UPC HOLDING B.V.

Consolidated Financial Statements
December 31, 2011

UPC Holding B.V.
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The Netherlands

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, 2011 and 2010, and the related consolidated statements of operations, comprehensive loss, owner's deficit, and cash flows for the years ended December 31, 2011, 2010 and 2009. 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, 2011 and 2010, and the results of their operations and their cash flows for the years ended December 31, 2011, 2010 and 2009, in conformity with U.S. generally accepted accounting principles.

Amstelveen, the Netherlands, March 20, 2012

KPMG ACCOUNTANTS N.V.

UPC HOLDING B.V.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2011	2010
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 126.5	€ 123.1
Trade receivables, net	419.3	420.5
Deferred income taxes (note 10)	76.6	61.1
Derivative instruments (note 6)	117.2	67.8
Prepaid expenses	31.7	35.3
Other current assets (note 13)	121.5	56.1
Total current assets	892.8	763.9
Investments (including €21.3 million and €30.1 million, respectively, measured at fair value) (note 5)	23.3	32.6
Property and equipment, net (note 8)	4,109.3	4,055.4
Goodwill (note 8)	5,509.3	5,192.8
Intangible assets subject to amortization, net (note 8)	406.0	343.9
Other assets, net (notes 6, 8 and 10)	469.2	424.2
Total assets	€ 11,409.9	€ 10,812.8

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

UPC HOLDING B.V.

CONSOLIDATED BALANCE SHEETS — (Continued)

	December 31,			
	2011		2010	
	in millions			
LIABILITIES AND OWNERS' DEFICIT				
Current liabilities:				
Accounts payable (note 13)	€	275.7	€	229.8
Accrued liabilities (notes 10 and 13)		673.6		623.0
Deferred revenue and advance payments from subscribers and others		429.0		452.8
Current portion of debt and capital lease obligations (note 9)		80.8		2.5
Derivative instruments (note 6)		395.7		351.6
Total current liabilities		1,854.8		1,659.7
Long-term debt and capital lease obligations (note 9):				
Third party		8,964.6		7,995.9
Related party		8,693.8		8,511.4
Derivative instruments (note 6)		1,199.1		1,276.6
Other long-term liabilities (note 10)		226.8		139.5
Total liabilities		20,939.1		19,583.1
Commitments and contingencies (notes 6, 9 and 16)				
Owners' deficit (notes 11 and 15):				
Parent's deficit:				
Distributions and accumulated losses in excess of contributions		(10,219.7)		(9,441.7)
Accumulated other comprehensive earnings, net of taxes		536.0		494.0
Total parent's deficit		(9,683.7)		(8,947.7)
Noncontrolling interests		154.5		177.4
Total owners' deficit		(9,529.2)		(8,770.3)
Total liabilities and owners' deficit	€	11,409.9	€	10,812.8

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2011	2010	2009
		in millions	
Revenue (note 13)	€ 4,013.3	€ 3,739.9	€ 3,453.9
Operating costs and expenses:			
Operating (other than depreciation and amortization) (including stock-based compensation) (notes 12 and 13)	1,441.2	1,368.1	1,251.0
Selling, general and administrative (SG&A) (including stock-based compensation) (notes 12 and 13)	654.8	613.6	555.2
Related-party fees and allocations, net (note 13)	5.9	18.1	30.6
Depreciation and amortization	970.2	974.0	1,048.5
Impairment, restructuring and other operating charges, net (notes 8 and 14)	26.8	16.0	90.5
	3,098.9	2,989.8	2,975.8
Operating income	914.4	750.1	478.1
Non-operating income (expense):			
Interest expense:			
Third party	(518.9)	(456.8)	(383.0)
Related party (note 13)	(655.0)	(406.0)	(568.1)
Interest income	4.3	5.1	16.0
Realized and unrealized losses on derivative instruments, net (note 6)	(3.6)	(813.5)	(642.9)
Foreign currency transaction gains (losses), net	(270.5)	47.8	102.6
Realized and unrealized gains (losses) due to changes in fair values of certain investments, net (notes 5 and 7)	(9.5)	0.2	0.1
Losses on debt modification and extinguishment, net (note 9)	(11.7)	(17.8)	(17.7)
Other income (expense), net	(2.0)	(3.8)	1.3
	(1,466.9)	(1,644.8)	(1,491.7)
Loss from continuing operations before income taxes	(552.5)	(894.7)	(1,013.6)
Income tax benefit (expense) (note 10)	(241.4)	100.9	124.8
Loss from continuing operations	(793.9)	(793.8)	(888.8)
Discontinued operation (note 4):			
Earnings from discontinued operation, net of taxes	—	—	2.7
Gain on disposal of discontinued operation, net of taxes	—	—	15.2
	—	—	17.9
Net loss	(793.9)	(793.8)	(870.9)
Net earnings attributable to noncontrolling interests	(22.7)	(23.5)	(16.8)
Net loss attributable to parent	€ (816.6)	€ (817.3)	€ (887.7)

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,		
	2011	2010	2009
		in millions	
Net loss	€ (793.9)	€ (793.8)	€ (870.9)
Other comprehensive earnings net of taxes:			
Foreign currency translation adjustments	45.3	484.5	94.8
Other	(11.6)	(1.5)	9.8
Other comprehensive earnings	33.7	483.0	104.6
Comprehensive loss	(760.2)	(310.8)	(766.3)
Comprehensive earnings attributable to noncontrolling interests	(14.4)	(43.2)	(32.3)
Comprehensive loss attributable to parent	€ (774.6)	€ (354.0)	€ (798.6)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENT OF OWNERS' DEFICIT

	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 15)	—	89.1	89.1	15.5	104.6
Stock-based compensation (note 12)	14.0	—	14.0	—	14.0
Consideration received in connection with common control transactions (note 3)	11.5	—	11.5	—	11.5
Capital charge in connection with the exercise of LGI stock incentive awards (notes 12 and 13)	(46.3)	—	(46.3)	—	(46.3)
Sale of UPC Slovenia (note 4)	—	—	—	(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 STATEMENT 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 15)	—	463.3	463.3	19.7	483.0
Stock-based compensation (note 12)	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 12 and 13)	(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 STATEMENT 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, 2011	€ (9,441.7)	€ 494.0	€ (8,947.7)	€ 177.4	€ (8,770.3)
Net loss	(816.6)	—	(816.6)	22.7	(793.9)
Other comprehensive earnings, net of taxes (note 15)	—	42.0	42.0	(8.3)	33.7
Stock-based compensation (note 12)	13.3	—	13.3	—	13.3
Distributions by subsidiaries to noncontrolling interest owners	—	—	—	(37.3)	(37.3)
Capital charge in connection with exercise of LGI stock incentive awards (notes 12 and 13)	(37.4)	—	(37.4)	—	(37.4)
Contribution from related party (note 13)	61.0	—	61.0	—	61.0
Adjustments due to other changes in subsidiaries' equity and other, net	1.7	—	1.7	—	1.7
Balance at December 31, 2011	€ (10,219.7)	€ 536.0	€ (9,683.7)	€ 154.5	€ (9,529.2)

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,		
	2011	2010	2009
		in millions	
Cash flows from operating activities:			
Net loss	€ (793.9)	€ (793.8)	€ (870.9)
Earnings from discontinued operation	—	—	(17.9)
Loss from continuing operations	(793.9)	(793.8)	(888.8)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:			
Stock-based compensation expense	13.5	17.3	15.1
Related-party fees and allocations, net	5.9	18.1	30.6
Depreciation and amortization	970.2	974.0	1,048.5
Impairment, restructuring and other operating charges, net	26.8	16.0	90.5
Non-cash interest on shareholder loan	655.0	406.0	568.1
Amortization of deferred financing costs and non-cash interest accretion	11.6	21.5	16.6
Realized and unrealized losses on derivative instruments, net	3.6	813.5	642.9
Foreign currency transaction losses (gains), net	270.5	(47.8)	(102.6)
Realized and unrealized losses (gains) due to changes in fair values of certain investments, net	9.5	(0.2)	(0.1)
Losses on debt modification and extinguishment, net	11.7	17.8	17.7
Deferred income tax expense (benefit)	212.3	(117.7)	(134.5)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:			
Receivables and other operating assets	466.0	302.8	275.2
Payables and accruals	(712.9)	(464.7)	(546.6)
Net cash provided by operating activities of discontinued operation	—	—	7.2
Net cash provided by operating activities	1,149.8	1,162.8	1,039.8
Cash flows from investing activities:			
Capital expenditures	(781.6)	(796.0)	(853.9)
Cash paid in connection with acquisitions, net of cash acquired	(603.4)	(2.9)	(3.4)
Proceeds received upon disposition of discontinued operation, net of disposal costs	—	—	118.5
Other investing activities, net	15.4	(2.8)	2.3
Net cash used by investing activities of discontinued operation	—	—	(6.9)
Net cash used by investing activities	€ (1,369.6)	€ (801.7)	€ (743.4)

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,		
	2011	2010	2009
		in millions	
Cash flows from financing activities:			
Borrowings of third-party debt	€ 3,197.7	€ 1,437.0	€ 1,249.3
Repayments and repurchases of third-party debt and capital lease obligations	(2,368.2)	(1,488.7)	(774.6)
Net repayment of shareholder loan	(497.0)	(277.5)	(641.6)
Equity contribution from related party	61.0	—	—
Change in cash collateral	(49.1)	—	3.3
Net cash received (paid) related to derivative instruments	(40.8)	2.0	(13.9)
Distributions by subsidiaries to noncontrolling interest owners	(37.5)	(26.1)	(6.6)
Payment of financing costs and debt premiums	(28.4)	(44.2)	(61.4)
Other financing activities, net	(8.3)	(8.8)	(5.8)
Net cash provided (used) by financing activities	229.4	(406.3)	(251.3)
Effect of exchange rate changes on cash - continuing operations	(6.2)	8.6	6.0
Net increase (decrease) in cash and cash equivalents:			
Continuing operations	3.4	(36.6)	50.8
Discontinued operation	—	—	0.3
Net increase (decrease) in cash and cash equivalents	3.4	(36.6)	51.1
Cash and cash equivalents:			
Beginning of year	123.1	159.7	108.6
End of year	€ 126.5	€ 123.1	€ 159.7
Cash paid for interest - continuing operations	€ 479.3	€ 384.8	€ 376.4
Net cash paid for taxes:			
Continuing operations	€ 31.1	€ 9.4	€ 6.2
Discontinued operation	—	—	1.1
Total	€ 31.1	€ 9.4	€ 7.3

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 Europe Holding BV (Liberty Global Europe). Liberty Global Europe is a 99.6%-owned subsidiary of Liberty Global, Inc. (LGI). 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.

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, 2011 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). VTR Wireless SA (VTR Wireless), a subsidiary of LGI that is outside of UPC Holding, is constructing a mobile network in Chile that will be used in combination with other arrangements to provide mobile services. All references to VTR in these consolidated financial statements exclude the operations and financial position of VTR Wireless.

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.

Unless otherwise indicated, ownership percentages and convenience translations into euros are calculated as of December 31, 2011.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 20, 2012, the date of issuance.

(2) 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 year amounts have been reclassified to conform to the current year presentation.

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. Our current and long-term restricted cash balances aggregated €51.3 million and €2.5 million at December 31, 2011 and 2010, respectively. The December 31, 2011 current amount includes €49.5 million that was utilized to fund an interest payment that was due on January 1, 2012.

Our significant non-cash investing and financing activities are disclosed in our statements of owners' deficit and in notes 3, 8, and 9.

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €82.0 million and €77.3 million at December 31, 2011 and 2010, 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 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.

Under the fair value method, investments are recorded at fair value and any changes in fair value are reported in realized and unrealized gains or losses due to changes in fair values of certain investments, net, in our consolidated statement of operations. All costs directly associated with the acquisition of an investment to be accounted for using the fair value method are expensed as incurred. For additional information regarding our fair value method investments, see notes 5 and 7.

We 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.

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, are recognized as gains or losses in our consolidated statement of operations.

We use the cost method for investments in certain non-marketable securities for 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.

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 values of our investments, derivatives and debt, see notes 5, 6 and 9, respectively. For information concerning how we arrive at certain of our fair value measurements, see note 7.

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 or 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 instrument is not designated as a hedge, changes in the fair value of the derivative instrument are recognized in earnings. We generally do not apply hedge accounting to our derivative instruments. For information regarding our derivative instruments, including our policy for classifying cash flows related to derivative instruments in our consolidated statement of cash flows, see note 6.

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.

Capitalized internal-use software is included as a component of property and equipment. We capitalize internal and external costs directly associated with the development of internal-use software. We also capitalize costs associated with the purchase of software licenses. Maintenance and training costs, as well as costs incurred during the preliminary stage of an internal-use software development project, are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the underlying asset. 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. For additional information regarding the useful lives of our property and equipment, see note 8.

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, 2011 and 2010, the recorded value of our asset retirement obligations was €15.1 million and €15.6 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 a business combination. 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 on a straight-line basis over their respective estimated useful lives to their estimated residual values, and reviewed for impairment. For additional information regarding the useful lives of our intangible assets, see note 8.

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 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 make a qualitative assessment to determine if goodwill may be impaired. If it is more likely than not that a reporting unit's fair value is less than its carrying value, we then 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 other than goodwill 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 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. 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 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) are translated at the spot rate in effect at the applicable reporting date. With the exception of certain material transactions, the amounts reported in our consolidated statement of operations 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. With the exception of certain material transactions, the cash flows from our operations in foreign countries are translated at the average rate for the applicable period in our consolidated statement of cash flows. The impacts of material transactions generally are recorded at the applicable spot rates in our consolidated statements of operations and cash flows. 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, broadband internet and telephony 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 during 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, telephony 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 the services we provide 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 employees of our subsidiaries, 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. The cash benefits of tax deductions in excess of deferred taxes on recognized compensation expense are reported as a financing cash flow.

