then outstanding LGI Series A and Series C common stock (51%/49%). The decision by the compensation committee of LGI's board of directors to settle the second installment of each earned award with restricted share units represents a modification that resulted in the reclassification of this portion of the earned awards from a liability to equity. The €0.8 million difference between the February 18, 2009 grant date market value of the restricted share units issued to employees of our subsidiaries and the value assigned to the restricted share units by the compensation committee of LGI's board of directors is reflected as a reduction of our stock-based compensation expense for the year ended December 31, 2009. Our stock-based compensation expense for the year ended December 31, 2009 also includes a reduction of €8.2 million related to the first quarter 2009 forfeiture of certain awards under the LGI Performance Plans.

On February 16, 2010, the compensation committee 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 of LGI's board of directors' determination, LGI (i) paid cash aggregating $50.9 million (€38.1 million) (including $10.2 million (€7.6 million) paid to employees of our subsidiaries), together with 32,802 restricted plan shares (as defined in the performance plans) of LGI Series A common stock and 31,708 restricted plan shares of 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 630,684 and 609,639 respectively, granted to employees of our subsidiaries) to settle the remaining balance of each participant's earned award, which shares vest in three equal installments. In accordance with the LGI Performance Plans, restricted plan shares may be restricted shares or restricted share units. The restricted plan shares issued in relation to the March 31, 2010 and September 30, 2010 installments vested in full on those dates and the remaining restricted plan shares are scheduled to vest in equal installments on March 31, 2011 and September 30, 2011. For purposes of determining the number of restricted plan shares to be granted, the compensation committee of LGI's board of directors valued the restricted plan shares at the respective closing market prices for LGI Series A and Series C common stock on February 16, 2010.

Compensation expense under the LGI Performance Plans is (i) recognized using the accelerated attribution method based on our assessment of the awards that are probable to be earned and (ii) reported as stock-based compensation in our consolidated statements of operations, notwithstanding the fact that the of LGI's board of directors has elected to cash settle a portion of the vested awards under the LGI Performance Plans.

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

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 of LGI's board of directors 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 of LGI's board of directors 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.

In March and April 2010, the compensation committee of LGI's board of directors granted to LGI's executive officers and certain key employees a total of 692,678 LGI Series A PSUs and 692,678 LGI Series C PSUs (including 193,172 and 193,172 respectively, granted to employees of our subsidiaries) pursuant to the

LGI Incentive Plan. Each PSU represents the right to receive one share of Series A common stock or Series C common stock, as applicable, subject to performance and vesting.

The performance period for the 2010 PSUs is January 1, 2010 to December 31, 2011. The performance target selected by the committee is achievement of an OCF CAGR of approximately 7% for the two-year performance period, subject to upward or downward adjustment for certain events in accordance with the terms of the grant agreement. A performance range of 75% to 125% of the target OCF CAGR would generally result in award recipients earning 50% to 150% of their 2010 PSUs, subject to reduction or forfeiture based on individual performance. One-half of the earned 2010 PSUs will vest on March 31, 2012 and the balance on September 30, 2012. The compensation committee of LGI's board of directors 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 are recognized over the requisite service period of the awards.

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

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

Options, restricted shares and SARs were granted to employees and directors of UGC prior to June 2005 pursuant to these plans. All such awards are fully vested and no new grants will be made under these plans.

Stock Award Activity – LGI Common Stock

The following tables summarize the LGI stock award activity during 2010 under the LGI and UGC incentive plans held by employees of our subsidiaries, as described above.

Options — LGI Series A common stock:	Number of shares	Weighted average exercise price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2010	495,344	$ 22.23		
Exercised	(434,840)	$ 21.61		
Outstanding and exercisable at December 31, 2010	60,504	$ 26.70	1.1	$ 0.6

Options — LGI Series C common stock:	Number of shares	Weighted average exercise price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2010	523,604	$ 20.91		
Exercised	(463,100)	$ 20.35		
Outstanding and exercisable at December 31, 2010	60,504	$ 25.21	1.1	$ 0.5

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	478,432	$ 27.47		
Expired or canceled	(34,822)	$ 33.94		
Forfeited	(122,085)	$ 22.79		
Exercised	(687,995)	$ 18.25		
Outstanding at December 31, 2010	995,855	$ 20.40	5.2	$ 14.0
Exercisable at December 31, 2010	263,584	$ 18.22	3.4	$ 3.6

SARs — LGI Series C common stock:	Number of shares	Weighted average base price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2010	1,309,975	$ 17.21		
Granted	478,432	$ 27.07		
Expired or canceled	(34,822)	$ 32.12		
Forfeited	(122,085)	$ 22.48		
Exercised	(635,645)	$ 18.42		
Outstanding at December 31, 2010	995,855	$ 20.02	5.2	$ 13.0
Exercisable at December 31, 2010	263,584	$ 17.56	3.4	$ 3.4

Restricted shares and restricted share 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	698,028	$ 24.99	
Forfeited	(42,062)	$ 24.38	
Released from restrictions	(322,554)	$ 25.11	
Outstanding at December 31, 2010	575,576	$ 24.43	1.1

Restricted shares and restricted share 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	676,983	$ 24.57	
Forfeited	(41,297)	$ 23.80	
Released from restrictions	(315,288)	$ 24.47	
Outstanding at December 31, 2010	562,562	$ 23.92	1.1

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	193,172	$ 27.85	
Forfeited	(58,184)	$ 28.33	
Outstanding at December 31, 2010	134,988	$ 27.64	1.5

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	193,172	$ 27.46	
Forfeited	(58,184)	$ 27.95	
Outstanding at December 31, 2010	134,988	$ 27.25	1.5

At December 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.

VTR Phantom SARs Plan

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

The following table summarizes the activity during 2010 related to the VTR Plan:

SARs — VTR common stock:	Number of shares	Weighted average base price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2010	612,173	CLP 11,640		
Exercised	(527,173)	CLP 11,257		
Outstanding and exercisable at December 31, 2010 (a)	85,000	CLP 14,016	0.5	CLP 277.0

(a) The liability associated with these awards is recorded on the balance sheet at fair value as of each reporting period, and any changes in fair value are recognized in earnings as stock-based compensation. Fair value of these awards at December 31, 2010 is measured at their intrinsic value, calculated as the difference between the estimated fair value per share of VTR common stock as of that date and the base price of the award.

(14) Related Party Transactions

Our related party transactions consist of the following:

	Year ended December 31, 2010	2009	2008
		in millions	
Revenue	€ 10.2	€ 10.5	€ 13.3
Operating expenses	(64.2)	(62.6)	(63.6)
SG&A expenses	(3.9)	(2.7)	(4.7)
Allocated stock-based compensation expense	(15.7)	(13.6)	(32.3)
Fees and allocations, net	(18.1)	(30.6)	(31.5)
Included in operating income	(91.7)	(99.0)	(118.8)
Interest expense	(406.0)	(568.1)	(616.5)
Included in net loss	€ (497.7)	€ (667.1)	€ (735.3)

Revenue. Amounts consist primarily of cash settled construction and programming services provided to our affiliates and, to a lesser extent programming services provided to Chellomedia, another subsidiary of LGI.

Operating expenses. Amounts consist primarily of cash settled programming and digital interactive services provided by Chellomedia and, to a lesser extent, cash settled programming services provided by Pramer S.C.A., a subsidiary of LGI, in the aggregate amounts of €56.3 million, €52.6 million and €53.9 million during the years ended December 31, 2010, 2009 and 2008, respectively. In addition, operating expenses include costs for cash settled programming and interconnect fees charged by certain of LGI's affiliates of €9.2 million, €10.0 million and €9.7 million during the years ended December 31, 2010, 2009, and 2008, respectively. The 2010 amount contains network recharges to Unitymedia GmbH (Unitymedia), another subsidiary of LGI, of €1.3 million.

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

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

Fees and allocations, net. These amounts represent the aggregate net effect of charges between subsidiaries of UPC Holding and various LGI subsidiaries, including (i) aggregate charges from LG Europe and LGE Ltd. of €52.6 million, €51.4 million and €44.5 million during the years ended December 31, 2010, 2009 and 2008, respectively, (ii) charges to Unitymedia of €23.8 million during the year ended December 31, 2010 and (iii) charges to LGI and certain other LGI subsidiaries of €10.7 million, €20.8 million, and €13.0 million during the years ended December 31, 2010, 2009 and 2008, respectively. These charges generally relate to management, finance, legal, technology and other corporate and administrative services provided to or by our subsidiaries and, in the case of charges to Unitymedia, also include charges related to marketing and other services that support Unitymedia's broadband communications operations. The amounts charged generally are based on the respective subsidiary's estimated share of the applicable costs incurred (including personnel and other costs related to the services provided, which, in the case of the charges from LG Europe and LGE Ltd., include stock-based compensation) plus a mark-up. The monthly charges are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year. The annual revision to reflect actual costs for 2009, 2008 and 2007 amounted to a €2.8 million decrease, a €1.7 million increase and a €1.7 million decrease, respectively, in our billings to LGI and certain other LGI subsidiaries during the three months ended March 31, 2010, 2009 and 2008, respectively.

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

Except as noted above, our intercompany transactions are typically loan settled. Depending on the nature of our intercompany transactions, the amount of the charges or allocations may be based on (i) estimated or allocated costs, (ii) estimated or allocated costs plus a mark-up or (iii) commercially negotiated rates. Although we believe that the intercompany charges and fees described above are reasonable, no assurance can be given that the costs and expenses reflected in our 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 as of December 31, 2010 and 2009:

	December 31,	
	2010	2009
	in millions	
Other current assets (a)	€ 22.8	€ 7.5
Accounts payable	€ 17.0	€ 12.6
Accrued liabilities	15.4	6.1
Shareholder loan (note 10)	8,511.4	8,331.4
Total	€ 8,543.8	€ 8,350.1

(a) Represents related-party receivables.

(15) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2010 is set forth in the table below:

	Employee severance and termination	Office closures	Programming and lease contract termination	Other	Total
			in millions		
Restructuring liability as of January 1, 2010	€ 3.7	€ 6.6	€ —	€ —	€ 10.3
Restructuring charges	2.1	0.2	5.6	7.0	14.9
Cash paid	(2.4)	(3.1)	(5.6)	(7.0)	(18.1)
Foreign currency translation adjustments and other	(0.3)	0.2	—	0.1	—
Restructuring liability as of December 31, 2010	€ 3.1	€ 3.9	€ —	€ 0.1	€ 7.1
Short-term portion	€ 2.9	€ 1.6	€ —	€ 0.1	€ 4.6
Long-term portion	0.2	2.3	—	—	2.5
Total	€ 3.1	€ 3.9	€ —	€ 0.1	€ 7.1

Our 2010 restructuring charges include €12.6 million, representing dish-turning and duplicate satellite costs incurred in connection with the migration of UPC Europe's DTH operations in the Czech Republic, Hungary and Slovakia to a new satellite. Our 2010 restructuring charges for employee severance and termination costs relate to reorganization and integration activities in certain of our European operations.

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

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

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

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

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

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

(16) Accumulated Other Comprehensive Earnings (Loss)

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

	Parent				
	Foreign currency translation adjustments	Pension related adjustments	Accumulated other comprehensive earnings (loss)	Noncontrolling interests	Total accumulated other comprehensive earnings (loss)
			in millions		
Balance at January 1, 2008	€ (206.4)	€ 7.6	€ (198.8)	€ (2.8)	€ (201.6)
Other comprehensive earnings	164.1	(14.9)	149.2	(15.3)	133.9
Balance at December 31, 2008	(42.3)	(7.3)	(49.6)	(18.1)	(67.7)
Other comprehensive earnings	79.3	9.8	89.1	15.5	104.6
Other	(8.8)	—	(8.8)	—	(8.8)
Balance at December 31, 2009	28.2	2.5	30.7	(2.6)	28.1
Other comprehensive earnings	464.8	(1.5)	463.3	19.7	483.0
Balance at December 31, 2010	€ 493.0	€ 1.0	€ 494.0	€ 17.1	€ 511.1

(17) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancellable operating leases, programming contracts, satellite carriage commitments, purchases of customer premises equipment and other items. As of December 31, 2010, the euro equivalents (based on December 31, 2010 exchange rates) of such commitments that are not reflected in our consolidated balance sheet are as follows:

	Payments due during:						
	2011	2012	2013	2014	2015	Thereafter	Total
	in millions						
Continuing operations:							
Operating leases	€ 72.2	€ 45.8	€ 33.9	€ 23.1	€ 16.5	€ 57.5	€ 249.0
Programming, satellite and other purchase obligations	167.1	49.5	31.8	22.2	24.7	19.7	315.0
Other commitments	19.4	13.9	10.0	7.3	7.3	51.3	109.2
Total - continuing operations	€ 258.7	€ 109.2	€ 75.7	€ 52.6	€ 48.5	€ 128.5	€ 673.2

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

Other commitments include fixed minimum contractual commitments associated with our agreements with franchise or municipal authorities. Commitments arising from acquisition agreements including those described in note 4 are not reflected in the above table.