We use the straight-line method to recognize stock-based compensation expense for LGI's outstanding stock awards to employees of our subsidiaries 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.

For additional information regarding our stock-based compensation, see note 12.

Litigation Costs

Costs related to litigation matters are expensed as incurred.

(3) <u>Acquisition and Common Control Transfer</u>

We completed an acquisition during 2011, and a common control transfer during 2009. We account for 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.

2011 Acquisition

Aster. On September 16, 2011, a subsidiary of UPC Holding paid total cash consideration equal to PLN 2,445.7 million (€568.8 million at the transaction date) in connection with its acquisition of a 100% equity interest in Aster Sp. z.o.o. (Aster), a broadband communications provider in Poland (the Aster Acquisition). The total cash consideration, which UPC Holding initially funded with available cash and cash equivalents, included the equivalent of PLN 1,602.3 million (€372.2 million at the transaction date) that was used to repay Aster's debt immediately prior to our acquisition of Aster's equity and excludes direct acquisition costs of €4.7 million. The direct acquisition costs, all of which were incurred in 2011, are included in impairment, restructuring and other operating charges, net, in our consolidated statement of operations. The approval of the Aster Acquisition by the regulatory authorities in Poland was conditioned upon our agreement to dispose of certain sections of Aster's network on or before March 5, 2013. We do not expect the financial or operational impact of these required dispositions to be material. We completed the Aster Acquisition in order to achieve certain financial, operational and strategic benefits through the integration of Aster with our existing operations in Poland.

We have accounted for the Aster Acquisition using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the

purchase price over the fair values of these identifiable net assets was allocated to goodwill.

A summary of the purchase price and opening balance sheet for the Aster Acquisition at the September 16, 2011 acquisition date is presented in the following table. The opening balance sheet presented below reflects our final purchase price allocation (in millions):

Cash	€	16.0
Other current assets		14.0
Property and equipment, net		85.8
Goodwill (a)		345.7
Intangible assets subject to amortization (b)		161.9
Other assets, net		0.3
Other current liabilities		(17.7)
Other long-term liabilities		(37.2)
Total purchase price	€	568.8

(a) The goodwill recognized in connection with the Aster Acquisition is primarily attributable to (i) the ability to take advantage of Aster's existing advanced broadband communications network to gain immediate access to potential customers and (ii) substantial synergies that are expected to be achieved through the integration of Aster with our other broadband communications operations in Poland.

(b) Amount primarily includes intangible assets related to customer relationships. At September 16, 2011, the weighted average useful life of Aster's intangible assets was approximately seven years.

Pro Forma Information

The following unaudited pro forma consolidated operating results give effect to the Aster Acquisition, as if it had been completed as of January 1, 2010. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if this transaction had occurred on such date. The pro forma adjustments are based on certain assumptions that we believe are reasonable.

	Year ended December 31,	
	2011	2010
	in millions	
Revenue	€ 4,090.7	€ 3,851.7
Net loss attributable to parent	€ (816.8)	€ (815.1)

Our consolidated statement of operations for 2011 includes revenue and net loss attributable to Aster of €28.0 million and €2.5 million, respectively.

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 reflected as decreases to our shareholder loan payable to Liberty Global Europe Financing B.V. (LGE Financing), a subsidiary of Liberty Global Europe, 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.

(4) Discontinued Operation

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, which is reflected as gain on disposal of discontinued operation in our consolidated statement of operations for the year ended December 31, 2009.

The 2009 operating results of UPC Slovenia are classified as a discontinued operation in our consolidated statement of operations and are summarized in the following table (in millions):

Revenue	€	22.7
Operating income	€	2.4
Earnings before income taxes and noncontrolling interests	€	2.4
Income tax benefit	€	0.3
Earnings from discontinued operation attributable to parent, net of taxes	€	2.7

(5) Investments

The details of our investments are set forth below:

Accounting Method	December 31, 2011	December 31, 2010
	in millions	
Fair value	€ 21.3	€ 30.1
Equity	1.6	2.0
Cost	0.4	0.5
Total	€ 23.3	€ 32.6

(6) Derivative Instruments

Through our subsidiaries, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the euro (€), the U.S. dollar ($), the Czech koruna (CZK), the Hungarian forint (HUF), the Polish zloty (PLN), the Romanian lei (RON), the Swiss franc (CHF) and the Chilean peso (CLP). As we generally do not apply hedge accounting to our derivative instruments, changes in the fair values of most of our derivative instruments are recorded in realized and unrealized gains (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, 2011			December 31, 2010		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (b)	€ 115.0	€ 312.2	€ 427.2	€ 64.0	€ 73.2	€ 137.2
Foreign currency forward contracts	1.5	0.2	1.7	3.0	—	3.0
Embedded derivatives	0.7	0.3	1.0	0.8	0.7	1.5
Total	€ 117.2	€ 312.7	€ 429.9	€ 67.8	€ 73.9	€ 141.7
Liabilities:						
Cross-currency and interest rate derivative contracts (b)	€ 394.9	€ 1,195.9	€ 1,590.8	€ 347.4	€ 1,276.1	€ 1,623.5
Foreign currency forward contracts	0.1	2.1	2.2	3.9	—	3.9
Embedded derivatives	0.7	1.1	1.8	0.3	0.5	0.8
Total	€ 395.7	€ 1,199.1	€ 1,594.8	€ 351.6	€ 1,276.6	€ 1,628.2

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

(b) We consider credit risk in our fair value assessments. As of December 31, 2011 and 2010, (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 €34.6 million and €7.1 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 €188.5 million and €133.9 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 cross-currency and interest rate derivative contracts resulted in gains (losses) of €27.5 million, €73.9 million and (€14.5 million) during 2011, 2010 and 2009, respectively. 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 7.

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

	Year ended December 31,		
	2011	2010	2009
	in millions		
Cross-currency and interest rate derivative contracts	€ 5.5	€ (808.7)	€ (638.3)
Foreign currency forward contracts	(9.0)	(6.2)	(5.7)
Embedded derivatives	(0.1)	1.4	1.1
Total	€ (3.6)	€ (813.5)	€ (642.9)

The net cash received or 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. For cross-currency or interest rate derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity. The classifications of these cash inflows (outflows) are as follows:

	Year ended December 31,		
	2011	2010	2009
		in millions	
Operating activities	€ (278.2)	€ (279.4)	€ (199.6)
Financing activities	(40.8)	2.0	(13.9)
Total	€ (319.0)	€ (277.4)	€ (213.5)

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments 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 instruments is spread across a relatively broad counterparty base of banks and financial institutions. We and the counterparties to our derivative instruments do not post collateral or other security, nor have we entered into master netting arrangements with any of our counterparties. At December 31, 2011, our exposure to counterparty credit risk included derivative assets with a fair value of €429.9 million.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set-off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set-off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

The risks we would face in the event of a default by a counterparty to one of our derivative instruments might be eliminated or substantially mitigated if we were able to novate the relevant derivative contracts to a new counterparty following the default of our counterparty. While we anticipate that, in the event of the insolvency of one of our derivative counterparties, we would seek to effect such novations, no assurance can be given that we would obtain the necessary consents to do so or that we would be able to do so on terms or pricing that would be acceptable to us or that any such novation would not result in substantial costs to us. Furthermore, the underlying risks that are the subject of the relevant derivative contracts would no longer be effectively hedged due to the insolvency of our counterparty, unless and until we novate or replace the derivative contract.

While we currently have no specific concerns about the creditworthiness of any counterparty for which we have material credit risk exposures, 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, financial condition and/or liquidity.

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at December 31, 2011 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 (b)	$	400.0	CHF	441.8	9.88%	9.87%
UPC Broadband Holding BV (UPC Broadband Holding), a subsidiary of UPC Holding:						
October 2017	$	500.0	€	364.9	6 mo. LIBOR + 3.50%	6 mo. EURIBOR + 3.41%
November 2019	$	500.0	€	362.9	7.25%	7.74%
December 2016	$	340.0	CHF	370.9	6 mo. LIBOR + 3.50%	6 mo. CHF LIBOR + 4.01%
December 2014	$	171.5	CHF	187.1	6 mo. LIBOR + 2.75%	6 mo. CHF LIBOR + 2.95%
December 2014	€	898.4	CHF	1,466.0	6 mo. EURIBOR + 1.68%	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 2020	€	175.0	CHF	258.6	7.63%	6.76%
September 2012	€	83.1	CHF	129.0	6 mo. EURIBOR + 2.50%	6 mo. CHF LIBOR + 2.46%
January 2017	€	75.0	CHF	110.9	7.63%	6.98%
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 2014	€	365.8	CZK	10,521.8	5.48%	5.56%
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	€	260.0	HUF	75,570.0	5.50%	9.40%
December 2014 — December 2016	€	260.0	HUF	75,570.0	5.50%	10.56%
December 2016	€	150.0	HUF	43,367.5	5.50%	9.20%
July 2018	€	78.0	HUF	19,500.0	5.50%	9.15%
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%
September 2016	€	200.0	PLN	892.7	6.00%	8.19%
July 2017	€	82.0	PLN	318.0	3.00%	5.60%
December 2016	€	31.9	RON	116.8	5.50%	12.14%

(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, 2011, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2011, we present a range of dates that represents the period covered by the applicable derivative instrument.

(b) Unlike the other cross-currency swaps presented in this table, the UPC Holding cross-currency swap does not involve the exchange of notional amounts at the inception and maturity of the instrument. Accordingly, the only cash flows associated with this instrument are interest payments and receipts.

Cross-currency Interest Rate Swaps:

The terms of our outstanding cross-currency interest rate swap contracts at December 31, 2011 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:						
July 2018	$	425.0	€	320.9	6 mo. LIBOR + 1.75%	6.08%
December 2014	$	300.0	€	226.5	6 mo. LIBOR + 1.75%	5.78%
December 2014 - July 2018	$	300.0	€	226.5	6 mo. LIBOR + 2.58%	6.80%
December 2016	$	244.1	€	179.3	6 mo. LIBOR + 3.50%	7.24%
March 2013	$	100.0	€	75.4	6 mo. LIBOR + 2.00%	5.73%
March 2013 - July 2018	$	100.0	€	75.4	6 mo. LIBOR + 3.00%	6.97%
November 2019	$	250.0	CHF	226.8	7.25%	6 mo. CHF LIBOR + 5.01%
December 2014	$	340.0	CLP	181,322.0	6 mo. LIBOR + 1.75%	8.76%
December 2016	$	254.0	RON	616.8	6 mo. LIBOR + 3.50%	14.01%
December 2014	€	134.2	CLP	107,800.0	6 mo. EURIBOR + 2.00%	10.00%
VTR:						
September 2014	$	451.3	CLP	249,766.9	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, 2011, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2011, 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, 2011 are as follows:

Subsidiary / Final maturity date (a)		Notional amount	Interest rate due from counterparty	Interest rate due to counterparty
		in millions		
UPC Broadband Holding:				
January 2012 — January 2013	$	1,870.0	1 mo. LIBOR + 3.19%	6 mo. LIBOR + 2.98%
January 2012	$	1,471.5	1 mo. LIBOR + 3.27%	6 mo. LIBOR + 3.16%
July 2020	$	1,000.0	6.63%	6 mo. LIBOR + 3.03%
January 2012	€	3,000.0	1 mo. EURIBOR + 3.70%	6 mo. EURIBOR + 3.38%
January 2012 — January 2013	€	3,000.0	1 mo. EURIBOR + 3.60%	6 mo. EURIBOR + 3.14%
December 2014	€	1,681.8	6 mo. EURIBOR	4.65%
July 2020	€	750.0	6.38%	6 mo. EURIBOR + 3.16%
April 2012	€	555.0	6 mo. EURIBOR	3.32%
September 2012	€	500.0	3 mo. EURIBOR	2.96%
January 2015 — December 2016	€	500.0	6 mo. EURIBOR	4.32%
April 2012 — July 2014	€	337.0	6 mo. EURIBOR	3.94%
April 2012 — December 2015	€	263.3	6 mo. EURIBOR	3.97%
January 2014	€	185.0	6 mo. EURIBOR	4.04%
January 2015 — January 2018	€	175.0	6 mo. EURIBOR	3.74%
January 2015 — July 2020	€	171.3	6 mo. EURIBOR	3.95%
July 2020	€	171.3	6 mo. EURIBOR	4.32%
December 2013	€	90.5	6 mo. EURIBOR	3.84%
March 2013	€	75.4	6 mo. EURIBOR	4.24%
December 2014	CHF	1,668.5	6 mo. CHF LIBOR	3.50%
September 2012	CHF	711.5	6 mo. CHF LIBOR	2.33%
October 2012 — December 2014	CHF	711.5	6 mo. CHF LIBOR	3.65%
January 2015 — January 2018	CHF	400.0	6 mo. CHF LIBOR	2.51%
January 2015 — December 2016	CHF	370.9	6 mo. CHF LIBOR	3.82%
January 2015 — November 2019	CHF	226.8	6 mo. CHF LIBOR + 5.01%	6.88%
July 2013	CLP	73,800.0	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	73,800.0	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, 2011, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2011, 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 deliver U.S. dollars to the counterparty in exchange for Swiss francs at a fixed exchange rate of approximately 0.74 Swiss francs per one U.S. dollar, in the notional amounts listed below:

Contract expiration date		Notional amount at December 31, 2011
		in millions
April 2018	$	419.8
October 2016	$	19.8
April 2017	$	19.8
October 2017	$	19.8

Foreign Currency Forwards

The following table summarizes our outstanding foreign currency forward contracts at December 31, 2011:

Subsidiary		Currency purchased forward		Currency sold forward	Maturity dates
		in millions			
UPC Holding	$	479.0	CHF	415.1	October 2016 — April 2018
UPC Broadband Holding	€	3.5	CHF	4.3	January 2012 — December 2012
VTR	$	36.6	CLP	18,294.8	January 2012 — December 2012

(7) Fair Value Measurements

We use the fair value method to account for (i) certain of our investments and (ii) our derivative instruments. The reported fair values of these investments and derivative instruments as of December 31, 2011 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 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. We record transfers of assets or liabilities in or out of Level 3 at the beginning of the quarter during which the transfer occurred.

All of our Level 2 inputs (interest rate futures, swap rates, 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 market 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 6, we have entered into various derivative instruments to manage our interest rate and foreign currency exchange risk. The recurring fair value measurements of these derivative instruments are determined using discounted cash flow models. Most 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 applicable interest rate futures and swap rates, 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 have determined 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 6.

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 for our weighted average cost of capital calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. 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 2011, 2010 and 2009, we performed nonrecurring fair value measurements in connection with our goodwill impairment assessments. The goodwill impairment assessment during 2009 resulted in an impairment charge of €84.7 million that is included in impairment, restructuring and other operating charges, net, in our consolidated statement of operations. During 2011, we also performed nonrecurring fair value measurements in connection with the Aster acquisition. For additional information, see note 3.

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

Description	December 31, 2011	Fair value measurements at December 31, 2011 using: Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		in millions	
Assets:			
Derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 427.2	€ 427.2	€ —
Foreign currency forward contracts	1.7	1.7	—
Embedded derivatives	1.0	1.0	—
Total derivative instruments	429.9	429.9	—
Investments	21.3	—	21.3
Total assets	€ 451.2	€ 429.9	€ 21.3
Liabilities - derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 1,590.8	€ 1,590.8	€ —
Foreign currency forward contracts	2.2	2.2	—
Embedded derivatives	1.8	1.8	—
Total liabilities - derivative instruments	€ 1,594.8	€ 1,594.8	€ —

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	€ —

A reconciliation of the beginning and ending balances of our investments measured at fair value on a recurring basis using significant unobservable, or Level 3, inputs is as follows (in millions):

Balance at January 1, 2011	€	30.1
Loss included in net loss - realized and unrealized losses due to changes in fair values of certain investments, net (a)		(9.5)
Foreign currency translation adjustments and other		0.7
Balance at December 31, 2011	€	21.3

(a) The loss recognized during 2011 relates to investments that we continue to carry on our consolidated balance sheet as of December 31, 2011.

(8) Long-lived Assets

Property and Equipment, Net

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

	Estimated useful life at December 31, 2011	December 31, 2011		December 31, 2010	
		in millions			
Distribution systems	4 to 30 years	€	7,514.3	€	7,213.1
Support equipment, buildings and land	3 to 40 years		1,023.9		1,132.2
			8,538.2		8,345.3
Accumulated depreciation			(4,428.9)		(4,289.9)
Total property and equipment, net		€	4,109.3	€	4,055.4

Depreciation expense of our continuing operations related to our property and equipment was €864.8 million, €842.2 million and €910.1 million during 2011, 2010 and 2009, respectively.

At December 31, 2011 and 2010, the amount of property and equipment, net, recorded under capital leases was €76.8 million and €23.5 million, respectively. Most of these amounts relate to assets included in our 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 the 2011, 2010 and 2009, we recorded non-cash increases to our property and equipment related to assets acquired under capital leases of €1.4 million, €5.9 million and €2.9 million, respectively. In addition, during 2011, we recorded non-cash increases related to vendor financing arrangements of €73.2 million, which amount excludes related value-added tax of €10.0 million that was also financed by our vendors under these arrangements.

Goodwill

Changes in the carrying amount of our goodwill during 2011 are set forth below:

	January 1, 2011	Acquisitions and related adjustments	Foreign currency translation adjustments and other	December 31, 2011
		in millions		
UPC Europe:				
The Netherlands	€ 912.1	€ —	€ —	€ 912.1
Switzerland	2,276.4	(0.1)	59.1	2,335.4
Other Western Europe	781.6	—	—	781.6
Total Western Europe	3,970.1	(0.1)	59.1	4,029.1
Central and Eastern Europe	795.8	347.8	(60.1)	1,083.5
Total UPC Europe	4,765.9	347.7	(1.0)	5,112.6
VTR (Chile)	426.9	—	(30.2)	396.7
Total	€ 5,192.8	€ 347.7	€ (31.2)	€ 5,509.3

In the case of certain of our smaller reporting units, including our broadband communications operations in Hungary and the Czech Republic, a hypothetical 20% to 30% decline in the fair value of any of these reporting units could result in the need to record a goodwill impairment charge. At December 31, 2011, the goodwill associated with these reporting units aggregated €572.8 million. If, among other factors, (i) LGI's equity values were to decline significantly or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

At December 31, 2011 and 2010 and based on exchange rates as of those dates, the amount of our accumulated goodwill impairments was €179.7 million and €181.5 million, respectively. These amounts include accumulated impairments related to our broadband communications operations in Romania, which are included within UPC Europe's Central and Eastern Europe segment.

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

	January 1, 2010	Foreign currency translation adjustments and other	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

Intangible Assets Subject to Amortization, Net

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

	Estimated useful life at December 31, 2011	December 31, 2011 Gross carrying amount	2011 Accumulated amortization	2011 Net carrying amount	2010 Gross carrying amount	2010 Accumulated amortization	2010 Net carrying amount
		in millions					
Customer relationships	4 to 15 years	€ 1,110.2	€ (720.2)	€ 390.0	€ 1,055.5	€ (712.6)	€ 342.9
Trade names and other	2 to 15 years	20.8	(4.8)	16.0	4.0	(3.0)	1.0
		€ 1,131.0	€ (725.0)	€ 406.0	€ 1,059.5	€ (715.6)	€ 343.9

Amortization of intangible assets with finite useful lives of our continuing operations was €105.4 million, €131.8 million and €138.4 million during 2011, 2010 and 2009, respectively. Based on our amortizable intangible asset balances at December 31, 2011, 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, 2011 exchange rates (in millions):

2012	€ 105.8
2013	84.9
2014	74.7
2015	64.0
2016	31.6
Thereafter	45.0
Total	€ 406.0

Indefinite-lived Intangible Assets

At December 31, 2011 and 2010, indefinite-lived intangible assets aggregating €22.2 million and €23.9 million, respectively, were included in other assets, net, in our consolidated balance sheets.

(9) Debt and Capital Lease Obligations

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

	December 31, 2011		Estimated fair value (c)		Carrying value (d)	
			December 31,		December 31,	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	2011	2010	2011	2010
			in millions			
Debt:						
Parent:						
Shareholder loan	7.75%	€ —	(e)	(e)	€ 8,693.8	€ 8,511.4
UPC Holding Senior Notes	8.92%	—	€ 1,648.9	€ 1,737.9	1,607.9	1,595.1
Subsidiaries:						
UPC Broadband Holding Bank Facility	4.48%	€ 1,078.1	€ 4,529.9	€ 5,670.7	4,737.1	5,882.2
UPCB SPE Notes	6.88%	—	€ 2,540.8	€ 529.1	2,596.6	496.0
Other (f)	4.48%	—	€ 77.5	€ 0.4	77.5	0.4
Total debt	6.84%				17,712.9	16,485.1
Capital lease obligations					26.3	24.7
Total debt and capital lease obligations					17,739.2	16,509.8
Current maturities					(80.8)	(2.5)
Long-term debt and capital lease obligations					€ 17,658.4	€ 16,507.3

(a) Represents the weighted average interest rate in effect at December 31, 2011 for all borrowings outstanding pursuant to each debt instrument including any 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 weighted average interest rate on our aggregate variable and fixed rate indebtedness was approximately 8.8% at December 31, 2011. For information concerning our derivative instruments, see note 6.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at December 31, 2011 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2011, our availability under the UPC Broadband Holding Bank Facility (as defined below) was limited to €245.8 million. When the December 31, 2011 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €338.7 million.

(c) The estimated fair values of our debt instruments were determined using the average 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 market interest rates and estimated credit spreads of the applicable entity, 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) The December 31, 2011 carrying amount includes €77.1 million owed pursuant to interest-bearing vendor financing arrangements that are generally due within one year of the borrowing date. At December 31, 2011, the amounts owed pursuant to these arrangements included €9.0 million of value-added tax that was paid on our behalf by the vendor.

Repayments of vendor financing obligations are included in repayments and repurchases of debt and capital lease obligations in our consolidated cash flow statements.

Shareholder Loan

UPC Holding has an unsecured shareholder loan with its immediate parent, Liberty Global Europe Financing B.V. (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 marshaling 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 adjustments effective (i) on October 1 of each year through October 1, 2010 and (ii) on January 1 of each year effective January 1, 2011. The interest rate was 7.75% for the 12-month period ended December 31, 2011, 4.80% for the 15-month period ended December 31, 2010 and 7.58% for the 12-month period ended September 30, 2009. The net increase in the shareholder loan balance during 2011 includes (i) cash payments of €3,868.1 million, (ii) cash borrowings of €3,371.1 million, (iii) additions of €652.8 in non-cash accrued interest and (iv) a €26.6 million non-cash increase related to the settlement of intercompany charges and allocations. 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 (v) 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 3) and (v) a €2.3 million non-cash decrease related to the settlement of intercompany charges and allocations. During the three-year period ending December 31, 2011, 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 LGI and the indirect parent of Liberty Global Europe), (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 BV (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 are summarized in the following table:

		December 31, 2011			
Facility	**Final maturity date**	**Interest rate**	**Facility amount (in borrowing currency) (a)**	**Unused borrowing capacity (b)**	**Carrying value (c)**
				in millions	
M	December 31, 2014	EURIBOR + 2.00%	€ 279.8	€ —	€ 279.8
N	December 31, 2014	LIBOR + 1.75%	$ 327.2	—	252.5
O	July 31, 2013	(d)	(d)	—	44.7
Q	July 31, 2014	EURIBOR + 2.75%	€ 30.0	30.0	—
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%	$ 260.2	—	199.5
U	December 31, 2017	EURIBOR + 4.00%	€ 750.8	—	750.8
V (e)	January 15, 2020	7.625%	€ 500.0	—	500.0
W	March 31, 2015	EURIBOR + 3.00%	€ 144.1	144.1	—
X	December 31, 2017	LIBOR + 3.50%	$ 1,042.8	—	804.6
Y (e)	July 1, 2020	6.375%	€ 750.0	—	750.0
Z (e)	July 1, 2020	6.625%	$ 1,000.0	—	771.6
AA	July 31, 2016	EURIBOR + 3.25%	€ 904.0	904.0	—
AB	December 31, 2017	(f)	$ 500.0	—	374.5
AC (e)	November 15, 2021	7.250%	$ 750.0	—	578.7
Elimination of Facilities V, Y, Z and AC in consolidation (e)				—	(2,600.3)
Total				€ 1,078.1	€ 4,737.1

(a) Represents total third-party facility amounts at December 31, 2011 without giving effect to the impact of discounts. Certain of the originally committed amounts under Facilities M, N, Q and W have been novated to a subsidiary of UPC Broadband Holding and accordingly, such amounts are not included in the table above.

(b) At December 31, 2011, our availability under the UPC Broadband Holding Bank Facility was limited to €245.8 million. When the December 31, 2011 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €338.7 million. Facility Q, Facility W and Facility AA have commitment fees on unused and uncancelled balances of 0.75%, 1.2% and 1.3% per year, respectively.

(c) The carrying values of Facilities T and AB include 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 (€19.0 million) sub-tranche and (ii) a PLN 115.1 million (€25.7 million) sub-tranche.

(e) As further discussed in the below description of the UPCB SPE Notes, the amounts outstanding under Facilities V, Y, Z and AC are eliminated in UPC Holding's consolidated financial statements.

(f) Facility AB bears interest at a rate of LIBOR plus 3.50% with a LIBOR floor of 1.25%.

Refinancing Transactions. During 2011, 2010 and 2009, we completed a number of refinancing transactions. These refinancing transactions, which generally were undertaken to extend the maturities of our borrowings under the UPC Broadband Holding Bank Facility, are set forth below.

2011 Transactions. In July and August 2011, UPC Broadband Holding entered into various additional facility accession agreements resulting in a new redrawable term loan facility (Facility AA) with an aggregate principal amount of €904.0 million. In connection with these transactions, certain lenders under existing Facilities L, M, N, Q and W novated their drawn and undrawn commitments to UPC Broadband Operations BV (UPC Broadband Operations), a direct subsidiary of UPC Broadband Holding, and entered into the new Facility AA. As a result of these transactions, total commitments of (i) €129.7 million under Facility L, (ii) €36.8 million under Facility M, (iii) $30.0 million (€23.1 million) under Facility N, (iv) €392.0 million under Facility Q and (v) €125.0 million under Facility W were effectively rolled into Facility AA. Facility AA may be increased in the future by entering into one or more additional facility accession agreements.

On October 25, 2011, UPC Broadband Holding entered into a new additional facility accession agreement (the Additional Facility AB Accession Agreement) under the UPC Broadband Holding Bank Facility. Pursuant to the Additional Facility AB Accession Agreement, certain lenders agreed to make available a term loan facility in an aggregate principal amount of $500.0 million (€385.8 million) (Facility AB). On October 28, 2011, we borrowed the total amount of Facility AB, receiving proceeds of $485.0 million (€342.5 million at the transaction date) on a net basis after payment of original issue discount of 3.0%. UPC Broadband Holding used a portion of the net proceeds to repay €285.0 million of outstanding redrawable term loans under Facility AA.

In addition, during the first and fourth quarters of 2011, we refinanced amounts outstanding under the UPC Broadband Holding Bank Facility with proceeds received from the issuance of certain of the UPCB SPE Notes, as defined and described below. In connection with the refinancing transactions completed during the first quarter of 2011, we recognized losses on debt extinguishments aggregating €11.3 million, representing the write-off of deferred financing costs and an unamortized discount.

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 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.

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.

In addition, during the first quarter of 2010, we refinanced amounts outstanding under the UPC Broadband Holding Bank Facility with proceeds received from the issuance of certain of the UPCB SPE Notes, as defined and described below.