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

Rental expense of our continuing operations under non-cancelable operating lease arrangements amounted to €79.7 million, €74.0 million and €71.3 million in 2010, 2009 and 2008, respectively. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

Certain of our subsidiaries have established various defined contribution benefit plans for our and our subsidiaries' employees. The aggregate expense for matching contributions under the various defined contribution employee benefit plans was €12.4 million, €10.4 million and €12.5 million in 2010, 2009 and 2008, respectively.

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

As of December 31, 2010 and 2009, (i) the aggregate projected benefit obligation of these plans was €180.4 million and €140.3 million, respectively, (ii) the aggregate fair value of the assets held by these plans was €146.6 million and €111.0 million, respectively, and (iii) the aggregate net liability included in our other long-term liabilities related to these plans was €33.8 million and €29.3 million, respectively. During 2010, 2009 and 2008, our consolidated statements of operations include net periodic pension costs related to the plans of our continuing operations of €7.3 million, €6.8 million and €5.5 million, respectively. Our continuing operations' contributions to their respective plans in 2011 are expected to aggregate €9.0 million.

Contingent Obligations

In September 2009, VTR Móvil SA (VTR Móvil), a wholly-owned subsidiary of VTR, was officially notified by the Undersecretary of Telecommunications of Chile's Ministry of Transport and Telecommunications that VTR Móvil had been awarded a mobile license for one of three blocks of 30 megahertz (MHz) in the 1700/2100 MHz frequency band auctioned by the Chilean government pursuant to a public bidding process. The purchase price for the mobile license was CLP 1,669.0 million (€2.7 million). In order to guarantee its compliance with the terms of the mobile license, in October 2009, VTR Móvil posted a performance bond in the amount of CLP 35.6 billion (€56.9 million). Following satisfaction of the applicable terms of the mobile license, VTR's obligations under the performance bond were released during the fourth quarter of 2010. During the first half of 2011, the mobile license is expected to be transferred out of UPC Holding as part of the Chilean mobile initiative (as defined below). For additional information on the Chilean mobile initiative, see note 18.

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, 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 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. 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 complied with the decision. On August 18, 2010, CBb annulled the decision which lifted all imposed obligations. Consequently OPTA withdrew the related implementation and tariff decision on resale of analog services and rejected pending dispute procedures.

As part of OPTA's third round of market analysis, UPC Netherlands, as well as other providers, received questionnaires regarding broadcast transmission services. OPTA also raised questions regarding the bundling of television services with the other services a provider offers (broadband internet and telephony services). UPC Netherlands answered the questionnaire and it is expected that OPTA will come out with a consultation paper during the first half of 2011.

Chilean Antitrust Matter – On December 12, 2006, Liberty Media announced publicly that it had agreed to acquire an approximate 39% interest in The DirecTV Group, Inc. (DirecTV). On August 1, 2007, VTR received formal written notice from the Chilean Federal Economic Prosecutor (FNE) that Liberty

Media's acquisition of the DirecTV interest would violate one of the conditions imposed by the Chilean Antitrust Court on VTR's 2005 combination with Metrópolis Intercom SA prohibiting VTR and its control group from participating, directly or indirectly through related persons, in Chilean satellite or microwave television businesses through April 2010. On March 19, 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. Although Liberty Media no longer owns an interest in DirecTV and Mr. Malone's voting interest in DirecTV has been reduced to less than 5%, the matter is still pending. We do not expect the ultimate resolution of this matter to have a material impact on our results of operations or financial condition.

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

Other – In addition to the foregoing items, we have contingent liabilities related to (i) legal proceedings, (ii) wage, property, sales and other tax issues, (iii) disputes over interconnection fees, (iv) disputes over programming and copyright fees and (v) 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 results of operations or financial position.

(18) Information about Operating Segments

We own a variety of international subsidiaries 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, or total assets. In certain cases, we may elect to include an operating segment in our segment disclosure that does not meet the above-described criteria for a reportable segment. We evaluate performance and make decisions about allocating resources to our operating segments based on financial measures such as revenue and operating cash flow. In addition, we review non-financial measures such as subscriber growth, as appropriate.

Operating cash flow is the primary measure used by our chief operating decision maker to evaluate segment operating performance. Operating cash flow is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources to segments and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding stock-based compensation, related-party fees and allocations, depreciation and amortization, and impairment, restructuring and other operating charges or credits). Other operating charges or credits include (i) gains and losses on the disposition of long-lived assets, (ii) direct acquisition costs, such as third-party due diligence, legal and advisory costs and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. 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.

UPC Europe provides DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia through a Luxembourg-based organization, which we refer to as "UPC DTH." Beginning in the first quarter of 2011, UPC DTH is reported within UPC Europe's central and other category. Prior to this change, the UPC DTH operating results were reported within UPC Europe's Central and Eastern Europe segment. In addition, certain backbone costs incurred by UPC Europe were previously included in the operating expenses of UPC Europe's central and other category. Beginning in the first quarter of 2011, these backbone costs are included within the operating expenses of the applicable UPC Europe operating segment based on usage. Segment information for all periods presented has been restated to reflect the changes described above.

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, broadband internet and telephony services. Most segments also provide business-to-business (B2B) services. At December 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. LGI has initiated construction of a mobile network in Chile that will be used in combination with mobile virtual network operator (MVNO) arrangements to provide mobile and broadband products (the Chilean mobile initiative). As the Chilean mobile initiative will be conducted through VTR Wireless SA (VTR Wireless), an 80%-owned subsidiary of LGI that is outside of UPC Holding, all references to VTR in these consolidated financial statements exclude the operations and financial position of VTR Wireless. UPC Europe's central and other category includes (i) the UPC DTH operating segment, (ii) costs associated with certain centralized functions, including billing systems, network operations, technology, marketing, facilities, finance and other administrative functions and (iii) intersegment eliminations within UPC Europe.

Performance Measures of Our Reportable Segments

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

	Year ended December 31,					
	2010		2009		2008	
	Revenue	Operating cash flow	Revenue	Operating cash flow	Revenue	Operating cash flow
	in millions					
UPC Europe:						
The Netherlands	€ 871.6	€ 507.8	€ 817.5	€ 475.9	€ 803.7	€ 456.2
Switzerland	811.9	447.8	731.9	403.0	692.7	367.2
Other Western Europe	617.9	284.2	599.0	279.2	607.4	279.9
Total Western Europe	2,301.4	1,239.8	2,148.4	1,158.1	2,103.8	1,103.3
Central and Eastern Europe	754.5	374.3	722.5	377.3	794.7	423.1
Central and other	81.4	(90.3)	80.7	(79.0)	89.4	(81.2)
Total UPC Europe	3,137.3	1,523.8	2,951.6	1,456.4	2,987.9	1,445.2
VTR (Chile)	602.6	251.7	502.3	206.4	485.0	200.9
Total	€ 3,739.9	€ 1,775.5	€ 3,453.9	€ 1,662.8	€ 3,472.9	€ 1,646.1

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

	Year ended December 31,		
	2010	2009	2008
	in millions		
Total segment operating cash flow from continuing operations	€ 1,775.5	€ 1,662.8	€ 1,646.1
Stock-based compensation expense	(17.3)	(15.1)	(27.6)
Related-party fees and allocations, net	(18.1)	(30.6)	(31.5)
Depreciation and amortization	(974.0)	(1,048.5)	(1,079.9)
Impairment, restructuring and other operating charges, net	(16.0)	(90.5)	(118.9)
Operating income	750.1	478.1	388.2
Interest expense:			
Third party	(456.8)	(383.0)	(463.3)
Related party	(406.0)	(568.1)	(616.5)
Interest income	5.1	16.0	23.2
Realized and unrealized losses on derivative instruments, net	(813.5)	(642.9)	(181.9)
Foreign currency transaction gains (losses), net	47.8	102.6	(185.3)
Losses on debt modifications and extinguishments, net	(17.8)	(17.7)	—
Other income (expense), net	(3.6)	1.4	(3.0)
Loss from continuing operations before income taxes	€ (894.7)	€ (1,013.6)	€ (1,038.6)

Balance Sheet Data of our Reportable Segments

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

	Long-lived assets December 31, 2010	Long-lived assets December 31, 2009	Total assets December 31, 2010	Total assets December 31, 2009
	in millions			
UPC Europe:				
The Netherlands	€ 1,783.9	€ 1,837.3	€ 1,823.4	€ 1,901.4
Switzerland	3,555.5	3,043.9	3,911.7	3,374.6
Other Western Europe	1,467.8	1,477.0	1,518.3	1,527.3
Total Western Europe	6,807.2	6,358.2	7,253.4	6,803.3
Central and Eastern Europe	1,671.9	1,718.6	1,774.2	1,808.4
Central and other	172.5	183.0	641.1	877.9
Total UPC Europe	8,651.6	8,259.8	9,668.7	9,489.6
VTR (Chile)	964.4	824.7	1,144.1	1,022.0
Total	€ 9,616.0	€ 9,084.5	€ 10,812.8	€ 10,511.6

Capital Expenditures of our Reportable Segments

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

	Year ended December 31, 2010	2009	2008
	in millions		
UPC Europe:			
The Netherlands	€ 125.8	€ 106.8	€ 157.7
Switzerland	154.0	184.3	168.0
Other Western Europe	143.5	171.4	150.1
Total Western Europe	423.3	462.5	475.8
Central and Eastern Europe	143.3	201.5	263.5
Central and other	92.7	77.3	116.9
Total UPC Europe	659.3	741.3	856.2
VTR (Chile)	143.4	112.6	123.3
Total	€ 802.7	€ 853.9	€ 979.5

Revenue by Major Category

Our revenue by major category is set forth below:

	Year ended December 31,		
	2010	2009	2008
		in millions	
Subscription revenue (a):			
Video	€ 1,837.5	€ 1,727.9	€ 1,758.2
Broadband internet	945.0	856.5	838.6
Telephony	526.3	482.5	483.5
Total subscription revenue	3,308.8	3,066.9	3,080.3
Other revenue (b)	431.1	387.0	392.6
Total	€ 3,739.9	€ 3,453.9	€ 3,472.9

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

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

Geographic Segments

Revenue

The revenue of our geographic segments is set forth below:

	Year ended December 31,		
	2010	2009	2008
		in millions	
Europe:			
UPC Europe:			
The Netherlands	€ 871.6	€ 817.5	€ 803.7
Switzerland	811.9	731.9	692.7
Austria	338.1	347.3	365.5
Ireland	279.8	251.7	241.9
Poland	238.3	198.8	212.5
Hungary	189.6	199.4	237.9
Czech Republic	169.8	161.3	160.2
Romania	111.1	115.6	138.5
Slovakia	45.7	47.4	45.6
Other (a)	81.4	80.7	89.4
Total Europe	3,137.3	2,951.6	2,987.9
Chile	602.6	502.3	485.0
Total	€ 3,739.9	€ 3,453.9	€ 3,472.9

(a) Primarily represents revenue of UPC DTH from customers located in Hungary, the Czech Republic, Romania and Slovakia.