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 execution of the 2009 Facilities, certain of the lenders under 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.

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 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. Of these fees and third party costs, (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 modification and extinguishment net, in our consolidated statement of operations.

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.

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 modification and extinguishment, 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 modification and extinguishment, 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 (€308.6 million) principal amount of new 9.875% Senior Notes due April 2018 (the 9.875% 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. We collectively refer to the 9.875% Senior Notes, the

8.375% Senior Notes the 9.75% Senior Notes and UPC Holding's €300.0 million principal amount of 8.0% senior notes due 2016 (the 8.0% Senior Notes) as the "UPC Holding Senior Notes."

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 (on a shared basis) 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, 2011			
		Outstanding principal amount			
UPC Holding Senior Notes	Maturity date	Borrowing currency	Euro equivalent	Estimated fair value	Carrying value (a)
		in millions			
8.0% Senior Notes	November 1, 2016	€ 300.0	€ 300.0	€ 302.5	€ 300.0
9.75% Senior Notes	April 15, 2018	€ 400.0	400.0	409.3	378.0
9.875% Senior Notes	April 15, 2018	$ 400.0	308.6	327.5	289.9
8.375% Senior Notes	August 15, 2020	€ 640.0	640.0	609.6	640.0
			€ 1,648.6	€ 1,648.9	€ 1,607.9

(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
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 specified changes in control, UPC Holding must offer to repurchase the UPC Holding Senior Notes at a redemption price of 101%.

UPCB SPE Notes

UPCB Finance Limited (UPCB Finance I), UPCB Finance II Limited (UPCB Finance II), UPCB Finance III Limited (UPCB Finance III) and UPCB Finance V Limited (UPCB Finance V and, together with UPCB Finance I, UPCB Finance II and UPCB Finance III, the UPCB SPEs) are each special purpose financing entities that are owned 100% by a charitable trust. The UPCB SPEs were created for the primary purposes of facilitating the offerings of €500.0 million principal amount of 7.625% senior secured notes (the UPCB Finance I Senior Secured Notes), €750.0 million principal amount of 6.375% senior secured notes (the UPCB Finance II Senior Secured Notes), $1.0 billion (€771.6 million) principal amount of 6.625% senior secured notes (the UPCB Finance III Senior Secured Notes) and $750.0 million (€578.7 million) principal amount of 7.25% senior secured notes (the UPCB Finance V Senior Secured Notes and, together with the UPCB Finance I Senior Secured Notes, the UPCB Finance II Senior Secured Notes and the UPCB Finance III Senior Secured Notes, the UPCB SPE Notes), respectively. The UPCB Finance I Senior Secured Notes, the UPCB Finance II Senior Secured Notes, the UPCB Finance III Senior Secured Notes and the UPCB Finance V Senior Secured Notes were issued on January 20, 2010, January 31, 2011, February 16, 2011 and November 16, 2011, respectively.

The UPCB Finance I Senior Secured Notes were issued at an original issue discount of 0.862%, resulting in cash proceeds before commissions and fees of €495.7 million. The UPCB Finance II Senior Secured Notes, UPCB Finance III Senior Secured Notes and UPCB Finance V Senior Secured Notes were each issued at par. UPCB Finance I, UPCB Finance II, UPCB Finance III and UPCB Finance V used the proceeds from the (i) UPCB Finance I Senior Secured Notes and available cash, (ii) UPCB Finance II Senior Secured Notes, (iii) UPCB Finance III Senior Secured Notes and (iv) UPCB Finance V Senior Secured Notes to fund new additional Facilities V, Y, Z and AC, respectively (each a Funded Facility) 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. The proceeds from Facility Y were used to repay outstanding amounts under Facilities M and U of the UPC Broadband Holding Bank Facility. The proceeds from Facility Z were used to repay in full Facility P of the UPC Broadband Holding Bank Facility and to repay $811.4 million (€626.1 million) under Facility T of the UPC Broadband Holding Bank Facility. Of the proceeds from Facility AC, €507.1 million was used to reduce the amounts outstanding under Facilities AA and W of the UPC Broadband Holding Bank Facility.

Each UPCB SPE is dependent on payments from UPC Financing under the applicable Funded Facility in order to service its

payment obligations under its UPCB SPE Notes. Although UPC Financing has no equity or voting interest in any of the UPCB SPEs, each of the Funded Facility loans creates a variable interest in the respective UPCB SPE 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 and LGI, are required by the provisions of U.S. GAAP to consolidate the UPCB SPEs. As a result, the amounts outstanding under Facilities V, Y, Z and AC are eliminated in LGI's consolidated financial statements.

Pursuant to the respective indentures for the UPCB SPE Notes (the UPCB SPE Indentures) and the respective accession agreements for the Funded Facilities, the call provisions, maturity and applicable interest rate for each Funded Facility are the same as those of the related UPCB SPE Notes. The UPCB SPEs, 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 similar to those afforded to the other lenders. Through the covenants in the applicable UPCB SPE Indenture and the applicable security interests over (i) all of the issued shares of the relevant UPCB SPE and (ii) the relevant UPCB SPE's rights under the applicable Funded Facility granted to secure the relevant UPCB SPE's obligations under the relevant UPCB SPE Notes, the holders of the UPCB SPE Notes are provided indirectly with the benefits, rights, protections and covenants granted to the UPCB SPEs as lenders under the UPC Broadband Holding Bank Facility.

The UPCB SPEs are prohibited from incurring any additional indebtedness, subject to certain exceptions under the UPCB SPE Indentures.

The details of the UPCB SPE Notes are summarized in the following table:

		December 31, 2011			
		Outstanding principal amount			
UPCB SPEs	Maturity	Borrowing currency	Euro equivalent	Estimated fair value	Carrying value (a)
		in millions			
UPCB Finance I Senior Secured Notes	January 15, 2020	€ 500.0	€ 500.0	€ 497.5	€ 496.3
UPCB Finance II Senior Secured Notes	July 1, 2020	€ 750.0	750.0	695.6	750.0
UPCB Finance III Senior Secured Notes	July 1, 2020	$ 1,000.0	771.6	761.0	771.6
UPCB Finance V Senior Secured Notes	November 15, 2021	$ 750.0	578.7	586.7	578.7
			€ 2,600.3	€ 2,540.8	€ 2,596.6

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

The UPCB Finance I Senior Secured Notes are non-callable until January 15, 2015, the UPCB Finance II Senior Secured Notes and the UPCB Finance III Senior Secured Notes are non-callable until July 1, 2015 and the UPCB Finance V Senior Secured Notes are non-callable until November 15, 2016 (each a UPCB SPE Notes Call Date). If, however, at any time prior to the applicable UPCB SPE Notes Call Date, all or a portion of the loans under the related Funded Facility are voluntarily prepaid (an Early Redemption Event), then the applicable UPCB SPE will be required to redeem an aggregate principal amount of its UPCB SPE Notes equal to the aggregate principal amount of loans so prepaid under the related Funded Facility. In general, the redemption price payable will equal the sum of (i) 100% of the principal amount of the applicable UPCB SPE Notes to be redeemed, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price thereof on such UPCB SPE Notes the applicable UPCB SPE Notes Call Date, as determined in accordance with the table below, plus (2) all required remaining scheduled interest payments thereon due through the applicable UPCB SPE Notes Call Date (excluding accrued and unpaid interest to such redemption date), computed using the discount rate specified in the applicable UPCB SPE Indenture, over (b) the principal amount of such UPCB SPE Notes to be redeemed and (iii) accrued but unpaid interest thereon and Additional Amounts (as defined in the UPCB SPE Indentures), if any, to the applicable redemption date (the Make-Whole Redemption Price). However, in the case of an Early Redemption Event with respect to Facility Z or AC occurring prior to the applicable UPCB SPE Notes Call Date, the redemption price payable upon redemption of an aggregate principal amount of the relevant UPCB SPE Notes not exceeding 10% of the original aggregate principal amount of such UPCB SPE Notes during each twelve-month period commencing on February 16, 2011, in the

case of Facility Z, or November 16, 2011, in the case of Facility AC, will equal 103% of the principal amount of the relevant UPCB SPE Notes redeemed plus accrued and unpaid interest thereon and Additional Amounts, if any, to the applicable redemption date. The redemption price payable for any principal amount of such UPCB SPE Notes redeemed in excess of the 10% limitation will be the Make-Whole Redemption Price.

Upon the occurrence of an Early Redemption Event on or after the applicable UPCB SPE Notes Call Date, the applicable UPCB SPE will redeem an aggregate principal amount of its UPCB SPE Notes equal to the principal amount of the related Funded Facility 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 in the case of the UPCB Finance I Senior Secured Notes, July 1 in the case of the UPCB Finance II Senior Secured Notes and the UPCB Finance III Senior Secured Notes and November 15 in the case of the UPCB Finance V Senior Secured Notes, of the years set forth below:

	Redemption Price			
Year	**UPCB Finance I Senior Secured Notes**	**UPCB Finance II Senior Secured Notes**	**UPCB Finance III Senior Secured Notes**	**UPCB Finance V Senior Secured Notes**
2015	103.813%	103.188%	103.313%	N.A.
2016	102.542%	102.125%	102.208%	103.625%
2017	101.271%	101.063%	101.104%	102.417%
2018	100.000%	100.000%	100.000%	101.208%
2019 and thereafter	100.000%	100.000%	100.000%	100.000%

Maturities of Debt and Capital Lease Obligations

Maturities of our debt and capital lease obligations as of December 31, 2011 are presented below. For information regarding certain financing transactions completed subsequent to December 31, 2011 that impact our debt maturities, see note 18. Amounts presented below represent euro equivalents based on December 31, 2011 exchange rates:

Debt:

	Third-party debt	**Shareholder loan**	**Total**
		in millions	
Year ended December 31:			
2012	€ 77.3	€ —	€ 77.3
2013	44.9	—	44.9
2014	532.2	—	532.2
2015	290.7	—	290.7
2016	2,240.8	—	2,240.8
Thereafter	5,890.2	8,693.8	14,584.0
Total debt maturities	9,076.1	8,693.8	17,769.9
Unamortized discount	(57.0)	—	(57.0)
Total debt	€ 9,019.1	€ 8,693.8	€ 17,712.9
Current portion	€ 77.3	€ —	€ 77.3
Noncurrent portion	€ 8,941.8	€ 8,693.8	€ 17,635.6

Capital lease obligations (in millions):

Year ended December 31:		
2012	€	5.2
2013		3.4
2014		2.8
2015		2.6
2016		2.7
Thereafter		24.8
		41.5
Amounts representing interest		(15.2)
Present value of net minimum lease payments	€	26.3
Current portion	€	3.5
Noncurrent portion	€	22.8

Non-cash Refinancing Transactions

During 2011, 2010 and 2009, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating €712.3 million, €991.5 million and €4,094.9 million, respectively.

Subsequent Events

For information concerning certain financing transactions completed subsequent to December 31, 2011, see note 18.

(10) 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.

The domestic (Dutch fiscal unity) and foreign components of our loss from continuing operations before income taxes are as follows:

	Year ended December 31,		
	2011	2010	2009
		in millions	
Domestic	€ (722.2)	€ (1,028.7)	€ (919.0)
Foreign	169.7	134.0	(94.6)
Total	€ (552.5)	€ (894.7)	€ (1,013.6)

Income tax benefit (expense) consists of:

	Current	Deferred	Total
		in millions	
Year ended December 31, 2011:			
Domestic	€ —	€ —	€ —
Foreign	(29.1)	(212.3)	(241.4)
Total	€ (29.1)	€ (212.3)	€ (241.4)
Year ended December 31, 2010:			
Domestic	€ —	€ (0.7)	€ (0.7)
Foreign	(16.8)	118.4	101.6
Total	€ (16.8)	€ 117.7	€ 100.9
Year ended December 31, 2009:			
Domestic	€ —	€ (0.8)	€ (0.8)
Foreign	(9.7)	135.3	125.6
Total	€ (9.7)	€ 134.5	€ 124.8

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 25.0% for the 2011 period and 25.5% for the 2010 and 2009 periods, as a result of the following:

	Year ended December 31,		
	2011	2010	2009
		in millions	
Computed "expected" tax benefit	€ 138.1	€ 228.1	€ 258.5
Change in valuation allowance	(209.7)	(45.2)	3.1
Non-deductible or non-taxable interest and other expenses	(140.3)	(63.7)	(91.6)
Non-deductible foreign exchange results	(16.8)	—	—
Enacted tax law and rate changes	(5.4)	(14.5)	(1.7)
State and local income taxes, net of federal income taxes	(3.6)	(2.9)	(3.7)
International rate differences	(1.2)	(2.3)	(32.4)
Impairment of goodwill	—	—	(13.5)
Other, net	(2.5)	1.4	6.1
Total	€ (241.4)	€ 100.9	€ 124.8

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

	December 31, 2011	December 31, 2010
	in millions	
Current deferred tax assets	€ 76.6	€ 61.1
Noncurrent deferred tax assets (a)	27.9	235.9
Current deferred tax liabilities (a)	(0.8)	(0.7)
Noncurrent deferred tax liabilities (a)	(76.0)	(23.9)
Net deferred tax asset	€ 27.7	€ 272.4

(a) Our current deferred tax liabilities are included in accrued liabilities and our noncurrent deferred tax assets and liabilities are included in other assets, net, and other long-term liabilities, respectively, in our consolidated balance sheets.

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, 2011	December 31, 2010
	in millions	
Deferred tax assets:		
Net operating loss and other carryforwards	€ 983.8	€ 1,445.1
Derivative instruments	274.6	12.0
Property and equipment, net	248.8	42.7
Debt	45.5	—
Intangible investments	39.1	15.7
Investments	10.2	8.2
Other future deductible amounts	86.5	117.6
Deferred tax assets	1,688.5	1,641.3
Valuation allowance	(1,495.7)	(1,234.5)
Deferred tax assets, net of valuation allowance	192.8	406.8
Deferred tax liabilities:		
Intangible assets	(91.4)	(78.6)
Property and equipment	(53.5)	(48.7)
Other future taxable amounts	(20.2)	(7.1)
Deferred tax liabilities	(165.1)	(134.4)
Net deferred tax asset	€ 27.7	€ 272.4

Our deferred income tax valuation allowance increased €261.2 million in 2011. This increase reflects the net effect of (i) the net tax expense related to our continuing operations of €209.7 million, including €169.3 million of valuation allowance recorded in France during the fourth quarter of 2011 due to a modification of our intercompany financing structure that resulted largely from a change in local tax law, (ii) acquisitions and reclassifications to discontinued operation, (iii) foreign currency translation adjustments and (iv) other. During 2011, we entered into transactions whereby approximately €2.3 billion of the Netherlands' net operating losses were converted into additional tax basis in network assets of €922.3 million and financial instruments of €1.4 billion. The decrease in deferred tax assets for net operating losses and increase in deferred tax assets for property and equipment and derivative instruments reflect these transactions.

The significant components of our tax loss carryforwards and related tax assets at December 31, 2011 are as follows:

Country	Tax loss carryforward	Related tax asset	Expiration date
	in millions		
The Netherlands	€ 1,844.4	€ 461.1	2013-2020
Luxembourg	710.6	204.7	Indefinite
France	494.4	170.2	Indefinite
Ireland	377.7	47.2	Indefinite
Hungary	309.0	30.9	Indefinite
Switzerland	209.1	42.6	2013-2018
Romania	53.4	8.5	2012-2018
Austria	50.7	12.7	Indefinite
Chile	23.7	4.0	Indefinite
Other	10.3	1.9	Various
Total	€ 4,083.3	€ 983.8	

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.

We and our subsidiaries file various consolidated and stand alone income tax returns in various foreign jurisdictions. In the normal course of business, our income tax filings are subject to review by various taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in that tax jurisdiction. Such disputes may result in future tax and interest and penalty assessments by these taxing authorities. The ultimate resolution of tax contingencies will take place upon the earlier of (i) the settlement date with the applicable tax authorities in either cash or agreement of income tax positions or (ii) the date when the tax authorities are statutorily prohibited from adjusting the company's tax computations.

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 (2008), Hungary (2005 - 2006 and 2008 - 2010), Romania (2007) and Slovakia (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:

	2011	2010	2009
		in millions	
Balance at January 1	€ 29.7	€ 12.1	€ 27.8
Reductions for tax positions of prior years	(17.3)	(5.0)	(22.2)
Additions for tax positions of prior years	4.7	20.3	3.8
Additions based on tax positions related to the current year	2.7	1.9	3.2
Lapse of statute of limitations	—	—	(0.2)
Foreign currency translation	(0.8)	0.4	(0.3)
Balance at December 31	€ 19.0	€ 29.7	€ 12.1

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

As of December 31, 2011, our unrecognized tax benefits included €16.0 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 2012, 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, 2011. 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 2012.

(11) Owners' Deficit

General. UPC Holding is a private limited liability company under Dutch law. The authorized share capital of our company equals one hundred thousand euros (€100,000), divided into one thousand shares with a nominal value of one hundred euros (€100) each. As of December 31, 2011 and 2010, 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 shares must first offer such 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.

VTR. During March 2011, we and the 20% noncontrolling interest owner in VTR (the VTR NCI Owner) approved a distribution of CLP 58.5 billion (€88.8 million at the applicable rate). Of the approved distribution amount, CLP 53.2 billion (€77.7 million at the applicable rate) was paid during the second quarter of 2011 and the remaining amount was paid in July 2011. The VTR NCI Owner's share of the approved distribution was CLP 11.7 billion (€17.4 million at the applicable rate). During October 2011, we and the VTR NCI Owner approved an additional distribution of CLP 38.0 billion (€54.6 million at the applicable rate), all of which was paid in December 2011. The VTR NCI Owner's share of the approved distribution was CLP 7.6 billion (€11.0 million at the applicable rate).

(12) 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:

	Year ended December 31,					
	2011		2010		2009	
	U.S. $	Euro equivalent	U.S. $	Euro equivalent	U.S. $	Euro equivalent
	in millions					
LGI common stock:						
LGI performance-based incentive awards (a)	$ 7.8	€ 5.6	$ 8.9	€ 6.7	$ 5.4	€ 3.9
Other LGI stock-based incentive awards	10.7	7.7	11.9	9.0	13.5	9.7
Total LGI common stock	18.5	13.3	20.8	15.7	18.9	13.6
Other	0.3	0.2	2.1	1.6	2.1	1.5
Total	$ 18.8	€ 13.5	$ 22.9	€ 17.3	$ 21.0	€ 15.1
Included in:						
Operating expense	$ 1.8	€ 1.3	$ 2.6	€ 2.0	$ 3.6	€ 2.6
SG&A expense	17.0	12.2	20.3	15.3	17.4	12.5
Total	$ 18.8	€ 13.5	$ 22.9	€ 17.3	$ 21.0	€ 15.1

(a) Includes stock-based compensation expense related to LGI's five-year performance-based incentive plans for LGI's senior executives and certain key employees (the LGI Performance Plans) and LGI performance-based restricted share units (PSUs).

The following table provides certain information related to stock-based compensation not yet recognized for LGI stock incentive awards held by employees of our subsidiaries related to LGI common stock as of December 31, 2011:

	LGI common stock (a)		LGI PSUs (b)	
	U.S. $	Euro equivalent (c)	U.S. $	Euro equivalent (c)
Total compensation expense not yet recognized (in millions)	$ 20.7	€ 16.0	$ 8.0	€ 6.2
Weighted average period remaining for expense recognition (in years)	2.7		1.4	

(a) Amounts relate to awards (other than LGI PSUs) under (i) the Liberty Global, Inc. 2005 Incentive Plan (as amended and restated October 31, 2006) (the LGI Incentive Plan).

(b) Amounts relate to PSUs granted in 2011 and 2010, as described below.

(c) Convenience translations into euros are calculated as of December 31, 2011.

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

	Year ended December 31,		
	2011	2010	2009
Assumptions used to estimate fair value of options and stock appreciation rights (SARs) granted:			
Risk-free interest rate	0.93 - 1.42%	1.26 - 2.53%	1.42 - 2.97%
Expected life	3.4 -3.7 years	3.4 - 4.9 years	3.2 - 4.2 years
Expected volatility	40.7 - 41.8%	42.1 - 45.5%	47.5 - 56.8%
Expected dividend yield	none	none	none
Weighted average grant-date fair value per share of awards granted:			
SARs	$ 14.28	$ 9.27	$ 6.21
Restricted shares and restricted share units	$ 45.14	$ 24.79	$ 13.24
PSUs	$ 39.98	$ 27.65	$ —
Total intrinsic value of awards exercised (in millions):			
Options	$ 0.6	$ 11.8	$ 0.1
SARs	$ 14.1	$ 17.6	$ 2.7
Cash received by LGI from exercise of options (in millions)	$ 1.7	$ 18.8	$ 0.8
Income tax benefit related to stock-based compensation (in millions)	$ —	$ 0.4	$ 0.3

Stock Incentive Plans — LGI Common Stock

The LGI Incentive Plan

General. 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 (€8 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 our company. 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 11,639,553 shares available for grant as of December 31, 2011.

LGI Performance Plans. The LGI Senior Executive Performance Plan and the LGI Management Performance Plan (collectively the LGI Performance Plans) were five-year performance-based incentive plans for LGI's senior executives and certain key employees, respectively. The LGI Performance Plans had 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 a specified compound annual growth rate (CAGR) in consolidated operating cash flow (see note 17), 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. 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 (€244.2 million) or 87.4% of their aggregate maximum achievable awards. Earned awards were to be 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.

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 determination of the compensation committee of LGI's board of directors, LGI (i) paid cash aggregating $56.2 million (€43.4 million) (including $14.6 million (€11.3 million) paid to employees of our subsidiaries) and on February 18, 2009 granted 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 represented 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 determination of the compensation committee of LGI's board of directors, LGI (i) paid cash aggregating $50.9 million (€39.3 million) (including $10.2 million (€7.9 million) paid to employees of our subsidiaries), together with 32,802 restricted plan shares (as defined in the LGI 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 vested 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. The decision by the compensation committee of LGI's board of directors to settle the final three installments of each earned award with restricted plan shares represented a modification that resulted in the reclassification of this portion of the earned awards from a liability to equity during the first quarter of 2010.

Compensation expense under the LGI Performance Plans was (i) recognized using the accelerated attribution method based on our assessment of the awards that were probable to be earned and (ii) reported as stock-based compensation in our consolidated statement of operations, notwithstanding the fact that the compensation committee of LGI's board of directors elected to cash

settle a portion of the vested awards under the LGI Performance Plans.

LGI PSUs. In March 2010, the compensation committee of LGI's board of directors determined to modify the equity incentive award component of our 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 would be delivered in the form of an annual award of PSUs and approximately one-third in the form of an annual award of SARs. 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.

In March and April 2010, the compensation committee of LGI's board of directors approved the grant 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. The performance period for these PSUs (the 2010 PSUs) was January 1, 2010 to December 31, 2011. The performance target selected by the compensation committee of LGI's board of directors was the achievement of a Target OCF CAGR (as defined in the grant agreement) of approximately 7% for the two-year performance period determined by comparing 2011 Adjusted OCF to 2009 Adjusted OCF (each as defined in the grant agreement), and 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 (as defined in the grant agreement), 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. As of February 22, 2012, the compensation committee of LGI's board of directors had not yet made its final determination with respect to the OCF CAGR that was achieved with respect to the 2010 PSUs.

In March 2011, the compensation committee of LGI's board of directors approved the grant to LGI's executive officers and certain key employees a total of 513,268 LGI Series A PSUs and 513,268 LGI Series C PSUs (including 141,934 and 141,934 respectively, granted to employees of our subsidiaries) pursuant to the LGI Incentive Plan. The performance period for these PSUs (the 2011 PSUs) is January 1, 2011 to December 31, 2012. The performance target selected by the compensation committee of LGI's board of directors is the achievement of a Target OCF CAGR (as defined in the grant agreement) of approximately 4.5% for the two-year performance period, determined by comparing 2012 Adjusted OCF to 2010 Adjusted OCF (each as defined in the grant agreement), and 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 2011 PSUs, subject to reduction or forfeiture based on individual performance. One-half of the earned 2011 PSUs will vest on March 31, 2013 and the balance will vest on September 30, 2013. The compensation committee of LGI's board of directors also established a base performance objective of 50% of the Target OCF CAGR, subject to certain limited adjustments, which must be satisfied in order for our named executive officers to be eligible to earn any of their 2011 PSUs.

Compensation expense attributable to the 2011 PSUs and 2010 PSUs is 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 canceled 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 the applicable series of common stock on June 16, 2009. The new SARs (i) vested 12.5% on November 1, 2009 and then began vesting at a rate of 6.25% per quarter 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.

Stock Award Activity - LGI Common Stock

The following tables summarize the stock award activity during the year ended December 31, 2011 with respect to LGI common stock held by employees of our subsidiaries:

Options — LGI Series A common stock	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2011	60,504	$ 26.70		
Exercised	(28,784)	$ 31.12		
Outstanding and exercisable at December 31, 2011	31,720	$ 22.68	1.3	$ 0.6

Options — LGI Series C common stock	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2011	60,504	$ 25.21		
Exercised	(28,784)	$ 29.12		
Outstanding and exercisable at December 31, 2011	31,720	$ 21.66	1.3	$ 0.6

SARs — LGI Series A common stock	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2011	995,855	$ 20.40		
Granted	354,624	$ 46.36		
Transfers	32,166	$ 21.46		
Forfeited	(114,242)	$ 20.33		
Exercised	(350,539)	$ 18.22		
Outstanding at December 31, 2011	917,864	$ 31.31	5.2	$ 10.8
Exercisable at December 31, 2011	223,077	$ 26.47	4.3	$ 3.5

SARs — LGI Series C common stock	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2011	995,855	$ 20.02		
Granted	354,624	$ 44.25		
Transfers	34,979	$ 20.87		
Forfeited	(114,242)	$ 20.06		
Exercised	(380,299)	$ 18.04		
Outstanding at December 31, 2011	890,917	$ 30.54	5.4	$ 9.6
Exercisable at December 31, 2011	196,130	$ 26.19	4.8	$ 2.8

Restricted shares and 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, 2011	575,576	$ 24.43	
Granted	52,032	$ 46.19	
Transfers	3,277	$ 20.93	
Forfeited	(31,847)	$ 23.13	
Released from restrictions	(466,505)	$ 25.17	
Outstanding at December 31, 2011	132,533	$ 30.72	2.2

Restricted shares and 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, 2011	562,562	$ 23.92	
Granted	52,032	$ 44.08	
Transfers	3,277	$ 25.73	
Forfeited	(31,595)	$ 22.55	
Released from restrictions	(453,743)	$ 24.64	
Outstanding at December 31, 2011	132,533	$ 29.73	2.2

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, 2011	134,988	$ 27.64	
Granted	141,934	$ 40.75	
Forfeited	(29,093)	$ 27.64	
Outstanding at December 31, 2011	247,829	$ 35.15	1.1

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, 2011	134,988	$ 27.25	
Granted	141,934	$ 39.21	
Forfeited	(29,093)	$ 27.25	
Outstanding at December 31, 2011	247,829	$ 34.10	1.1

At December 31, 2011, total SARs outstanding included 1,110 LGI Series A common stock capped SARs and 1,110 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.