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

	December 31,	
	2010	**2009**
	in millions	
Europe:		
UPC Europe:		
Switzerland	€ 3,555.5	€ 3,043.9
The Netherlands	1,783.9	1,837.3
Austria	892.6	921.6
Czech Republic	605.9	611.4
Ireland	575.2	555.4
Hungary	488.2	524.2
Poland	304.4	283.3
Romania	171.8	193.7
Slovakia	101.6	106.0
Other (a)	172.5	183.0
Total Europe	8,651.6	8,259.8
Chile	964.4	824.7
Total	€ 9,616.0	€ 9,084.5

(a) Primarily represents long-lived assets of UPC Europe's central operations, which are located primarily in the Netherlands, and long-lived assets of UPC DTH located in Hungary, the Czech Republic, Romania and Slovakia.

(19) Subsequent Events

UPCB Finance II and UPCB Finance III Senior Secured Notes

On January 31, 2011, UPCB Finance II Limited (UPCB Finance II), issued €750.0 million principal amount of 6.375% senior secured notes (the UPCB Finance II Senior Secured Notes), at par. On February 16, 2011, UPCB Finance III Limited (UPCB Finance III), issued $1.0 billion (€748.2 million) principal amount of 6.625% senior secured notes (the UPCB Finance III Senior Secured Notes and, together with the UPCB Finance II Senior Secured Notes, the New UPCB Notes), at par. The New UPCB Notes mature on July 1, 2020. UPCB Finance II and UPCB Finance III are each incorporated under the laws of the Cayman Islands, as special purpose financing companies, for the primary purposes of facilitating the offerings of the UPCB Finance II Senior Secured Notes and the UPCB Finance III Senior Notes, respectively, and each is owned 100% by a charitable trust.

UPCB Finance II and UPCB Finance III, which have no material business operations, used the proceeds from the UPCB Finance II Senior Secured Notes and the UPCB Finance III Senior Secured Notes to fund new additional facilities (Facility Y and Facility Z, respectively) under the UPC Broadband Holding Bank Facility, with UPC Financing as the borrower in each case. The proceeds from Facility Y were used to prepay outstanding amounts under Facilities M and U of the UPC Broadband Holding Bank Facility. The proceeds from Facility Z were used to prepay in full Facility P of the UPC Broadband Holding Bank Facility and to prepay $811.4 million (€607.1 million) under Facility T of the UPC Broadband Holding Bank Facility.

UPCB Finance II and UPCB Finance III are dependent on payments from UPC Financing under Facility Y and Facility Z in order to service their respective payment obligations under the New UPCB Notes. Although UPC Financing has no equity or voting interest in either of UPCB Finance II or UPCB Finance III, the Facility Y and Facility Z loans create variable interests in UPCB Finance II and UPCB Finance III, respectively, for which UPC Financing is the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Financing and its parent entities, including UPC Holding, are required by the provisions of U.S. GAAP to consolidate UPCB Finance II and UPCB Finance III following the issuance of the UPCB Finance II Senior Secured Notes and the UPCB Finance III Senior Secured Notes, respectively. As such, the amounts outstanding under Facility Y and Facility Z will eliminate in our consolidated financial statements.

The UPCB Finance II Senior Secured Notes and the UPCB Finance III Senior Secured Notes have been issued pursuant to indentures (the New Indentures), dated January 31, 2011 and February 16, 2011, respectively. Facility Y is made pursuant to an additional Facility Y accession agreement (the Facility Y Accession Agreement) and Facility Z is made pursuant to an additional Facility Z accession agreement (the Facility Z Accession Agreement). Pursuant to the Facility Y Accession Agreement and the Facility Z Accession Agreement, the call provisions, maturity and applicable interest rate for Facility Y and Facility Z are the same as those of the UPCB Finance II Senior Secured Notes and the UPCB Finance III Senior Secured Notes, respectively.

UPCB Finance II and UPCB Finance III, as lenders under the UPC Broadband Holding Bank Facility, are treated the same as the other lenders under the UPC Broadband Holding Bank Facility, with benefits, rights and protections that are similar to those benefits, rights and protections afforded to the other lenders. Through the covenants in the New Indentures and the security interests over (i) all of the issued shares of UPCB Finance II and UPCB Finance III, respectively, and (ii) Facility Y and Facility Z, respectively, granted to secure the obligations of UPCB Finance II and UPCB Finance III under the UPCB Finance II Senior Secured Notes and the UPCB Finance III Senior Secured Notes, respectively, the holders of the UPCB Finance II Senior Secured Notes and the UPCB Finance III Senior Notes are provided indirectly with the benefits, rights and protections granted to UPCB Finance II and UPCB Finance III, respectively, as lenders under the UPC Broadband Holding Bank Facility.

The New UPCB Notes are non-callable until July 1, 2015. At any time prior to July 1, 2015, upon the occurrence of an Early Redemption Event (being a voluntary prepayment of all or a portion of Facility Y or Facility Z), (i) UPCB Finance II will redeem an aggregate principal amount of the UPCB Finance II Senior Secured Notes equal to the amount of Facility Y prepaid and (ii) UPCB Finance III will redeem an aggregate principal amount of the UPCB Finance III Senior Secured Notes equal to the amount of Facility Z prepaid, at redemption prices equal to the sum of (i) 100% of the principal amount of the respective UPCB Finance II Senior Secured Notes or UPCB Finance III Senior Secured Notes, (ii) the excess of (a) the present value at such redemption date of (1) the respective redemption price on July 1, 2015, as set forth in the table below, plus (2) all required remaining scheduled interest payments due through July 1, 2015, computed using the discount rate specified in the New Indentures, over (b) the respective principal amount of the New UPCB Notes on the redemption date and (iii) accrued but unpaid interest and Additional Amounts (as defined in the New Indentures), if any, to the applicable redemption date. Furthermore, at any time prior to July 1, 2015, upon the occurrence of any Early Redemption Event, UPCB Finance III will redeem an aggregate principal amount of the Senior Secured Notes equal to the principal amount of Facility Z prepaid, not to exceed an amount equal to 10% of the original aggregate principal amount of the UPCB Finance III Senior Secured Notes during each twelve month period commencing on February 16, 2011, at a redemption price equal to 103% of the principal amount of the UPCB Finance III Senior Secured Notes redeemed plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date.

On or after July 1, 2015, upon the occurrence of an Early Redemption Event, (i) UPCB Finance II will redeem an aggregate principal amount of the UPCB Finance II Senior Secured Notes equal to the principal amount of Facility Y and (ii) UPCB Finance III will redeem an aggregate principal amount of the UPCB Finance III Senior Secured Notes equal to the principal amount of Facility Z prepaid at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during the twelve month period commencing on July 1 of the years set out below:

	Redemption Price	
Year	**UPCB Finance II Senior Secured Notes**	**UPCB Finance III Senior Secured Notes**
2015	103.188%	103.313%
2016	102.125%	102.208%
2017	101.063%	101.104%
2018 and thereafter	100.000%	100.000%

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

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

- *Forward-Looking Statements.* This section provides a description of certain of the factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Results of Operations.* This section provides an analysis of our results of operations for the years ended December 31, 2010, 2009 and 2008.
- *Liquidity and Capital Resources.* This section provides an analysis of our corporate and subsidiary liquidity, consolidated cash flow statements, off balance sheet arrangements and contractual commitments.
- *Critical Accounting Policies, Judgments and Estimates.* This section discusses those material accounting policies that contain uncertainties and require significant judgment in their application.

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

Unless otherwise indicated, convenience translations into euros are calculated as of December 31, 2010.

Forward-Looking Statements

Certain statements in this annual report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. To the extent that statements in this annual report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* contain forward-looking statements, including statements regarding business, product, foreign currency and finance strategies, our capital 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. The following are some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the countries in which we operate;
- the competitive environment in the broadband communications and programming industries in the countries in which we operate;
- competitor responses to our products and services;
- 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, broadband internet and telephony 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, broadband internet and telephony 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;
- changes in, or failure or inability to comply with, government regulations in the countries in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that opens our broadband distribution networks to competitors;
- 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;
- our ability to successfully negotiate rate increases where applicable;
- changes in laws or treaties relating to taxation, or the interpretation thereof in countries in which we operate;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- our ability to successfully integrate and recognize anticipated efficiencies from the businesses we acquire;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- the ability of suppliers and vendors to timely deliver products, equipment, software and services;
- the availability of attractive programming for our digital video services at reasonable costs;
- the outcome of any pending or threatened litigation;
- continued consolidation of the foreign broadband distribution industry;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events.

The broadband communications services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this annual report are subject to a significant degree of risk. These forward-looking statements and the above-described risks, uncertainties and other factors speak only as of the date of this annual report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

Overview

We are an international provider of video, broadband internet and telephony services with consolidated broadband communications and/or DTH operations at December 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.

As further described in note 4 to our consolidated financial statements, (i) we have given retroactive effect to a common control transfer that was completed on December 17, 2009, such that our consolidated financial statements reflect the effect of this common control transfer for all periods presented and (ii) our consolidated statements of operations and cash flows have been reclassified to present UPC Slovenia as a discontinued operation. We also completed a number of less significant acquisitions in Europe during 2009 and 2008. 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.

LGI has initiated construction of a mobile network in Chile that will be used in combination with MVNO arrangements to provide mobile and broadband products. As the Chilean mobile initiative will be conducted through VTR Wireless, an 80%-owned subsidiary of LGI that is outside of UPC Holding, all references to VTR in the following discussion and analysis exclude the operations and financial position of VTR Wireless.

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

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

At December 31, 2010, we owned and operated networks that passed 16,766,000 homes and served 16,434,700 revenue generating units (RGUs), consisting of 9,147,800 video subscribers, 4,319,400 broadband internet subscribers and 2,967,500 telephony subscribers.

Including the effects of acquisitions, our continuing operations added a total of 413,900 RGUs during 2010. Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition date RGU additions, our continuing operations added 410,200 RGUs on an organic basis during 2010, as compared to 365,800 RGUs that were added on an organic basis during 2009. The organic RGU growth during 2010 is attributable to the growth of our (i) digital cable services, which added 737,100 RGUs, (ii) broadband internet services, which added 375,100 RGUs, (iii) telephony services, which added 294,000 RGUs and (iv) DTH video services, which added 35,700 RGUs. The growth of our digital cable, broadband internet, telephony and DTH video services was partially offset by a decline in our analog cable RGUs of 1,021,200 and a less significant decline in our multi-channel multi-point (microwave) distribution system (MMDS) video RGUs.

We are experiencing significant competition in all of our broadband communications markets. This significant competition, together with the maturation of certain of our markets, has contributed to organic declines in certain of our markets in revenue, RGUs and/or average monthly subscription revenue per average RGU (ARPU), the more notable of which include:

(i) organic declines in subscription and overall revenue in both Austria and Romania during the fourth quarter of 2010, as compared to the fourth quarter of 2009;

(ii) organic declines in subscription revenue from (a) video services in Romania and the Czech Republic, (b) broadband internet services in Austria and (c) telephony services in Switzerland during the fourth quarter of 2010, as compared to the fourth quarter of 2009;

(iii) organic declines in video RGUs in Switzerland and the Netherlands during the fourth quarter of 2010;

(iv) organic declines in video RGUs in most of our markets during 2010;

(v) an organic decline in total RGUs in Romania during 2010;

(vi) organic declines in ARPU from broadband internet and telephony services in most of our broadband communications markets during the fourth quarter of 2010, as compared to the fourth quarter of 2009; and

(vii) organic declines in overall ARPU in the Czech Republic and Austria during the fourth quarter of 2010, as compared to the fourth quarter of 2009.

In addition to competition, our operations are also subject to economic, political and regulatory risks that are outside of our control. For example, high levels of sovereign debt in certain European countries such as Ireland could lead to austerity measures, currency instability and other outcomes that might adversely impact our operations.