(13) Related-Party Transactions

Our related-party transactions are as follows:

	Year ended December 31,		
	2011	2010	2009
		in millions	
Revenue	€ 11.0	€ 10.2	€ 10.5
Operating expenses	(62.5)	(64.2)	(62.6)
SG&A expenses	(1.4)	(3.9)	(2.7)
Allocated stock-based compensation expense	(13.3)	(15.7)	(13.6)
Fees and allocations, net	(5.9)	(18.1)	(30.6)
Included in operating income	(72.1)	(91.7)	(99.0)
Interest expense	(655.0)	(406.0)	(568.1)
Included in net loss	€ (727.1)	€ (497.7)	€ (667.1)

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 BV (Chellomedia) and, during the 2011 periods, cash settled backbone capacity provided to Unitymedia GmbH (Unitymedia), both of which are subsidiaries of LGI that are outside of UPC Holding. In addition, the 2011 amounts include €0.9 million of cash settled backbone capacity provided to VTR Wireless.

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 that is outside of UPC Holding, in the aggregate amounts of €56.8 million and €56.3 million and €52.6 million during the years ended December 31, 2011, 2010, and 2009 respectively. In addition, operating expenses include costs for cash settled programming and interconnect fees charged by certain of LGI's affiliates of €10.2 million, €9.2 million and €10.0 million during the years ended December 31, 2011, 2010 and 2009. In addition, the 2011 and 2010 amounts are net of (i) €4.0 million and €1.3 million, respectively, of cash settled encryption and other operating expenses charged to Unitymedia and (ii) €0.5 million in 2011, of cash settled facilities and other operating expenses charged by VTR to VTR Wireless.

SG&A expenses. Amounts consist primarily of cash settled administrative charges, primarily between our company, Chellomedia and Liberty Global Europe BV (LG Europe), a subsidiary of LGI outside of UPC Holding, of €3.0 million, €3.5 million and €2.3 million during 2011, 2010 and 2009, respectively. In addition, the 2011 amounts are net of €1.6 million of cash settled SG&A expenses charged by VTR to VTR Wireless**.**

Allocated stock-based compensation expense. As further described in note 12, 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 outside of UPC Holding, including (i) aggregate charges from LG Europe and Liberty Global Europe Ltd. (LGE Ltd.) of €56.8 million, €52.6 million and €51.4 million during the years ended December 31, 2011, 2010 and 2009, respectively, (ii) charges to Unitymedia of €35.8 million and €23.8 million during the years ended December 31, 2011 and 2010, respectively, and (iii) charges to LGI and certain other LGI subsidiaries of €15.1 million, €10.7 million and €20.8 million during the years ended December 31, 2011, 2010 and 2009, respectively. These charges generally relate to management, finance, legal, technology and other corporate and administrative services provided to or by our subsidiaries and, in the case of charges to Unitymedia, also include charges related to marketing and other services that support Unitymedia's broadband communications operations. The amounts charged generally are based on the respective subsidiary's estimated share of the applicable costs incurred (including personnel, stock-based compensation and other costs related to the services provided) plus a mark-up. The quarterly 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 2010, 2009 and 2008 amounted to decreases of €2.2 million, €2.8 million and €1.7 million, respectively, in our billings to LGI and certain other LGI subsidiaries during the three months ended March 31, 2011, 2010 and 2009, respectively.

Interest expense. Amount includes interest accrued on our shareholder loan. Interest expense is accrued and included in other long-term liabilities during the year, and then added to the shareholder loan balance at the end of the year. For additional information, see note 9.

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 related-party costs and expenses reflected in our consolidated statements of operations are reflective of the costs that we would incur on a stand-alone basis.

Contribution from Unitymedia. During 2011, Unitymedia invested €61.0 million in Unitymedia International, GmbH. (UMI). UMI was formed for the purpose of effecting certain asset purchase and related leasing transactions involving certain of our subsidiaries, including certain purchase and leaseback transactions that were initiated in December 2011. Although UPC Holding has no equity or voting interest in UMI, the transactions between UMI and certain of our subsidiaries create a variable interest in UMI for which we are the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Holding is required by the provisions of U.S. GAAP to consolidate UMI. As a result, in our consolidated financial statements, the investment in UMI is reflected as an equity contribution, and the transactions between UMI and our subsidiaries are eliminated.

The following table provides details of our related-party balances as of December 31, 2011 and 2010:

	December 31,	
	2011	2010
	in millions	
Other current assets (a)	€ 30.0	€ 22.8
Accounts payable	€ 27.5	€ 17.0
Accrued liabilities	17.3	16.4
Shareholder loan (note 9)	8,693.8	8,511.4
Total	€ 8,738.6	€ 8,544.8

(a) Represents related-party receivables.

During 2011, we recorded aggregate capital charges of €37.4 million in our consolidated statement of owners' deficit in connection with the exercise of LGI SARs and stock options and the vesting of LGI restricted stock awards held by employees of our subsidiaries. These capital charges, which generally are loan settled, are based on the fair value of the underlying LGI common stock on the exercise or vesting date, as applicable.

(14) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2011 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, 2011	€ 3.1	€ 3.9	€ —	€ 0.1	€ 7.1
Restructuring charges	14.2	0.2	0.5	—	14.9
Cash paid	(11.7)	(1.4)	(0.1)	(0.1)	(13.3)
Foreign currency translation adjustments	(0.2)	0.1	—	—	(0.1)
Restructuring liability as of December 31, 2011	€ 5.4	€ 2.8	€ 0.4	€ —	€ 8.6
Short-term portion	€ 5.3	€ 0.5	€ 0.4	€ —	€ 6.2
Long-term portion	0.1	2.3	—	—	2.4
Total	€ 5.4	€ 2.8	€ 0.4	€ —	€ 8.6

Our 2011 restructuring charges for employee severance and termination costs relate to reorganization and integration activities in certain of our European operations and Chile.

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	(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 the 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	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 primarily related to reorganization and integration activities in certain of our European operations.

(15) 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 (loss), net of taxes, are summarized as below. We were not required to provide income taxes on amounts recorded in other comprehensive earnings for the periods presented in the table below.

	Parent				
	Foreign currency translation adjustments	Pension related adjustments	Accumulated other comprehensive earnings (loss)	Non-controlling interests	Total accumulated other comprehensive earnings
			in millions		
Balance at January 1, 2009	€ (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
Other comprehensive earnings	53.6	(11.6)	42.0	(8.3)	33.7
Balance at December 31, 2011	€ 546.6	€ (10.6)	€ 536.0	€ 8.8	€ 544.8

(16) 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, 2011, the euro equivalents (based on December 31, 2011 exchange rates) of such commitments that are not reflected in our consolidated balance sheet are as follows:

	Payments due during:						
	2012	2013	2014	2015	2016	Thereafter	Total
				in millions			
Operating leases	€ 73.7	€ 46.4	€ 34.2	€ 27.9	€ 20.3	€ 66.5	€ 269.0
Programming obligations	87.3	37.0	17.6	17.3	17.3	17.1	193.6
Other commitments	197.3	48.1	34.4	34.7	20.4	57.2	392.1
Total	€ 358.3	€ 131.5	€ 86.2	€ 79.9	€ 58.0	€ 140.8	€ 854.7

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 service to a portion of our subscribers or dispose of a portion of our distribution 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. In this regard, during 2011, 2010 and 2009, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €467.0 million, €423.1 million and €368.3 million, respectively.

Other commitments relate primarily to (i) satellite commitments associated with satellite carriage services provided to our company, (ii) purchase obligations associated with commitments to purchase customer premises and other equipment that are enforceable and legally binding on us and (iii) certain fixed minimum contractual commitments associated with our agreements

with franchise or municipal authorities. Commitments arising from acquisition agreements 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. For information concerning our derivative instruments, including the net cash paid or received in connection with these instruments during 2011, 2010 and 2009, see note 6.

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 communications systems. Such amounts are not included in the above table because they are not fixed or determinable.

Rental expense of our continuing operations under non-cancellable operating lease arrangements amounted to €72.1 million, €79.7 million and €74.0 million in 2011, 2010 and 2009, respectively. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

We have established various defined contribution benefit plans for our and our subsidiaries' employees. The aggregate expense of our continuing operations for matching contributions under the various defined contribution employee benefit plans was €14.3 million, €12.4 million and €10.4 million in 2011, 2010 and 2009, respectively.

Contingent Obligations

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.

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

Chilean Antitrust Matter. On December 12, 2006, Liberty Media Corporation (Liberty Media), the former parent company of the predecessor of LGI, announced publicly that it had agreed to acquire an approximate 39% interest in The DirecTV Group, Inc. (DirecTV), the parent of DirectTV Chile. On August 1, 2007, VTR received formal written notice from the Chilean Federal Economic Prosecutor (the FNE) stating 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, which condition prohibited 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, the chairman of LGI's board of directors and of Liberty Media's board of directors. In this action, the FNE alleged 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 requested 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 Chile. Liberty Media no longer owns an interest in DirecTV and Mr. Malone's voting interest in DirecTV has been reduced to less than 5%. On December 29, 2011, the Chilean Antitrust Court issued its final decision. No remedies impacting UPC Holding or VTR were imposed by this decision.

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 matters arising in the ordinary course of business including (i) legal proceedings, (ii) wage, property, sales and other tax issues, (iii) disputes over interconnection fees and (iv) disputes over programming and copyright fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from the estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations or cash flows in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

(17) Segment Reporting

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

Operating cash flow is the primary measure used by our chief operating decision maker to evaluate segment operating performance. Operating cash flow is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources to segments and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding stock-based compensation, related-party fees and allocations, depreciation and amortization, and impairment, restructuring and other operating charges or credits). Other operating charges or credits include (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 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.

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 services, including video, broadband internet and telephony services. Most reportable segments also provide business-to-business (B2B) services. At December 31, 2011, our operating segments in UPC Europe provided services in nine European countries. UPC Europe also 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." Our Other Western Europe segment includes our broadband communications operating segments in Austria and Ireland. Our Central and Eastern Europe segment includes our broadband communications 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.

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 or loss attributable to noncontrolling interests in our consolidated statements of operations.

	Year ended December 31,					
	2011		2010		2009	
	Revenue	Operating cash flow	Revenue	Operating cash flow	Revenue	Operating cash flow
	in millions					
UPC Europe:						
The Netherlands	€ 914.9	€ 542.5	€ 871.6	€ 507.8	€ 817.5	€ 475.9
Switzerland	928.3	522.7	811.9	447.8	731.9	403.0
Other Western Europe	634.8	296.4	617.9	284.2	599.0	279.2
Total Western Europe	2,478.0	1,361.6	2,301.4	1,239.8	2,148.4	1,158.1
Central and Eastern Europe	806.6	393.5	754.5	374.3	722.5	377.3
Central and other	89.3	(95.3)	81.4	(90.3)	80.7	(79.0)
Total UPC Europe	3,373.9	1,659.8	3,137.3	1,523.8	2,951.6	1,456.4
VTR (Chile)	639.4	271.0	602.6	251.7	502.3	206.4
Total	€ 4,013.3	€ 1,930.8	€ 3,739.9	€ 1,775.5	€ 3,453.9	€ 1,662.8

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,		
	2011	2010	2009
		in millions	
Total segment operating cash flow from continuing operations	€ 1,930.8	€ 1,775.5	€ 1,662.8
Stock-based compensation expense	(13.5)	(17.3)	(15.1)
Related-party fees and allocations, net	(5.9)	(18.1)	(30.6)
Depreciation and amortization	(970.2)	(974.0)	(1,048.5)
Impairment, restructuring and other operating charges, net	(26.8)	(16.0)	(90.5)
Operating income	914.4	750.1	478.1
Interest expense:			
Third-party	(518.9)	(456.8)	(383.0)
Related party	(655.0)	(406.0)	(568.1)
Interest income	4.3	5.1	16.0
Realized and unrealized losses on derivative instruments, net	(3.6)	(813.5)	(642.9)
Foreign currency transaction gains (losses), net	(270.5)	47.8	102.6
Realized and unrealized gains (losses) due to changes in fair values of certain investments, net	(9.5)	0.2	0.1
Losses on debt modification and extinguishment, net	(11.7)	(17.8)	(17.7)
Other income (expense), net	(2.0)	(3.8)	1.3
Loss from continuing operations before income taxes	€ (552.5)	€ (894.7)	€ (1,013.6)

Balance Sheet Data of our Reportable Segments

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

	Long-lived assets		Total assets	
	December 31,		December 31,	
	2011	2010	2011	2010
		in millions		
UPC Europe:				
The Netherlands	€ 1,792.8	€ 1,783.9	€ 2,041.9	€ 1,823.4
Switzerland	3,577.0	3,555.5	3,900.6	3,911.7
Other Western Europe	1,459.9	1,467.8	1,510.3	1,518.3
Total Western Europe	6,829.7	6,807.2	7,452.8	7,253.4
Central and Eastern Europe	2,117.5	1,671.9	2,206.8	1,774.2
Central and other	223.3	172.5	750.1	641.1
Total UPC Europe	9,170.5	8,651.6	10,409.7	9,668.7
VTR(Chile)	876.3	964.4	1,000.2	1,144.1
Total	€ 10,046.8	€ 9,616.0	€ 11,409.9	€ 10,812.8

Capital Expenditures of our Reportable Segments

The capital expenditures of our reportable segments (excluding capital additions financed under vendor financing or capital lease arrangements) are presented below. For additional information concerning capital additions financed under vendor financing and capital lease arrangements see note 8.

	Year ended December 31,		
	2011	2010	2009
		in millions	
UPC Europe:			
The Netherlands	€ 138.5	€ 125.8	€ 106.8
Switzerland	151.9	154.0	184.3
Other Western Europe	144.5	143.5	171.4
Total Western Europe	434.9	423.3	462.5
Central and Eastern Europe	130.3	143.3	201.5
Central and other	98.4	92.7	77.3
Total UPC Europe	663.6	659.3	741.3
VTR (Chile)	118.0	136.7	112.6
Total	€ 781.6	€ 796.0	€ 853.9

Revenue by Major Category

Our revenue by major category is set forth below:

	Year ended December 31,		
	2011	2010	2009
		in millions	
Subscription revenue (a):			
Video	€ 1,979.7	€ 1,860.1	€ 1,747.1
Broadband internet	995.5	918.5	839.2
Telephony	567.7	530.2	480.6
Total subscription revenue	3,542.9	3,308.8	3,066.9
Non-subscription revenue (b)	470.4	431.1	387.0
Total	€ 4,013.3	€ 3,739.9	€ 3,453.9

(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 between our broadband communications operating segments.

(b) Non-subscription revenue includes B2B, interconnect and installation revenue.

Geographic Segments

The revenue of our geographic segments is set forth below:

	Year ended December 31,		
	2011	2010	2009
		in millions	
Europe:			
The Netherlands	€ 914.9	€ 871.6	€ 817.5
Switzerland	928.3	811.9	731.9
Austria	325.7	338.1	347.3
Ireland	309.1	279.8	251.7
Poland	281.3	238.3	198.8
Hungary	194.4	189.6	199.4
The Czech Republic	180.8	169.8	161.3
Romania	103.1	111.1	115.6
Slovakia	47.0	45.7	47.4
Other (a)	89.3	81.4	80.7
Total Europe	3,373.9	3,137.3	2,951.6
Chile	639.4	602.6	502.3
Total	€ 4,013.3	€ 3,739.9	€ 3,453.9

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

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

	December 31,	
	2011	2010
	in millions	
Europe:		
The Netherlands	€ 1,792.8	€ 1,783.9
Switzerland	3,577.0	3,555.5
Austria	880.5	892.6
Ireland	579.4	575.2
Poland	838.5	304.4
Hungary	433.4	488.2
The Czech Republic	588.3	605.9
Romania	158.9	171.8
Slovakia	98.4	101.6
Other (a)	223.3	172.5
Total Europe	9,170.5	8,651.6
Chile	876.3	964.4
Total	€ 10,046.8	€ 9,616.0

(a) Primarily represents long-lived assets of UPC Europe's central operations, which are located in the Netherlands.

(18) Subsequent Events

UPCB Finance VI Senior Secured Notes. On February 7, 2012, UPCB Finance VI Limited (UPCB Finance VI), issued $750.0 million (€578.7 million) principal amount of 6.875% senior secured notes (the UPCB VI Notes), at par. The UPCB VI Notes mature on January 15, 2022. UPCB Finance VI is incorporated under the laws of the Cayman Islands, as a special purpose financing company, for the primary purpose of facilitating the offering of the UPCB VI Notes and is owned 100% by a charitable trust. UPCB Finance VI, which has no material business operations, used the proceeds from the UPCB VI Notes, together with fees payable to it by UPC Financing pursuant to a fee letter between the parties, to fund a new additional facility (Facility AD) under the UPC Broadband Holding Bank Facility, with UPC Financing as the borrower. The proceeds from Facility AD were used to repay in full amounts outstanding under Facilities M, N and O of the UPC Broadband Holding Bank Facility.

UPCB Finance VI is dependent on payments from UPC Financing under Facility AD in order to service its payment obligations under the UPCB VI Notes. Although UPC Financing has no equity or voting interest in UPCB Finance VI, the Facility AD loan creates a variable interest in UPCB Finance VI 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 and LGI, are required by the provisions of U.S. GAAP to consolidate UPCB Finance VI following the issuance of the UPCB VI Notes. As such, the amounts outstanding under Facility AD will eliminate in UPC Holding's consolidated financial statements.

The UPCB VI Notes have been issued pursuant to an indenture (the Indenture), dated February 7, 2012. Facility AD is made pursuant to an additional Facility AD accession agreement (the Facility AD Accession Agreement). Pursuant to the Facility AD Accession Agreement, the call provisions, maturity and applicable interest rate for Facility AD are the same as those of the UPCB VI Notes. UPCB Finance VI, 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 afforded to the other lenders. Through the covenants in the Indenture and the security interests over (i) all of the issued shares of UPCB Finance VI and (ii) UPCB Finance VI's rights under Facility AD granted to secure the obligations of UPCB Finance VI under the UPCB VI Notes, the holders of the UPCB VI Notes are provided indirectly with the benefits, rights and protections granted to UPCB Finance VI as a lender under the UPC Broadband Holding Bank Facility.

The UPCB VI Notes are non-callable until January 15, 2017. If, however, at any time prior to January 15, 2017, all or a portion of Facility AD is voluntarily prepaid (and Early Redemption Event), UPCB Finance VI will be required to redeem an aggregate principal amount of the UPCB VI Notes equal to the principal amount of Facility AD prepaid, not to exceed an amount equal to 10% of the original aggregate principal amount of the UPCB VI Notes during each twelve-month period commencing on February 7, 2012, at a redemption price equal to 103% of the principal amount of the UPCB VI Notes redeemed plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date. To the extent that, during any such twelve-month period prior to January 15, 2017, the principal amount of Facility AD prepaid is greater than 10% of the original aggregate principal amount of the UPCB VI Notes, UPCB Finance VI will also be required to redeem an aggregate principal amount of the UPCB VI Notes equal to such excess amount at a redemption price equal to the sum of (i) 100% of the principal amount of the UPCB VI Notes to be redeemed, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price thereof on January 15, 2017, as set forth in the table below, plus (2) all required remaining scheduled interest payments thereon due through January 15, 2017 (excluding accrued and unpaid interest to such redemption date), computed using the discount rate specified in the Indenture, over (b) the principal amount of the UPCB VI Notes so redeemed on the redemption date and (iii) accrued but unpaid interest and Additional Amounts (as defined in the Indenture), if any, to the applicable redemption date.

On or after January 15, 2017, upon the occurrence of an Early Redemption Event, UPCB Finance VI will redeem an aggregate principal amount of the UPCB VI Notes equal to the principal amount of Facility AD 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 out below:

	Redemption Price
2017	103.438%
2018	102.292%
2019	101.146%
2020 and thereafter	100.000%

Extension of UPC Broadband Holding Bank Facility. On February 23, 2012, UPC Broadband Holding entered into a new additional facility accession agreement (the Additional Facility AE Accession Agreement) under the UPC Broadband Holding Bank Facility. Pursuant to the Additional Facility AE Accession Agreement, certain of the lenders under Facility S under the UPC Broadband Holding Bank Facility (the Rolling Lenders) rolled all or part of their existing commitments under Facility S into the new Facility AE in an aggregate amount of €535.5 million. UPC Broadband Operations was the initial lender under the Additional Facility AE Accession Agreement and novated its Facility AE commitments to the Rolling Lenders. The final maturity date for Facility AE is December 31, 2019. Facility AE bears interest at a rate of EURIBOR plus 3.75%. At any time during the twelve month period beginning on February 23, 2012, upon the occurrence of a voluntary prepayment of any or all of Facility AE, UPC Financing agrees to pay a prepayment fee (in addition to the principal amount of the prepayment) in an amount equal to 1.0% of the principal amount of the outstanding Facility AE advance being prepaid, plus accrued and unpaid interest then due on the amount of the outstanding Facility AE advance prepaid to the date of prepayment.

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, 2011, 2010 and 2009.
- *Liquidity and Capital Resources.* This section provides an analysis of our corporate and subsidiary liquidity, consolidated cash flow statements 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.

Unless otherwise indicated, convenience translations into euros are calculated, and operational data (including subscriber statistics) are presented, as of December 31, 2011.

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 our expectations with respect to our growth prospects and our strategic initiatives over the next few years, our expectations regarding our operating cash flow margins and percentage of revenue represented by our capital expenditures in 2012, our future projected contractual commitments, our future projected cash flows associated with our derivative instruments, our business, product, foreign currency and finance strategies, our capital expenditures, subscriber growth and retention rates, competitive, regulatory and economic factors, the maturity of our markets, anticipated cost increases, liquidity, credit risks, foreign currency risks and target leverage levels. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the risks and uncertainties in the following list of 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, including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues;
- 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 our existing service offerings, including our digital video, broadband internet and telephony services, and of new technology, programming alternatives and broadband services that we may offer in the future;
- 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;
- the ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions, and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions, including the impact of the conditions imposed in connection with the acquisition of Aster on our operations in Poland;
- our ability to successfully negotiate rate increases where applicable;
- 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;
- 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;
- 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 realize 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 outcome of any pending or threatened litigation;
- any further 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, malicious human acts, natural disasters, pandemics and other similar events.

The broadband distribution 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, 2011 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 cable 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 cable 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 download speeds ranging up to 150 Mbps, depending on the market and 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 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.

LGI has initiated construction of a mobile network in Chile that will be used in combination with MVNO arrangements to provide mobile services. 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.

As further described in note 3 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. 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.

The comparability of our 2011 and 2010 results of operations is impacted by the September 16, 2011 Aster Acquisition. We also completed less significant acquisitions in Europe during 2011 and 2009.

For further information regarding our acquisitions and dispositions, see notes 3 and 4 to our consolidated financial statements.

From a strategic perspective, we are seeking to build broadband communications and DTH businesses that have strong prospects for future growth in revenue, operating cash flow (as defined in note 17 to our consolidated financial statements) and free cash flow (as defined below under *Liquidity and Capital Resources — Consolidated Cash Flow 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. We plan to continue to employ this strategy to achieve organic revenue and customer growth.

At December 31, 2011, we owned and operated networks that passed 17,620,000 homes and served 17,807,600 revenue generating units (RGUs), consisting of 9,375,500 video subscribers, 4,968,000 broadband internet subscribers and 3,464,100 telephony subscribers.

Including the effects of acquisitions, our continuing operations added a total of 1,363,600 RGUs during 2011. Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition date RGU additions, our continuing operations added 662,200 RGUs on an organic basis during 2011, as compared to 410,200 RGUs that were added on an organic basis during 2010. The organic RGU growth during 2011 is attributable to the growth of our (i) digital cable services, which added 648,300 RGUs, (ii) broadband internet services, which added 420,800 RGUs, (iii) telephony services, which added 412,500 RGUs, and (iv) DTH video services, which added 90,900 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 898,400 and a less significant decline in our multi-channel multi-point (microwave) distribution system (MMDS) video RGUs.

We are experiencing significant competition from incumbent telecommunications operators, DTH operators and/or other providers 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 (a) subscription revenue in Austria, Romania and the Czech Republic and (b) overall revenue in Austria, the Czech Republic and Hungary during the fourth quarter of 2011, as compared to the fourth quarter of 2010;

(ii) organic declines in subscription revenue from (a) video services in the Czech Republic, Ireland and Romania and (b) telephony services in Austria during the fourth quarter of 2011, as compared to the fourth quarter of 2010;

(iii) organic declines in subscription revenue from video services in Poland and, to a lesser extent, the Czech Republic, during the fourth quarter of 2011, as compared to the third quarter of 2011;

(iv) organic declines in (a) video RGUs in the majority of our markets during the fourth quarter of 2011, as net declines in our analog cable RGUs exceeded net additions to our digital cable RGUs (including migrations from analog cable) in these markets and (b) total RGUs in Switzerland during the fourth quarter of 2011;

(v) organic declines in ARPU from broadband internet and telephony services in most of our broadband communications markets during the fourth quarter of 2011, as compared to the fourth quarter of 2010; and

(vi) organic declines in overall ARPU in Ireland, Austria, the Czech Republic, Hungary and Romania during the fourth quarter of 2011, as compared to the fourth quarter of 2010.

In addition to competition, our operations are subject to macro-economic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S. and certain European countries (including Ireland and Hungary), combined with weak growth and high unemployment, could lead to fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our company. With regard to currency instability issues, concerns exist in the eurozone with respect to individual macro-fundamentals on a country-by-country basis, as well as with respect to the overall stability of the European monetary union and the suitability of a single currency to appropriately deal with specific fiscal management and sovereign debt issues in individual eurozone countries. The realization of these concerns could lead to the exit of one or more countries from the European monetary union and the re-introduction of individual currencies in these countries, or, in more extreme circumstances, the possible dissolution of the euro entirely, which could result in the redenomination of a portion, or in the extreme case, all of our euro-denominated assets, liabilities and cash flows to the new currency of the country in which they originated. This could result in a mismatch in the currencies of our assets, liabilities and cash flows. Any such mismatch, together with the capital market disruption that would likely accompany any such redenomination event, could have a material adverse impact on our liquidity and financial condition. Furthermore, any redenomination event would likely be accompanied by significant economic dislocation, particularly within the eurozone countries, which in turn could have an adverse impact on demand for our products, and accordingly, on our revenue and cash flows. Moreover, any changes from euro to non-euro currencies within the countries in which we operate would require us to modify our billing and other financial systems. No assurance can be given that any required modifications could be made within a timeframe that would allow us to timely bill our customers or prepare and file required financial reports. In light of the significant exposure that we have to the euro through our euro-denominated borrowings, derivative instruments, cash balances and cash flows, a redenomination event could have a material adverse impact on our company.

Over the next few years, we expect to continue to generate organic growth in our consolidated revenue and operating cash flow. We expect this growth to come primarily from organic increases in our digital cable, broadband internet and telephony RGUs, as we expect that our analog cable RGUs will decline and that our overall ARPU will remain relatively unchanged during this timeframe. During 2012, we plan to introduce a next generation set-top box platform, which we refer to as “Horizon." In addition, we have entered into mobile virtual network operator (MVNO) arrangements in certain of our European markets with the intention of introducing or increasing the scale of our mobile service offerings. While we expect that the expansion of our mobile service offerings and the introduction of the Horizon platform will ultimately have a positive impact on our revenue and operating cash flow, we also expect that (i) our mobile service offerings initially will have a negative impact on our operating cash flow and (ii) growth in digital cable services, in combination with the introduction of the Horizon platform, online viewing and other factors, will contribute to higher digital cable programming costs. In addition, the deployment of our Horizon platform will require significant capital expenditures. For additional information concerning our capital expenditures, see *Liquidity and Capital Resources - Consolidated Cash Flow Statements* below. 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 broadband communications networks and customer premises equipment 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 developments could cause us to decide to undertake previously unplanned upgrades of our networks and customer premises equipment 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 2011, 2010 and 2009 is affected by acquisitions. In the following discussion, we quantify the estimated 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 estimated 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 the year ended December 31, 2011 was to the Swiss franc and the Chilean peso. In addition, our reported operating results are impacted by changes in exchange rates of other local currencies in Europe. In this regard, 58.3% of our euro revenue during that period was derived from subsidiaries whose functional currency is other than the euro. The portions of the changes in the various components of our results of operations that are attributable to changes in FX are highlighted under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* below.