On February 27, 2010, certain areas served by VTR's broadband distribution network in Chile experienced a significant earthquake. This earthquake and the related tsunami destroyed or otherwise adversely impacted an estimated 24,000 homes passed by VTR's broadband communications network, resulting in the loss of an estimated 15,500 RGUs. With the exception of destroyed homes, service has been restored to substantially all of the homes within VTR's network footprint. Although the direct financial impacts of the earthquake adversely affected VTR's results of operations during the first quarter of 2010, VTR's operations in subsequent periods have not been materially impacted by the earthquake.

Over the next few years, we believe that we will continue to be challenged to improve our organic revenue, RGU and operating cash flow growth rates as we expect that competition will remain strong and that certain of our markets will continue to mature. However, with advanced digital cable offerings and ultra high-speed broadband internet offerings available in most of our broadband communications markets, we believe that we are well positioned to meet the competition and that our digital video, internet and telephony products will continue to show growth. During this timeframe, we also plan to further improve our competitive position by, among other items, launching a next generation set-top box. While we expect that the launch of this set-top box will ultimately have a positive impact on our revenue and operating cash flow, we also expect that the deployment of our next generation set-top box will result in increased capital expenditures. Our expectations with respect to the items discussed in this paragraph are subject to competitive, economic, technological, political and regulatory developments and other factors outside of our control. Accordingly, no assurance can be given that actual results in future periods will not differ materially from our expectations.

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

Results of Operations

As noted under *Overview* above, the comparability of our operating results during 2010, 2009 and 2008 is affected by acquisitions. In the following discussion, we quantify the impact of acquisitions on our operating results. The acquisition impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the acquisition impact on an acquired entity's operating results during the first three months following the acquisition date such that changes from those operating results in subsequent periods are considered to be organic changes. Accordingly, in the following discussion, variances attributed to an acquired entity during the first twelve months following the acquisition date represent differences between the acquisition impact and the actual results.

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 2010 was to the Swiss franc and the Chilean peso. In addition, our reported operating results are impacted by changes in the exchange rates of other local currencies in Europe. In this regard, 57.0% of our euro revenue during 2010 was derived from subsidiaries whose functional currency is other than the euro. The portions of the changes in the various components of our results of operations that are attributable to changes in FX are highlighted under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* below.

The amounts presented and discussed below represent 100% of each operating segment's revenue and operating cash flow. As we have the ability to control VTR, we consolidate 100% of the revenue and expenses of VTR in our 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 consolidated statements of operations.

Discussion and Analysis of our Reportable Segments

General

All of the reportable segments set forth below derive their revenue primarily from broadband communications and/or DTH services, including video, broadband internet and telephony services. Most segments also provide B2B services. At December 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 and other category includes (i) the UPC DTH operating segment, (ii) costs associated with certain centralized functions, including billing systems, network operations, technology, marketing, facilities, finance and other administrative functions and (iii) intersegment eliminations within UPC Europe.

The tables presented below in this section provide a separate analysis of each of the line items that comprise operating cash flow (revenue, operating expenses and SG&A expenses, excluding allocable stock-based compensation expense, as further discussed in note 18 to our consolidated financial statements) as well as an analysis of operating cash flow by reportable segment for (i) 2010, as compared to 2009 and (ii) 2008, as compared to 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 and the impacts of acquisitions. 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 2010, 2009 and 2008 at the end of this section.

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

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

Most of our revenue is derived from jurisdictions that administer value-added or similar revenue-based taxes. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases on to our customers. In the case of revenue-based taxes for which we are the ultimate taxpayer, we will also experience increases in our operating expenses and corresponding declines in our operating cash flow and operating cash flow margins to the extent of any such tax increases. In this regard, (i) value added tax rates have increased (a) during 2010, in Romania and, to a lesser extent, in the Czech Republic, and (b) effective January 1, 2011, in Switzerland, Poland and Slovakia. In addition, during the fourth quarter of 2010, the Hungarian government imposed a revenue-based tax that is applicable to our broadband communications operations in Hungary. For additional information regarding the new Hungarian tax, see *Operating Expenses of our Reportable Segments – 2010 compared to 2009* below.

Revenue of our Reportable Segments

Revenue – 2010 compared to 2009

	Year ended December 31,		Increase		Increase excluding FX and the impact of acquisitions
	2010	2009	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 871.6	€ 817.5	€ 54.1	6.6	6.6
Switzerland	811.9	731.9	80.0	10.9	1.3
Other Western Europe	617.9	599.0	18.9	3.2	3.2
Total Western Europe	2,301.4	2,148.4	153.0	7.1	3.8
Central and Eastern Europe	754.5	722.5	32.0	4.4	0.3
Central and other	81.4	80.7	0.7	0.9	0.1
Total UPC Europe	3,137.3	2,951.6	185.7	6.3	2.9
VTR (Chile)	602.6	502.3	100.3	20.0	4.1
Total	€ 3,739.9	€ 3,453.9	€ 286.0	8.3	3.1

The Netherlands. The Netherlands' revenue increased €54.1 million or 6.6% during 2010 as compared to 2009. This increase is primarily attributable to an increase in subscription revenue and, to a lesser extent, non-subscription revenue. The increase in subscription revenue is attributable to (i) a higher average number of RGUs and (ii) higher ARPU. The increase in the average number of RGUs is attributable to the net effect of (i) increases in the average numbers of digital cable, broadband internet and telephony RGUs and (ii) a decline in the average number of analog cable RGUs. The decline in the Netherlands' average number of analog cable RGUs led to a decline in the average number of total video RGUs in the Netherlands during 2010, as compared to 2009. This analog cable decline is primarily attributable to (i) the migration of analog cable customers to digital cable services and (ii) the effect of significant competition from the incumbent telecommunications operator in the Netherlands. ARPU increased during 2010, as compared to 2009, as the positive impacts of (i) 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, including the impact of product bundling discounts, (b) higher proportions of customers selecting lower-priced tiers of broadband internet service and (c) lower telephony call volumes for customers on usage-based calling plans. We expect that we will continue to face significant competition from the incumbent telecommunications operator in future periods. The increase in the Netherlands' non-subscription revenue is largely attributable to increases in (i) B2B revenue, due primarily to growth in business broadband internet and telephony services, (ii) installation revenue and (iii) interconnect revenue.

Switzerland. Switzerland's revenue increased €80.0 million or 10.9% during 2010, as compared to 2009. Excluding the effects of FX, Switzerland's revenue increased €9.4 million or 1.3%. This increase is primarily attributable to an increase in non-subscription revenue and, to a much lesser extent, an increase in subscription revenue. The increase in subscription revenue is primarily attributable to an increase in the average number of RGUs, as increases in the average numbers of digital cable, broadband internet and telephony RGUs were only partially offset by a decrease in the average number of analog cable RGUs. The decline in the average number of Switzerland's analog cable RGUs led to a decline in the average number of total video RGUs in Switzerland during 2010, as compared to 2009. This analog cable decline is primarily attributable to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of significant competition from the incumbent telecommunications operator in Switzerland. We expect that we will continue to face significant competition from the incumbent telecommunications operator in future periods. ARPU remained relatively unchanged during 2010, as compared to 2009, due primarily to the net impact of (i) improvement in Switzerland's RGU mix, attributable to higher proportions of digital cable and, to a lesser extent, broadband internet and telephony RGUs, (ii) the adverse effects of competition, including the impact of product bundling discounts, (iii) price increases implemented during the second half of 2010 for certain video services, (iv) increased revenue from digital cable customers selecting higher-priced tiers of service, (v) lower telephony call volumes for customers on usage-based calling plans and (vi) increases in the proportion of broadband internet subscribers selecting lower-priced tiers of service. The negative effect of the declines in ARPU from telephony and broadband internet services led to organic declines in Switzerland's revenue from each of these services during 2010, as compared to 2009. The increase in Switzerland's non-subscription revenue is primarily attributable to the net impact of (i) an increase in installation revenue, (ii) higher revenue from the sale of customer premises equipment, due largely to the second quarter 2010 introduction of "digicards", which enable customers with "common interface plus" enabled televisions who subscribe, or otherwise have purchased access to, our digital cable service, to view our digital cable service without a set-top box, and (iii) a decline in B2B revenue. The decline in B2B revenue is due primarily to lower construction and equipment sales that were only partially offset by modest growth in business broadband internet and telephony services.

Other Western Europe. Other Western Europe's revenue increased €18.9 million or 3.2% during 2010, as compared to 2009. This increase is primarily attributable to an increase in subscription revenue that resulted from the net effect of (i) a higher average number of RGUs and (ii) lower ARPU. The increase in subscription revenue in Other Western Europe is attributable to the net impact of (i) an increase in subscription revenue in Ireland and (ii) a decrease in subscription revenue in Austria. The decrease in subscription revenue in Austria, which also led to a decline in overall revenue in Austria, is attributable to declines in revenue from broadband internet and, to a lesser extent, telephony services. 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 a decline in the average number of total video RGUs in Other Western Europe during 2010, as compared to 2009. ARPU decreased in our Other Western Europe segment during 2010, due primarily to the negative impacts of (i) competition, including the impact of product bundling discounts, (ii) fewer subscriptions to premium digital products and services, (iii) higher proportions of subscribers selecting lower-priced tiers of analog cable services, (iv) lower telephony call volumes for customers on usage-based calling plans and, in Austria, higher proportions of customers selecting such usage-based calling plans and (v) higher proportions of customers selecting lower-priced tiers of broadband internet services. These negative factors were partially offset by the positive impacts of (i) improvements in RGU mix, attributable to higher proportions of digital cable and broadband internet RGUs and (ii) rate increases for certain video, broadband internet and telephony services. Other Western Europe's non-subscription revenue increased during 2010, due primarily to an increase in B2B revenue, including the positive impact of a first quarter 2010 settlement with the incumbent telecommunications operator in Austria.

Central and Eastern Europe. Central and Eastern Europe's revenue increased €32.0 million or 4.4% during 2010, as compared to 2009. This increase includes €0.4 million attributable to the impact of an acquisition. Excluding the effects of the acquisition and FX, Central and Eastern Europe's revenue increased €2.1 million or 0.3%. This increase is attributable to the net impact of (i) an increase in non-subscription revenue and (ii) a decrease in subscription revenue. The decrease in subscription revenue during 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 2010, as compared to 2009, due primarily to the negative impacts of (i) competition, including the impact of product bundling discounts, (ii) higher proportions of broadband internet and video subscribers selecting lower-priced tiers of service, (iii) lower analog cable revenue from premium video services and products, (iv) lower telephony call volumes for customers on usage-based calling plans and (v) lower digital cable revenue from premium video services and products. These negative factors were partially offset by the positive impacts of (i) improvements in RGU mix, primarily attributable to higher proportions of digital cable and broadband internet RGUs and (ii) a June 2010 price increase for certain digital cable services in Poland. 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 and telephony RGUs that were only partially offset by declines in the average numbers of analog cable and, to a much lesser extent, MMDS video RGUs. The declines in the average numbers of analog cable RGUs, which are attributable primarily to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition, led to declines in the average numbers of total video RGUs in each country within our Central and Eastern Europe segment during 2010, as compared to 2009. Non-subscription revenue in our Central and Eastern Europe segment increased during 2010, as increases in (i) interconnect revenue, primarily in Poland, and (ii) revenue from B2B services in Hungary, Poland and the Czech Republic were only partially offset by a decrease in revenue from B2B services in Romania.

Although competition is a factor throughout Central and Eastern Europe, we are experiencing particularly intense competition in Hungary and Romania. In response to the competition in Hungary and Romania, we have implemented aggressive pricing and marketing strategies. In Hungary, competition, including competition from a competitor that, as of December 31, 2010, has overbuilt more than half of our broadband communications network, has contributed to declines during the fourth quarter of 2010 in (i) video, telephony and overall revenue, and (ii) ARPU, each as compared to the corresponding fourth quarter 2009 amount. In Romania, competition contributed to organic declines in broadband internet and telephony RGUs during the fourth quarter of 2010. Despite the fact that we have increased our subscriber retention efforts in Romania, we believe that competitive and regulatory factors will continue to adversely impact our ability to retain analog cable customers in Romania. Competition also has impacted the Czech Republic and Slovakia, as lower average numbers of video RGUs led to organic declines in revenue from video services and total subscription revenue in each of these countries during the fourth quarter of 2010, as compared to the fourth quarter of 2009. Additionally, in Poland and Slovakia, our competitors include DTH operators and other cable operators that have overbuilt or plan to overbuild significant portions of our broadband communications network. We expect that we will continue to experience significant competition in future periods in our Central and Eastern Europe segment.

VTR (Chile). As further described in *Overview* above, the direct financial impacts of the February 27, 2010 earthquake in Chile adversely impacted VTR's revenue, RGU base and ARPU during the first quarter of 2010. VTR's revenue increased €100.3 million or 20.0% during 2010 as compared to 2009. Excluding the effects of FX, VTR's revenue increased €20.8 million or 4.1%. This increase is attributable to an increase in subscription revenue and, to a lesser extent, non-subscription revenue. The increase in subscription revenue during 2010 is primarily attributable to a higher average numbers of RGUs, as increases in the average numbers of digital cable, broadband internet and telephony RGUs were only partially offset by a decline in the average number of analog cable RGUs. VTR's ARPU was relatively unchanged during 2010, as compared to 2009, primarily due to the net effect of (i) higher proportions of subscribers selecting higher-priced tiers of broadband internet services, (ii) competition (including the impact of product bundling discounts), particularly from the incumbent telecommunications operator in Chile, (iii) higher proportions of subscribers selecting lower-priced tiers of video service, (iv) improvements in VTR's RGU mix, attributable to higher proportions of digital cable and broadband internet RGUs, (v) increases in revenue from premium digital services and products, (vi) the negative impact of credits provided to customers in the weeks following the earthquake and (vii) increases due to inflation and other price adjustments. We expect that VTR will continue to face significant competition from the incumbent telecommunications operator in future periods. The increase in VTR's non-subscription revenue is attributable to a net increase resulting from individually insignificant changes in various non-subscription revenue categories.

Revenue – 2009 compared to 2008

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX and the impact of acquisitions
	2009	2008	€	%	%
		in millions			
UPC Europe:					
The Netherlands	€ 817.5	€ 803.7	€ 13.8	1.7	1.7
Switzerland	731.9	692.7	39.2	5.7	0.6
Other Western Europe	599.0	607.4	(8.4)	(1.4)	(1.6)
Total Western Europe	2,148.4	2,103.8	44.6	2.1	0.4
Central and Eastern Europe	722.5	794.7	(72.2)	(9.1)	2.6
Central and other	80.7	89.4	(8.7)	(9.7)	(2.3)
Total UPC Europe	2,951.6	2,987.9	(36.3)	(1.2)	0.9
VTR (Chile)	502.3	485.0	17.3	3.6	5.7
Total	€ 3,453.9	€ 3,472.9	€ (19.0)	(0.5)	1.6

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

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

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

Central and Eastern Europe. Central and Eastern Europe's revenue decreased €72.2 million or 9.1% during 2009, as compared to 2008. This decrease is net of a €1.4 million increase attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, Central and Eastern Europe's revenue increased €20.8 million or 2.6%. Most of this increase is attributable to an increase in subscription revenue as the positive impact of a higher average number of RGUs was only partially offset by the negative impact of a decrease in ARPU. The increase in the average number of RGUs is primarily attributable to increases in the average numbers of digital cable, broadband internet and telephony RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the average number of analog cable RGUs, which is attributable primarily to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition, led to a decline in the average number of total video RGUs in Central and Eastern Europe during 2009, as compared to 2008. This decline includes average video RGU decreases in Romania, Hungary, the Czech Republic and, to a lesser extent, Slovakia that were only partially offset by a small increase in Poland. The decline in average video RGUs in Romania, Hungary, the Czech Republic and Slovakia led to organic declines in revenue from video services in each of these countries during 2009, as compared to 2008. ARPU decreased in our Central and Eastern Europe segment during 2009, as the negative impacts of (i) competition, including the impact of product bundling discounts, (ii) a higher proportion of broadband internet and video subscribers selecting lower-priced tiers of service, (iii) lower analog and digital cable revenue from premium video services and products and (iv) lower telephony call volumes and other changes in telephony subscriber calling patterns were only partially offset by the positive impacts of (a) an improvement in RGU mix, primarily attributable to higher proportions of digital cable and broadband internet RGUs, and (b) rate increases for certain video and telephony services in several countries. Decreases in ARPU from broadband internet services in Hungary and Slovakia led to organic declines in revenue from broadband internet services in each of these countries during 2009, as compared to 2008. Central and Eastern Europe's non-subscription revenue increased during 2009, as compared to 2008, as a decrease in revenue from B2B services in Romania was more than offset by (i) an increase in interconnect revenue, (ii) higher installation revenue and (iii) a net increase resulting from individually insignificant changes in other non-subscription revenue categories.

Although competition has been a factor throughout Central and Eastern Europe, we experienced particularly intense competition in Hungary and Romania during 2009. In Hungary, competition, including competition from a competitor that has overbuilt nearly half of Hungary's broadband communications network, has contributed to declines during the quarter and full year ended December 31, 2009 in (i) video, broadband internet and overall revenue and (ii) ARPU, each as compared to the corresponding period in 2008. In addition, competition has contributed to a decline in the total number of RGUs in Hungary during 2009. In Romania, competition contributed to declines in video revenue and overall revenue during 2009, as compared to 2008.

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

Operating Expenses of our Reportable Segments

Operating expenses – 2010 compared to 2009

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX and the impact of acquisitions
	2010	2009	€	%	%
		in millions			
UPC Europe:					
The Netherlands	€ 264.4	€ 250.4	€ 14.0	5.6	5.6
Switzerland	245.5	223.2	22.3	10.0	0.6
Other Western Europe	242.9	230.6	12.3	5.3	5.3
Total Western Europe	752.8	704.2	48.6	6.9	3.9
Central and Eastern Europe	287.3	258.7	28.6	11.1	7.2
Central and other	74.3	70.6	3.7	5.2	4.4
Total UPC Europe	1,114.4	1,033.5	80.9	7.8	4.8
VTR (Chile)	251.7	214.9	36.8	17.1	1.7
Total operating expenses excluding stock-based compensation expense	1,366.1	1,248.4	117.7	9.4	4.3
Stock-based compensation expense	2.0	2.6	(0.6)	(23.1)	
Total	€ 1,368.1	€ 1,251.0	€ 117.1	9.4	

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

UPC Europe. UPC Europe's operating expenses (exclusive of stock-based compensation expense) increased €80.9 million or 7.8% during 2010, as compared to 2009. This increase includes €0.1 million attributable to an acquisition. Excluding the effects of acquisitions and FX, UPC Europe's operating expenses increased €49.4 million or 4.8%. This increase includes the following factors:

- An increase in programming and related costs of €27.3 million or 11.2%, due primarily to (i) growth in digital video services, predominantly in the Netherlands, Ireland, our UPC DTH operations and Poland, and (ii) foreign currency exchange rate fluctuations with respect to non-functional currency expenses associated with certain programming contracts, primarily in Poland and Switzerland. These factors were partially offset by the impact of the fourth quarter 2010 release of €2.5 million of copyright fee accruals in connection with the settlement of certain contingencies, primarily in the Netherlands;

- An increase of €13.1 million that represents the full-year 2010 impact of a new revenue-based tax that was imposed in Hungary during the fourth quarter of 2010, with retroactive effect to the beginning of 2010. The new Hungarian tax law is currently scheduled to expire at the end of 2012. It is not clear whether the new Hungarian tax is compliant with EU regulation, and on March 14, 2011, the EU Commission initiated an infringement procedure against this tax. The outcome of the infringement procedure is uncertain;

- An increase in network related expenses of €11.9 million or 9.1%, due largely to (i) higher costs associated with the refurbishment of customer premises equipment by the Netherlands, UPC DTH, Romania and Poland, (ii) higher energy costs in the Netherlands and the Czech Republic and (iii) higher costs in central operations due to increased network transit requirements. The higher energy costs in the Netherlands are partially attributable to non-recurring items;

- A decrease in bad debt and collection expenses of €8.3 million, due largely to improved collection experience most notably in the Czech Republic;

- An increase in outsourced labor and professional fees of €7.3 million or 8.8%, due largely to higher outsourced labor associated with customer-facing activities, primarily in Switzerland and Ireland; and

- A €2.3 million decrease during the three months ended September 30, 2010 due to the impact of a favorable interconnect rate settlement in Switzerland.

VTR (Chile). VTR's operating expenses (exclusive of stock-based compensation expense) increased €36.8 million or 17.1% during 2010, as compared to 2009. Excluding the effects of FX, VTR's operating expenses increased €3.7 million or 1.7%. This increase includes the following factors:

- A decrease in network-related expenses of €5.8 million or 18.8%, due primarily to lower tariff rates for pole rentals;

- An increase in programming and related costs of €4.3 million or 6.2%, as an increase associated with growth in digital cable services was only partially offset by decreases associated with foreign currency exchange rate fluctuations with respect to VTR's U.S. dollar denominated programming contracts. A significant portion of VTR's programming costs are denominated in U.S dollars;

- An increase in bad debt expense of €1.8 million or 7.5%, due primarily to subscriber growth and economic conditions; and

- An increase in personnel costs of €1.5 million or 7.8%, due primarily to higher bonus costs.

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

Operating expenses – 2009 compared to 2008

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX and the impact of acquisitions
	2009	2008	€	%	%
		in millions			
UPC Europe:					
The Netherlands	€ 250.4	€ 254.3	€ (3.9)	(1.5)	(1.5)
Switzerland	223.2	221.9	1.3	0.6	(4.2)
Other Western Europe	230.6	238.7	(8.1)	(3.4)	(3.7)
Total Western Europe	704.2	714.9	(10.7)	(1.5)	(3.1)
Central and Eastern Europe	258.7	273.4	(14.7)	(5.4)	6.8
Central and other	70.6	71.9	(1.3)	(1.8)	4.3
Total UPC Europe	1,033.5	1,060.2	(26.7)	(2.5)	(0.1)
VTR (Chile)	214.9	202.3	12.6	6.2	8.2
Total operating expenses excluding stock-based compensation expense	1,248.4	1,262.5	(14.1)	(1.1)	1.3
Stock-based compensation expense	2.6	4.7	(2.1)	(44.7)	
Total	€ 1,251.0	€ 1,267.2	€ (16.2)	(1.3)	

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

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

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

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

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

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

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

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

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

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

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

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

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

SG&A Expenses of our Reportable Segments

SG&A expenses – 2010 compared to 2009

	Year ended December 31,		Increase		Increase excluding FX and the impact of acquisitions
	2010	2009	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 99.4	€ 91.2	€ 8.2	9.0	9.0
Switzerland	118.6	105.7	12.9	12.2	2.6
Other Western Europe	90.8	89.2	1.6	1.8	1.8
Total Western Europe	308.8	286.1	22.7	7.9	4.4
Central and Eastern Europe	92.9	86.5	6.4	7.4	3.4
Central and other	97.4	89.1	8.3	9.3	9.2
Total UPC Europe	499.1	461.7	37.4	8.1	5.1
VTR (Chile)	99.2	81.0	18.2	22.5	6.5
Total SG&A expenses excluding stock-based compensation expense	598.3	542.7	55.6	10.2	5.3
Stock-based compensation expense	15.3	12.5	2.8	22.4	
Total	€ 613.6	€ 555.2	€ 58.4	10.5	

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

UPC Europe. UPC Europe's SG&A expenses (exclusive of stock-based compensation expense) increased €37.4 million or 8.1% during 2010, as compared to 2009. Excluding the effect of FX, UPC Europe's SG&A expenses increased €23.7 million or 5.1%. This increase includes the following factors:

- An increase in personnel costs of €10.6 million or 5.4%, due largely to (i) increased marketing staffing levels in Switzerland and the Netherlands and (ii) increased staffing levels for our UPC DTH operations;

- An increase in sales and marketing costs of €2.9 million or 2.2%, due primarily to the net effect of (i) higher costs associated with rebranding efforts in Ireland, (ii) higher marketing expenditures by UPC DTH and the Netherlands, due largely to increased advertising campaigns and (iii) lower sales commissions and/or decreased marketing activities in Austria, the Czech Republic and Hungary;

- An increase in outsourced labor and professional fees of €2.4 million or 8.4%, due primarily to increased sales and marketing and information technology activities in Switzerland; 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 expense) increased €18.2 million or 22.5% during 2010, as compared to 2009. Excluding the effects of FX, VTR's SG&A expenses increased €5.2 million or 6.5%. This increase includes the following factors:

- An increase in personnel costs of €4.6 million or 15.1%, due primarily to (i) higher bonus costs, (ii) higher severance costs and (iii) an increased sales force; and

- An increase in sales and marketing costs of €1.9 million or 8.3%, due primarily to a volume-related increase in third-party sales commissions partially offset by a decrease in marketing costs.

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

SG&A expenses – 2009 compared to 2008

	Year ended December 31, 2009	Year ended December 31, 2008	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX and the impact of acquisitions %
	in millions				
UPC Europe:					
The Netherlands	€ 91.2	€ 93.2	€ (2.0)	(2.1)	(2.1)
Switzerland	105.7	103.6	2.1	2.0	(2.9)
Other Western Europe	89.2	88.8	0.4	0.5	0.3
Total Western Europe	286.1	285.6	0.5	0.2	(1.6)
Central and Eastern Europe	86.5	98.2	(11.7)	(11.9)	(0.2)
Central and other	89.1	98.7	(9.6)	(9.7)	(8.9)
Total UPC Europe	461.7	482.5	(20.8)	(4.3)	(2.8)
VTR (Chile)	81.0	81.8	(0.8)	(1.0)	1.7
Total SG&A expenses excluding stock-based compensation expense	542.7	564.3	(21.6)	(3.8)	(2.2)
Stock-based compensation expense	12.5	22.9	(10.4)	(45.4)	
Total	€ 555.2	€ 587.2	€ (32.0)	(5.4)	

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

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

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

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

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

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

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

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

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

Operating Cash Flow of our Reportable Segments

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

Operating Cash Flow – 2010 compared to 2009

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX and the impact of acquisitions
	2010	2009	€	%	%
		in millions			
UPC Europe:					
The Netherlands	€ 507.8	€ 475.9	€ 31.9	6.7	6.7
Switzerland	447.8	403.0	44.8	11.1	1.3
Other Western Europe	284.2	279.2	5.0	1.8	1.8
Total Western Europe	1,239.8	1,158.1	81.7	7.1	3.7
Central and Eastern Europe	374.3	377.3	(3.0)	(0.8)	(5.1)
Central and other	(90.3)	(79.0)	(11.3)	(14.3)	(14.1)
Total UPC Europe	1,523.8	1,456.4	67.4	4.6	0.8
VTR (Chile)	251.7	206.4	45.3	21.9	5.8
Total	€ 1,775.5	€ 1,662.8	€ 112.7	6.8	1.4

Operating Cash Flow – 2009 compared to 2008

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX and the impact of acquisitions
	2009	2008	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 475.9	€ 456.2	€ 19.7	4.3	4.3
Switzerland	403.0	367.2	35.8	9.7	4.5
Other Western Europe	279.2	279.9	(0.7)	(0.3)	(0.5)
Total Western Europe	1,158.1	1,103.3	54.8	5.0	3.2
Central and Eastern Europe	377.3	423.1	(45.8)	(10.8)	0.6
Central and other	(79.0)	(81.2)	2.2	2.7	4.5
Total UPC Europe	1,456.4	1,445.2	11.2	0.8	2.8
VTR (Chile)	206.4	200.9	5.5	2.7	4.7
Total	€ 1,662.8	€ 1,646.1	€ 16.7	1.0	3.1

Operating Cash Flow Margin – 2010, 2009 and 2008

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

	Year ended December 31,		
	2010	2009	2008
		%	
UPC Europe:			
The Netherlands	58.3	58.2	56.8
Switzerland	55.2	55.1	53.0
Other Western Europe	46.0	46.6	46.1
Total Western Europe	53.9	53.9	52.4
Central and Eastern Europe	49.6	52.2	53.2
Total UPC Europe, including central and other	48.6	49.3	48.4
VTR (Chile)	41.8	41.1	41.4

While the operating cash flow margins of most of our reportable segments remained relatively unchanged during 2010, as compared to 2009, competitive, economic, political and other factors, including the fourth quarter 2010 imposition of a tax on full-year 2010 revenue in Hungary, have contributed to a decline in the operating cash flow margin in Central and Eastern Europe. During 2010, foreign currency impacts associated with non-functional currency expenses had a positive impact on our operating cash flow margins in Chile and, to a somewhat lesser degree, a negative impact on our operating cash flow margins in Poland and Switzerland. In Chile, these positive foreign currency impacts, together with the benefits of increased operational efficiencies, more than offset the negative impacts of the February 2010 earthquake. 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 additional information regarding the new Hungarian tax, see *Operating Expenses of our Reportable Segments – Operating expenses – 2010 compared to 2009* above.

As compared to 2010, we expect that during 2011 the operating cash flow margins of UPC Europe will remain relatively constant while VTR will increase slightly. As discussed under *Overview* and *Discussion and Analysis of our Reportable Segments – General* above, most of our broadband communications operations are experiencing significant competition. Sustained or increased competition, particularly in combination with unfavorable regulatory or economic developments, could adversely affect our ability to maintain or improve the operating cash flow margins of our reportable segments.

Discussion and Analysis of our Consolidated Operating Results

General

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

2010 compared to 2009

Revenue

Our revenue by major category is set forth below:

	Year ended December 31, 2010	Year ended December 31, 2009	Increase €	Increase %	Increase excluding FX %	Increase excluding FX and the impact of acquisitions %
	in millions					
Subscription revenue (a):						
Video	€ 1,837.5	€ 1,727.9	€ 109.6	6.3	1.8	1.7
Broadband internet	945.0	856.5	88.5	10.3	4.4	4.4
Telephony	526.3	482.5	43.8	9.1	3.0	3.0
Total subscription revenue	3,308.8	3,066.9	241.9	7.9	2.7	2.7
Other revenue (b)	431.1	387.0	44.1	11.4	6.1	6.1
Total	€ 3,739.9	€ 3,453.9	€ 286.0	8.3	3.1	3.1

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

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

Total revenue. Our consolidated revenue increased €286.0 million during 2010, as compared to 2009. This increase includes €0.4 million attributable to the impact of an acquisition. Excluding the effects of acquisitions and FX, total consolidated revenue increased €105.5 million or 3.1%.

Subscription revenue. Excluding the effects of acquisitions and FX, our consolidated subscription revenue increased €81.8 million or 2.7% during 2010, as compared to 2009. This increase is attributable to (i) an increase in subscription revenue from broadband internet services of €37.5 million or 4.4%, as the impact of an increase in the average number of broadband internet RGUs was only partially offset by lower ARPU from broadband internet services, (ii) an increase in subscription revenue from video services of €30.1 million or 1.7%, as the impact of higher ARPU from video services was only partially offset by a decline in the average number of video RGUs and (iii) an increase in subscription revenue from telephony services of €14.2 million or 3.0%, as the impact of an increase in the average number of telephony RGUs was only partially offset by lower ARPU from telephony services.

Other revenue. Excluding the effects of acquisitions and FX, our consolidated other revenue increased €23.7 million or 6.1% during 2010, as compared to 2009. This increase is primarily attributable to increases in B2B, installation and interconnect revenue.

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

Operating expenses

Our operating expenses increased €117.1 million during 2010, as compared to 2009. This increase includes €0.1 million attributable to the impact of an acquisition. Our operating expenses include stock-based compensation expense, which decreased €0.6 million during 2010. For additional information, see the discussion following *SG&A expenses* below. Excluding the effects of acquisitions, FX and stock-based compensation expense, our operating expenses increased €53.1 million or 4.3% during 2010, as compared to 2009**.** As discussed in more detail under *Discussion and Analysis of Reportable Segments – Operating Expenses* above, this increase primarily reflects the impact of an increase in programming and other direct costs, and to a lesser extent, the net impact of (i) an increase of €13.1 million that represents the full-year impact of a new revenue-based tax in Hungary, as further described under *Operating Expenses of our Reportable Segments – 2010 compared to 2009* above, (ii) a net increase in outsourced labor and professional fees, (iii) a net decrease in bad debt and collection expenses, (iv) a net increase in network related expenses and (v) less significant net increases in other operating expense categories.

SG&A expenses

Our SG&A expenses increased €58.4 million during 2010, as compared to 2009. Our SG&A expenses include stock-based compensation expense, which increased €2.8 million during 2010. For additional information, see the discussion in the following paragraph. Excluding the effects of acquisitions, FX and stock-based compensation expense, our SG&A expenses increased €28.9 million or 5.3% during 2010, as compared to 2009. As discussed in more detail under *Discussion and Analysis of our Reportable Segments – SG&A Expenses* above, this increase generally reflects (i) an increase in personnel costs and (ii) less significant net increases in other SG&A expense categories.

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

Our stock-based compensation 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 LGI stock incentive awards held by employees of our subsidiaries. A summary of the aggregate stock-based compensation expense that is included in our operating and SG&A expenses is set forth below:

	Year ended December 31, 2010	Year ended December 31, 2009
	in millions	
LGI common stock:		
LGI performance-based incentive awards (a)	€ 6.7	€ 3.9
Other LGI stock-based incentive plans	9.0	9.7
Total LGI common stock	15.7	13.6
Other	1.6	1.5
Total	€ 17.3	€ 15.1
Included in:		
Continuing operations:		
Operating expense	€ 2.0	€ 2.6
SG&A expense	15.3	12.5
Total	€ 17.3	€ 15.1

(a) Includes stock-based compensation expense related to the LGI Performance Plans and, for 2010, LGI PSUs. The amount presented for 2009 includes an €0.8 million reduction associated with the first quarter 2009 grant of restricted share units to employees of our subsidiaries in settlement of the second installment of awards under the LGI Performance Plans and a €8.2 million reduction related to the first quarter 2009 forfeiture of certain awards granted under the LGI Performance Plans.

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

Depreciation and amortization expense

Our depreciation and amortization expense decreased €74.5 million during 2010, as compared to 2009. Excluding the effect of FX, depreciation and amortization expense decreased €118.0 million or 11.3%. This decrease is due primarily to the net effect of (i) an increase associated with capital expenditures related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives, (ii) a decrease associated with certain assets becoming fully depreciated, primarily in Switzerland, the Netherlands, Chile, Hungary, and Romania and (iii) a decrease associated with changes in the useful lives of certain assets, primarily in Switzerland, the Netherlands and Hungary.

Impairment, restructuring and other operating charges, net

We recognized impairment, restructuring and other operating charges, net, of €16.0 million during 2010, compared to €90.5 million during 2009. The 2010 amount includes aggregate restructuring charges of €14.9 million associated with (a) dish-turning and duplicate satellite costs incurred in connection with the migration of UPC DTH's operations in the Czech Republic, Hungary and Slovakia to a new satellite and (b) employee severance and termination costs related to reorganization and integration activities, primarily in Europe. The 2009 amount includes a charge of €84.7 million to reduce the carrying amount of the goodwill associated with our Romanian reporting unit and restructuring charges of €8.1 million.

As of our October 1, 2010 impairment test date, Hungary and the Czech Republic had an excess of fair value over carrying value of less than 20%. As of this date, these reporting units had goodwill aggregating €615.2 million. If, among other factors, (i) our or our subsidiaries' equity values decline significantly or (ii) the adverse impacts of economic, competitive or regulatory factors are worse than anticipated, we could conclude in future periods that further impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

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

Interest expense – third party

Our third-party interest expense increased €73.8 million during 2010, as compared to 2009. Excluding the effects of FX, third-party interest expense increased €73.5 million during 2010. This increase is primarily attributable to (i) higher weighted average interest rates and (ii) higher average outstanding debt balances. The increase in our weighted average interest rates is primarily related to increases in interest rates on the UPC Broadband Holding Bank Facility. For additional information, see note 10 to our consolidated financial statements.

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

Interest expense – related party

Our consolidated related-party interest expense relates to the interest expense on our shareholder loan. Our total consolidated related-party interest expense decreased €162.1 million during 2010, as compared to 2009. This change reflects the net effect of (i) a decrease in the weighted average interest rate on our shareholder loan during 2010 as compared to 2009, and (ii) a slight increase in the average outstanding balance of our shareholder loan during the 2010 as compared to 2009. For additional information, see notes 10 and 14 to our consolidated financial statements.

Interest income

Our interest income decreased €10.9 million during 2010, as compared to 2009. This decrease primarily is attributable to the impact of (i) lower average cash and cash equivalent balances and (ii) lower weighted average interest rates 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:

	Year ended December 31,			
	2010		2009	
	in millions			
Cross-currency and interest rate derivative contracts (a)	€	(808.7)	€	(638.3)
Foreign currency forward contracts		(6.2)		(5.7)
Embedded derivative		1.4		1.1
Total	€	(813.5)	€	(642.9)

(a) The loss during 2010 primarily is attributable to the net effect of (i) losses associated with increases in the values of the Swiss franc, Chilean peso, Czech koruna and Polish zloty relative to the euro, (ii) losses associated with decreases in market interest rates in the euro, Romanian lei, Swiss franc, Czech koruna, Polish zloty and Hungarian forint markets, (iii) losses associated with increases in the values of the Swiss franc and Chilean peso relative to the U.S. dollar and (iv) a gain associated with an increase in the value of the U.S. dollar relative to the euro**.** In addition, the loss during 2010 includes a net gain of €73.9 million resulting from changes in our credit risk valuation adjustments, as further described in notes 7 and 8 to our consolidated financial statements. The loss during 2009 primarily is attributable to the net effect of (i) losses associated with increases in the values of the Chilean peso, euro and Swiss franc relative to the U.S. dollar, (ii) losses associated with decreases in market interest rates in the euro, Swiss franc, Romanian lei and Hungarian forint markets, (iii) losses associated with increases in the values of the Chilean peso and Swiss franc relative to the euro and (iv) gains associated with increases in market interest rates in the Polish zloty, U.S. dollar, Czech koruna and Chilean peso markets. In addition, the 2009 loss includes a loss of €14.1 million resulting from changes in our credit risk valuation adjustments, as further described in notes 7 and 8 to our consolidated financial statements.

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

Foreign currency transaction gains, net

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

	Year ended December 31, 2010	Year ended December 31, 2009
	in millions	
Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a)	€ 202.6	€ (2.8)
U.S. dollar denominated debt issued by European subsidiaries	(156.4)	36.1
Cash and restricted cash denominated in a currency other than the entity's functional currency	13.0	(11.7)
U.S. dollar denominated debt issued by a Latin American subsidiary	(13.0)	78.4
Other	1.6	2.6
Total	€ 47.8	€ 102.6

(a) Amounts primarily relate 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 2010, 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 2010, the U.S. dollar against the Chilean peso.

Losses on debt modifications and extinguishments, net

We recognized losses on debt modifications and extinguishments, net, of €17.8 million and €17.7 million during 2010 and 2009, respectively. The losses during 2010 include the payment of €12.4 million of debt redemption premiums and the write-off of €6.8 million of deferred financing costs in connection with the third quarter 2010 repurchase and redemption of the UPC Holding 2014 Senior Notes. The loss during 2009 includes (i) a €14.3 million loss recognized in connection with the execution of Facilities S, T and U under the UPC Broadband Holding Bank Facility during the second quarter of 2009 and (ii) a €3.8 million loss recognized in connection with the April 2009 exchange of UPC Holding Senior Notes. For additional information, see note 10 to our consolidated financial statements.

Income tax benefit

We recognized income tax benefit of €100.9 million and €124.8 million during 2010 and 2009, respectively.

The income tax benefit during 2010 differs from the expected income tax benefit of €228.1 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) certain permanent differences between the financial and tax accounting treatment of interest and other items, (ii) a net increase in valuation allowances established against deferred tax assets in certain tax jurisdictions, including tax benefits of €159.3 million recognized in France upon the release of valuation allowances during the fourth quarter of 2010 and (iii) a reduction in certain deferred tax assets due to an enacted change in tax law.

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

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

Loss from continuing operations

During 2010 and 2009, we reported losses from continuing operations of €793.8 million and €888.8 million, respectively, including (i) operating income of €750.1 million and €478.1 million, respectively, (ii) non-operating expenses of €1,644.8 million and €1,491.7 million, respectively, and (iii) income tax benefit of €100.9 million and €124.8 million, respectively.

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

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

Discontinued operations

Our earnings from discontinued operations, net of taxes, of €2.7 million during 2009 relates to the operations of UPC Slovenia. We recognized a gain on disposal of discontinued operations, net of taxes, of €15.2 million during the third quarter of 2009 related to the July 15, 2009 sale of UPC Slovenia. For additional information, see note 5 to our consolidated financial statements.

Net earnings attributable to noncontrolling interests

Net earnings attributable to noncontrolling interests increased €6.7 million during 2010, as compared to 2009. This increase is primarily attributable to the impact of an improvement in the results of operations of VTR.

2009 compared to 2008

Revenue

Our revenue by major category is set forth below:

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

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

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

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

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

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

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

Operating expenses

Our operating expenses decreased €16.2 million during 2009, as compared to 2008. This decrease is net of an increase of €1.2 million attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which decreased €2.1 million during 2009. For additional information, see the discussion following *SG&A expenses* below. Excluding the effects of acquisitions, FX and stock-based compensation expense, total consolidated operating expenses increased €16.1 million or 1.3% during 2009, as compared to 2008. As discussed in more detail under *Discussion and Analysis of Reportable Segments – Operating Expenses –*

2009 compared to 2008 above, this increase generally reflects the net impact of (i) increases in programming and other direct costs, (ii) decreases in interconnect and access charges, (iii) increases in network and information technology related expenses and (iv) less significant net decreases in other operating expense categories.

SG&A expenses

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

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

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

	Year ended December 31, 2009	Year ended December 31, 2008
	in millions	
LGI common stock:		
LGI performance-based incentive awards (a)	€ 3.9	€ 23.8
Other LGI stock-based incentive awards	9.7	8.5
Total LGI common stock	13.6	32.3
Other	1.5	(4.7)
Total	€ 15.1	€ 27.6
Included in:		
Operating expense	€ 2.6	€ 4.7
SG&A expense	12.5	22.9
Total	€ 15.1	€ 27.6

(a) Includes stock-based compensation expense related to the LGI Performance Plans. The amount presented for 2009 includes an €0.8 million reduction associated with the first quarter 2009 grant of restricted share units to employees of our subsidiaries in settlement of the second installment of awards under the LGI Performance Plans and a €8.2 million reduction related to the first quarter 2009 forfeiture of certain awards granted under the LGI Performance Plans.

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

Depreciation and amortization expense

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

Impairment, restructuring and other operating charges, net

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

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

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

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

Interest expense – third party

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

Interest expense – related party

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

Interest income

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

Realized and unrealized losses on derivative instruments, net

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

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

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

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

Foreign currency transaction gains (losses), net

The details of our foreign currency transaction gains (losses), net, are as follows:

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

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

Losses on debt modifications and extinguishments, net

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

Income tax benefit (expense)

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

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

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

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

Loss from continuing operations

During 2009 and 2008, we reported a loss from continuing operations of €888.8 million and €1,100.6 million, respectively, including (i) operating income of €478.1 million and €388.2 million, respectively, and (ii) non-operating expense of €1,491.7 million and €1,426.8 million, respectively.

Discontinued operations

Our earnings from discontinued operations of €2.7 million and €11.3 million during 2009 and 2008, respectively, relate to the operations of UPC Slovenia. We recognized a gain on disposal of discontinued operations, net of taxes, of €15.2 million during the third quarter of 2009 related to the July 15, 2009 sale of UPC Slovenia. For additional information, see note 5 to our consolidated financial statements.

Net earnings attributable to noncontrolling interests

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

Liquidity and Capital Resources

Sources and Uses of Cash

As a holding company, UPC Holding's primary assets are its investments in consolidated subsidiaries. UPC Holding's primary subsidiary is UPC Broadband Holding, which owns all of the operating subsidiaries that are consolidated by UPC Holding. Although our consolidated subsidiaries have generated cash from operating activities, the terms of the instruments governing the indebtedness of UPC Broadband Holding may restrict our ability to access the assets of these subsidiaries. As set forth in the table below, these subsidiaries accounted for substantially all of our consolidated cash and cash equivalents at December 31, 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 December 31, 2010 are set forth in the following table. With the exception of UPC Holding, which is reported on a standalone basis, the amounts presented below include the cash and cash equivalents of the named entity and its subsidiaries unless otherwise noted (in millions):

Cash and cash equivalents held by:		
UPC Holding	€	—
UPC Broadband Holding (excluding VTR)		62.9
VTR		60.2
Total cash and cash equivalents	€	123.1

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 and/or loans or contributions from LGE financing (and ultimately LGI and other LGI subsidiaries).

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

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 the UPC Broadband Holding Bank Facility. For the details of the borrowing availability under the UPC Broadband Holding Bank Facility at December 31, 2010, see note 10 to our consolidated financial statements. Our subsidiaries' liquidity generally is used to fund capital expenditures and debt service requirements. From time to time, our subsidiaries may also require funding in connection with (i) acquisitions and other investment opportunities, (ii) loans or capital distributions to UPC Holding. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

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

Capitalization

We seek to maintain our debt at levels that provide for attractive returns without assuming undue risk. In this regard, we strive to cause our operating subsidiaries to maintain their debt at levels that result in a consolidated debt balance that is between four and five times our consolidated operating cash flow. The ratio of our December 31, 2010 Senior Debt to Annualized EBITDA (last two quarters annualized) for UPC Holding was 3.69 to 1.00 and the ratio of our December 31, 2010 Total Debt to Annualized EBITDA (last two quarters annualized) was 4.58 to 1.00, with each ratio defined and calculated in accordance with the UPC Broadband Holding Bank Facility.

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

Our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase the operating cash flow of our operating subsidiaries and to achieve adequate returns on our capital expenditures and acquisitions. In this regard, if the operating cash flow of UPC Broadband Holding were to decline, we could be required to partially 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. The ability to access available borrowings under the UPC Broadband Holding Bank Facility and/or our ability to complete additional financing transactions can also be impacted by the interplay of average and spot foreign currency rates with respect to leverage calculations under the indentures for UPC Holding's Senior Notes.

At December 31, 2010, our outstanding consolidated third-party debt and capital lease obligations aggregated €7,998.4 million, including €2.5 million that is classified as current in our consolidated balance sheet and €7,808.2 million that is due in 2014 or thereafter. For additional information concerning the maturities of our debt and capital lease obligations, see note 10 to our consolidated financial statements.

We believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our debt maturities grow in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. For information concerning certain refinancing transactions completed during 2010 that have resulted in the extension of our subsidiaries' debt maturities, see notes 10 and 19 to our consolidated financial statements. No assurance can be given that we will be able to complete additional refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit and equity markets we access and accordingly, our future liquidity and financial position. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) 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 adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

With the exception of the UPC Holding Senior Notes, all of our consolidated third-party debt and capital lease obligations had been borrowed or incurred by our subsidiaries at December 31, 2010. For additional information concerning our debt, see note 10 to our consolidated financial statements.

Consolidated Cash Flow Statements

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

2010 Consolidated Cash Flow Statement

Summary. During 2010, we used net cash provided by our operating activities of €1,162.8 million and €45.2 million of our cash and cash equivalents (excluding a €8.6 million increase due to FX) to fund net cash used by our investing activities of €801.7 million, and net cash used by our financing activities of €406.3 million.

Operating Activities. Net cash provided by our operating activities increased €130.2 million, from €1,032.6 million during 2009 to €1,162.8 million during 2010. This increase in cash provided is primarily attributable to the net effect of (i) an increase in the cash provided by our operating cash flow and related working capital items, (ii) a decrease due to higher cash payments related to derivative instruments, (iii) an increase in the reported net cash provided by operating activities due to FX and (iv) a decrease due to higher cash payments for interest.

Investing Activities. Net cash used by our investing activities increased €65.2 million, from €736.5 million during 2009 to €801.7 million during 2010. This increase in cash used is due primarily to the net effect of (i) an increase associated with proceeds received during the 2009 period from the disposition of discontinued operations, net of disposal costs, of €118.5 million and (ii) a decrease due to lower capital expenditures of €51.2 million. Capital expenditures decreased from €853.9 million during 2009 to €802.7 million during 2010, as a net decrease in the local currency capital expenditures of our subsidiaries was only partially offset by an increase due to FX.

UPC Europe accounted for €659.3 million and €741.3 million of our consolidated capital expenditures during 2010 and 2009, respectively. The decrease in the capital expenditures of UPC Europe is due primarily to the effect of (i) a decrease in expenditures for new build and upgrade projects to expand services, (ii) a decrease in expenditures for the purchase and installation of customer premises equipment, (iii) an increase due to FX and (iv) a decrease in expenditures for support capital such as information technology upgrades and general support systems. During 2010 and 2009, UPC Europe's capital expenditures represented 21.0% and 25.1%, respectively, of its revenue.

VTR accounted for €143.4 million and €112.6 million of our consolidated capital expenditures during 2010 and 2009, respectively. The increase in the capital expenditures of VTR is due primarily to the net effect of (i) an increase due to FX, (ii) an increase in expenditures for the purchase and installation of customer premises equipment, (iii) a decrease in expenditures for support capital, such as information technology upgrades and general support systems and (iv) an increase in expenditures for new build and upgrade projects. During 2010 and 2009, VTR's capital expenditures represented 23.8% and 22.4%, respectively, of its revenue.

We expect the percentage of revenue represented by our aggregate capital expenditures (excluding non-cash capital lease additions) to remain relatively stable during 2011, as compared to 2010, with the 2011 percentage expected to range from (i) 21% to 23% for UPC Europe and 18% to 20% for VTR. The actual amount of the 2011 capital expenditures of UPC Europe and VTR may vary from the expected amounts for a variety of reasons, including (i) changes in (a) the competitive or regulatory environment, (b) business plans or (c) our current or expected future operating results, and (ii) the availability of sufficient capital. Accordingly, no assurance can be given that our actual capital expenditures will not vary materially from our expectations. In terms of the composition of the aggregate 2011 capital expenditures of our broadband communications subsidiaries, we expect that 37% to 41% will be used to purchase and install customer premises equipment and that the remainder will be used to fund the rebuild and upgrade of portions of our broadband distribution systems and other capital requirements.

Financing Activities. Net cash used by our financing activities increased €155.0 million, from €251.3 million during 2009 to €406.3 million during 2010. This increase in cash used is primarily attributable to the net effect of (i) an increase related to higher net repayments of debt and capital lease obligations of €526.4 million, (ii) a decrease related to lower net repayments of the shareholder loan of €364.1 million and (iii) a decrease related to lower payments for financing costs and debt premiums of €17.2 million.

2009 Consolidated Cash Flow Statement

Summary. During 2009, we used net cash provided by our operating activities of €1,032.6 million to fund (i) net cash used by our investing activities of €736.5 million, (ii) net cash used by our financing activities of €251.3

million and (iii) a €44.8 million increase in our existing cash and cash equivalents (excluding a €6.0 million increase due to changes in FX).

Operating Activities. Net cash provided by our operating activities decreased €92.0 million, from €1,124.6 million during 2008 to €1,032.6 million during 2009. This decrease in cash provided is primarily attributable to the net effect of (i) a decrease due to higher cash payments related to derivative instruments, (ii) an increase in the cash provided by our operating cash flow and related working capital items, (iii) an increase due to lower cash payments for interest, (iv) an increase due to lower cash payments for taxes and (v) an increase in the reported net cash provided by operating activities due to FX.

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

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

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

Financing Activities. Net cash used by our financing activities increased €122.9 million, from €128.4 million during 2008 to €251.3 million during 2009. This increase in cash used is due primarily to the net effect of (i) an increase related to lower net borrowings of debt and capital lease obligations of €587.7 million, (ii) a decrease related to lower net repayments of the shareholder loan of €534.0 million and (iii) an increase related to higher payments for financing costs of €56.1 million.

Off Balance Sheet Arrangements and Aggregate Contractual Obligations

Off Balance Sheet Arrangements

In the ordinary course of business, we have provided indemnifications to purchasers of certain of our assets, our lenders, our vendors and certain other parties. 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.

We are a party to various stockholder and similar agreements pursuant to which we could be required to make capital contributions to the entity in which we have invested or purchase another investor's interest. We do not expect any payments made under these provisions to be material in relationship to our financial position or results of operations.

Contractual Commitments

As of December 31, 2010, the euro equivalents (based on December 31, 2010 exchange rates) of our consolidated contractual commitments are as follows:

	Payments due during:						
	2011	2012	2013	2014	2015	Thereafter	Total
				in millions			
Debt (excluding interest):							
Third party	€ 0.2	€ 0.2	€ 191.8	€ 833.8	€ 290.7	€ 6,711.9	€ 8,028.6
Related party	—	—	—	—	—	8,511.4	8,511.4
Capital leases (excluding interest)	2.3	1.3	1.1	1.2	1.2	17.6	24.7
Operating leases	72.2	45.8	33.9	23.1	16.5	57.5	249.0
Programming, satellite and other purchase obligations	167.1	49.5	31.8	22.2	24.7	19.7	315.0
Other commitments	19.4	13.9	10.0	7.3	7.3	51.3	109.2
Total (a)	€ 261.2	€ 110.7	€ 268.6	€ 887.6	€ 340.4	€ 15,369.4	€ 17,237.9
Projected cash interest payments on debt and capital lease obligations (b)	€ 506.6	€ 347.6	€ 433.0	€ 432.7	€ 402.4	€ 1,033.8	€ 3,156.1

(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2010 balance sheet other than debt and capital lease obligations. Our liability for uncertain tax positions in the various jurisdictions in which we operate (€4.5 million at December 31, 2010) has been excluded from the table as the amount and timing of any related payments are not subject to reasonable estimation. In addition, commitments arising from acquisition agreements including those described in note 4 to our consolidated financial statements are not included in this table.

(b) Amounts are based on interest rates and contractual maturities in effect as of December 31, 2010. The amounts presented do not include the impact of our interest rate derivative agreements, deferred financing costs, discounts or commitment fees, all of which affect our overall cost of borrowing.

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

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

Critical Accounting Policies, Judgments and Estimates

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

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

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

Impairment of Property and Equipment and Intangible Assets

Carrying Value. The aggregate carrying value of our property and equipment and intangible assets (including goodwill) that were held for use comprised 89% of our total assets at December 31, 2010.

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

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

Considerable management judgment is necessary to estimate the fair value of reporting units and underlying long-lived and indefinite-lived assets. For our non-publicly traded reporting units, we typically determine fair value using an income-based approach (discounted cash flows) based on assumptions in our long-range business plans and, in some cases, a combination of an income-based approach and a market-based approach.

With respect to our discounted cash flow analysis used in the income-based approach, the timing and amount of future cash flows under these business plans require estimates, among other items, of subscriber growth and retention rates, rates charged per product, expected gross margin and operating cash flow margins and expected capital expenditures. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. The discount rates used in income-based approach valuations of our 2010 annual impairment test ranged from 12.5% to 15.3%. With respect to the market-based approach, we relied on transaction-based multiples derived from recent relevant market transactions.

Based on the results of the 2010 annual impairment test, most of our reporting units have fair values that are at least 20% greater than their respective carrying values, including all of our large reporting units. As of our October 1, 2010 impairment test date, our broadband communications in Hungary and the Czech Republic had an excess of fair value over carrying value of less than 20%. As of this date, these reporting units had goodwill aggregating €615.2 million. In order to assess the sensitivity of the reporting unit fair value determinations used for our 2010 impairment calculation, we applied a hypothetical decrease of 20% to the estimated fair value of each reporting unit. A hypothetical 20% decrease in the fair value of each of our reporting units would have resulted in an estimated goodwill impairment associated with two of our reporting units ranging, in the aggregate, from €50 million to €350 million. A hypothetical 30% decrease in the fair value of each of our reporting units would have resulted in an estimated goodwill impairment associated with two of our reporting units ranging, in the aggregate, from €200 million to €615.2 million.

During 2010, 2009 and 2008, we recorded impairments of our property and equipment and intangible assets (including goodwill) aggregating €0.7 million, €84.7 million and €107.0 million, respectively. The 2009 and 2008 amounts are primarily due to goodwill impairments recorded in June 2009 and December 2008 with respect to our Romanian reporting unit. For additional information, see note 9 to our consolidated financial statements.

Costs Associated with Construction and Installation Activities

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

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

Useful Lives of Long-Lived Assets

We depreciate our property and equipment on a straight-line basis over the estimated economic useful life of the assets. The determination of the economic useful lives of property and equipment requires significant management judgment, based on factors such as the estimated physical lives of the assets, technological change, changes in anticipated use, legal and economic factors, rebuild and equipment swap-out plans, and other factors. Our intangible assets with definite lives primarily consist of customer relationships. Customer relationship intangible assets are amortized on a straight-line basis over the estimated weighted average life of the customer relationships. The determination of the estimated useful life of customer relationship intangible assets requires significant management judgment, and is primarily based on historical and forecasted churn rates, adjusted when necessary for risk associated with demand, competition, technical changes and other economic factors. We regularly review whether changes to estimated useful lives are required in order to accurately reflect the economic use of our property and equipment and intangible assets with definite lives. Any changes to estimated useful lives are reflected prospectively. Depreciation and amortization expense of our continuing operations during 2010, 2009 and 2008 was €974.0 million, €1,048.5 million and €1,079.9 million, respectively. A 10% increase in the aggregate amount of the depreciation and amortization expense of our continuing operations during 2010 would have resulted in a €97.4 million or 13.0% decrease in our 2010 operating income.

Fair Value Measurements

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

Recurring Valuations. We perform recurring fair value measurements with respect to our derivative instruments and fair value method investments, all of which are carried at fair value. We use cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments. We use a combination of an income approach (discounted cash flows) and a market approach (market multiples of similar businesses) to determine the fair value of our fair value method investments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments and fair value method investments, see note 8 to our consolidated financial statements. See also notes 6 and 7 to our consolidated financial statements for information concerning our fair value method investments and derivative instruments, respectively.

Changes in the fair values of our derivative instruments and fair value method investments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During 2010, 2009 and 2008, we reported in our statements of operations net losses of €813.3 million, €642.8 million and €184.0 million, respectively, attributable to changes in the fair value of these items.

As further described in note 8 to our consolidated financial statements, actual amounts received or paid upon the settlement of our derivative instruments and disposal of our fair value method investments may differ materially from the recorded fair values at December 31, 2010.

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

Income Tax Accounting

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

Net deferred tax assets are reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Establishing or reducing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. At December 31, 2010, the aggregate valuation allowance provided against deferred tax assets was €1,234.5 million. The actual amount of deferred income tax benefits realized in future periods will likely differ from the net deferred tax assets reflected in our December 31, 2010 balance sheet due to, among other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any of such factors could have a material effect on our current and deferred tax position as reported in our consolidated financial statements. A high degree of judgment is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we operate are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. The determination of whether the tax position meets the more-likely-than-not threshold requires a facts-based judgment using all information available. In a number of cases, we have concluded that the more-likely-than-not threshold is not met, and accordingly, the amount of tax benefit recognized in the financial statements is different than the amount taken or expected to be taken in our tax returns. As of December 31, 2010, the amount of unrecognized tax benefits for financial reporting purposes, but taken or expected to be taken on tax returns, was €29.7 million, of which €9.5 million would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

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

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