The amounts presented and discussed below represent 100% of each operating segment's revenue and operating cash flow. As we have the ability to control VTR, we consolidate 100% of the revenue and expenses of VTR in our 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 or loss 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 services, including video, broadband internet and telephony services. Most reportable segments also provide B2B services. At December 31, 2011, our operating segments in UPC Europe provided services in nine European countries. Our Other Western Europe segment includes our broadband communications operating segments in Austria and Ireland. Our Central and Eastern Europe segment includes our broadband communications 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 17 to our consolidated financial statements) as well as an analysis of operating cash flow by reportable segment for (i) 2011, as compared to 2010, and (ii) 2010, 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 organic percentage change from period to period (percentage change after removing FX and the estimated 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 also provide a table showing the operating cash flow margins of our reportable segments for 2011, 2010 and 2009 at the end of this section.

The revenue of our reportable segments includes revenue earned from subscribers for ongoing services, revenue earned from B2B services, interconnect fees, installation fees, channel carriage fees, mobile telephony revenue, late fees and advertising revenue. Consistent with the presentation of our revenue categories in note 17 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 some European countries and in Chile are subject to oversight and control, either before or after the fact, based on competition law or general pricing regulations. 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, value-added tax rates have increased (i) effective January 1, 2011 in Switzerland, Poland and Slovakia, and (ii) effective January 1, 2012 in Ireland and Hungary. In addition, during the fourth quarter of 2010, the Hungarian government imposed a revenue-based tax on telecommunications operators (the Hungarian Telecom Tax) that is applicable to our broadband communications operations in Hungary, with retroactive effect to the beginning of 2010. The Hungarian Telecom Tax is currently scheduled to expire at the end of 2012. The EU Commission initiated an investigation in March 2011 and, on September 29, 2011, the EU Commission requested that Hungary abolish the Hungarian Telecom Tax on the grounds that it is illegal under EU rules. The Hungarian government has not taken any measures to comply and the EU Commission may refer the matter to the EU Court of Justice. Until such time as this matter is resolved, we will continue to accrue and pay the Hungarian Telecom Tax. Through December 31, 2011, we have incurred total inception-to-date operating expenses of HUF 6.9 billion (€21.9 million) as a result of the Hungarian Telecom Tax.

We rely on third-party vendors for the equipment, software and services that we require in order to provide services to our customers. Our suppliers often conduct business worldwide and their ability to meet our needs are subject to various risks, including political and economic instability, natural calamities (such as the recent flood in Thailand), interruptions in transportation systems, terrorism and labor issues. As a result, we may not be able to obtain the equipment, software and services required for our businesses on a timely basis or on satisfactory terms. For example, due in part to the recent flooding in Thailand, we have been experiencing longer than normal lead times with respect to our customer premises and other equipment needs for certain of our operations. Any shortfall in customer premises equipment could lead to delays in connecting customers to our services, and accordingly, could adversely impact our ability to maintain or increase our RGUs, revenue and cash flows.

Revenue of our Reportable Segments

Revenue — 2011 compared to 2010

	Year ended December 31,		Increase		Organic increase
	2011	2010	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 914.9	€ 871.6	€ 43.3	5.0	5.0
Switzerland	928.3	811.9	116.4	14.3	2.2
Other Western Europe	634.8	617.9	16.9	2.7	2.7
Total Western Europe	2,478.0	2,301.4	176.6	7.7	3.4
Central and Eastern Europe	806.6	754.5	52.1	6.9	1.5
Central and other	89.3	81.4	7.9	9.7	9.8
Total UPC Europe	3,373.9	3,137.3	236.6	7.5	3.1
VTR (Chile)	639.4	602.6	36.8	6.1	5.8
Total	€ 4,013.3	€ 3,739.9	€ 273.4	7.3	3.5

General. While not specifically discussed in the below explanations of the changes in the revenue of our reportable segments, we are experiencing significant competition in all of our broadband communications markets. This competition has an adverse impact on our ability to increase or maintain our RGUs and/or ARPU. For a description of the more notable recent impacts of this competition on our broadband communications markets, see *Overview* above.

The Netherlands. The Netherland's revenue increased €43.3 million or 5.0% during 2011, as compared to 2010, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in subscription revenue due to change in:			
Average number of RGUs (a)	€ 30.8	€ —	€ 30.8
ARPU (b)	10.5	—	10.5
Increase in non-subscription revenue (c)	—	2.0	2.0
Total	€ 41.3	€ 2.0	€ 43.3

(a) The increase in the Netherlands' subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of digital cable, telephony and broadband internet RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the Netherlands' average number of analog cable RGUs led to a decline in the average number of total video RGUs in the Netherlands during 2011, as compared to 2010.

(b) The increase in the Netherlands' subscription revenue related to a change in ARPU is due to an improvement in RGU mix, attributable to higher proportions of digital cable, broadband internet and telephony RGUs, that was only partially offset by a net decrease resulting primarily from the following factors: (i) lower ARPU due to a decrease in telephony call volume, including the impact of customers moving from usage-based to fixed-rate calling plans, (ii) lower ARPU due to an increase in the proportion of customers selecting lower-priced tiers of broadband internet services and (iii) higher ARPU due to January 2011 price increases for certain video, broadband internet and telephony services.

(c) The increase in the Netherlands' non-subscription revenue is attributable to the net impact of (i) an increase in B2B revenue, due primarily to growth in B2B telephony and broadband internet services, and (ii) a net decrease resulting from individually insignificant changes in other non-subscription revenue categories.

Switzerland. The increase in Switzerland's revenue during 2011, as compared to 2010, includes (i) an organic increase of €17.5 million or 2.2% and (ii) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in subscription revenue due to change in:			
Average number of RGUs (a)	€ 8.4	€ —	€ 8.4
ARPU (b)	6.8	—	6.8
Increase in non-subscription revenue (c)	—	2.3	2.3
Organic increase	15.2	2.3	17.5
Impact of FX	83.1	15.8	98.9
Total	€ 98.3	€ 18.1	€ 116.4

(a) The increase in Switzerland's subscription revenue related to a change in Switzerland's 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 decrease in the average number of analog cable RGUs. The decline in the average numbers of Switzerland's analog cable RGUs led to a decline in the average number of total video RGUs in Switzerland during 2011, as compared to 2010.

(b) The increase in Switzerland's subscription revenue related to a change in ARPU is due to an improvement in RGU mix, attributable to higher proportions of digital cable, broadband internet and telephony RGUs, that was only partially offset by a net decrease resulting primarily from the following factors: (i) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans, (ii) lower ARPU from broadband internet services, (iii) higher ARPU due to price increases implemented in January 2011 and the second half of 2010 for certain analog and digital cable services and (iv) higher ARPU from digital cable services.

(c) The increase in Switzerland's non-subscription revenue is primarily attributable to the net impact of (i) an increase in installation revenue, (ii) a decline in B2B revenue and (iii) higher revenue from the sale of customer premises equipment. The higher revenue from customer premises equipment sales is due largely to the second quarter 2010 introduction of "digicards," which enable customers with "common interface plus" enabled televisions who subscribe to, or otherwise have purchased access to, our digital cable service, to view our digital cable service without a set-top box. The decline in B2B revenue is due primarily to lower revenue of €6.0 million or 34.9% from construction and equipment sales that was only partially offset by modest growth in B2B telephony and broadband internet services.

Other Western Europe. Other Western Europe's revenue increased €16.9 million or 2.7% during 2011, as compared to 2010, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase (decrease) in subscription revenue due to change in:			
Average number of RGUs (a)	€ 34.8	€ —	€ 34.8
ARPU (b)	(14.7)	—	(14.7)
Decrease in non-subscription revenue (c)	—	(3.2)	(3.2)
Total	€ 20.1	€ (3.2)	€ 16.9

(a) The increase in Other Western Europe's subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of telephony, broadband internet and digital cable RGUs in each of Ireland and Austria that were only partially offset by decreases in the average numbers of analog cable RGUs in each of Ireland and Austria and, to a lesser extent, MMDS video RGUs in Ireland. The declines in the average numbers of analog cable and MMDS video RGUs led to declines in the average numbers of total video RGUs in both Ireland and Austria during

2011, as compared to 2010.

(b) The decrease in Other Western Europe's subscription revenue related to a change in ARPU is primarily attributable to a decrease in ARPU in Austria, as ARPU in Ireland declined only slightly during 2011, as compared to 2010. The decrease in Austria's overall ARPU is primarily due to the net effect of (i) lower ARPU due to a higher proportion of customers selecting lower-priced tiers of broadband internet services, (ii) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans and a higher proportion of customers selecting such usage-based calling plans and (iii) higher ARPU due to the third quarter 2011 implementation of an additional charge for broadband internet services. Ireland's overall ARPU declined slightly during 2011, as compared to 2010, primarily due to the net impact of the following factors: (i) higher ARPU due to January 2011 price increases for certain digital and broadband internet services and (ii) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans and a higher proportion of customers selecting such usage-based calling plans. In addition, Other Western Europe's overall ARPU was slightly impacted by adverse changes in RGU mix in both Austria and Ireland.

(c) The decrease in Other Western Europe's non-subscription revenue is due primarily to (i) a decrease in B2B revenue and (ii) a net decrease resulting from individually insignificant changes in other non-subscription revenue categories. The decrease in B2B revenue is primarily attributable to the net effect of (i) growth in Ireland's B2B broadband internet services, (ii) a decrease in Austria's B2B broadband internet and telephony services and (iii) a decrease resulting from the impact of a first quarter 2010 favorable settlement with the incumbent telecommunications operator in Austria.

Central and Eastern Europe. The increase in Central and Eastern Europe's revenue during 2011, as compared to 2010, includes (i) an organic increase of €11.4 million or 1.5%, (ii) the impact of acquisitions and (iii) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase (decrease) in subscription revenue due to change in:			
Average number of RGUs (a)	€ 17.5	€ —	€ 17.5
ARPU (b)	(13.4)	—	(13.4)
Increase in non-subscription revenue (c)	—	7.3	7.3
Organic increase	4.1	7.3	11.4
Impact of acquisitions	35.9	13.5	49.4
Impact of FX	(7.6)	(1.1)	(8.7)
Total	€ 32.4	€ 19.7	€ 52.1

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(a) The increase in Central and Eastern Europe's subscription revenue related to a change in the average number of RGUs is primarily attributable to increases in the average numbers of digital cable (mostly in Poland, Hungary and Romania), broadband internet (mostly in Poland, Hungary and the Czech Republic) and telephony RGUs (mainly in Poland and Hungary) 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 led to declines in the average numbers of total video RGUs in each country within our Central and Eastern Europe segment during 2011, as compared to 2010.

(b) The decrease in Central and Eastern Europe's subscription revenue related to a change in ARPU is primarily due to the following factors: (i) lower ARPU due to increases in the proportions of video, broadband internet and telephony subscribers selecting lower-priced tiers of services and (ii) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans. The impacts of these negative factors were partially offset by an improvement in Central and Eastern Europe's RGU mix, primarily attributable to higher proportions of digital cable and broadband internet RGUs.

(c) The increase in Central and Eastern Europe's non-subscription revenue is primarily attributable to an increase in B2B revenue, largely driven by growth in B2B broadband internet and telephony services in the Czech Republic and Poland.

VTR (Chile). The increase in VTR's revenue during 2011, as compared to 2010, includes (i) an organic increase of €35.1 million or 5.8% and (ii) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in subscription revenue due to change in:			
Average number of RGUs (a)	€ 22.8	€ —	€ 22.8
ARPU (b)	10.9	—	10.9
Increase in non-subscription revenue (c)	—	1.4	1.4
Organic increase	33.7	1.4	35.1
Impact of FX	1.7	—	1.7
Total	€ 35.4	€ 1.4	€ 36.8

(a) The increase in VTR's subscription revenue related to a change in the average number of RGUs is primarily due 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.

(b) The increase in VTR's subscription revenue related to a change in ARPU is due to (i) an improvement in RGU mix, primarily attributable to a higher proportion of digital cable RGUs, and (ii) a net increase resulting primarily from the following factors: (a) higher ARPU due to inflation and other price adjustments, (b) lower ARPU from broadband internet services, (c) higher ARPU resulting from the estimated €3.1 million of revenue that was lost during the first quarter of 2010 as a result of an earthquake and tsunami in Chile and (d) higher ARPU from digital cable services.

(c) The increase in VTR's non-subscription revenue is primarily attributable to higher advertising revenue that was only partially offset by lower interconnect and installation revenue.

Revenue — 2010 compared to 2009

	Year ended December 31,		Increase		Organic increase
	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 Netherland's revenue increased €54.1 million or 6.6% during 2010, as compared to 2009, as set for below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in subscription revenue due to change in:			
Average number of RGUs (a)	€ 24.5	€ —	€ 24.5
ARPU (b)	24.4	—	24.4
Increase in non-subscription revenue (c)	—	5.2	5.2
Total	€ 48.9	€ 5.2	€ 54.1

(a) The increase in the Netherlands' subscription revenue related to a change 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. 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.

(b) The increase in subscription revenue in the Netherlands' related to a change in ARPU is primarily attributable to the positive impacts of (i) an improvement in the Netherlands' RGU mix, attributable to higher proportions of digital cable, broadband internet and telephony RGUs, (ii) January 2010 price increases for certain video, broadband internet and telephony services and (iii) higher ARPU from digital cable services. These positive factors were only partially offset by the negative impacts of (a) higher proportions of customers selecting lower-priced tiers of broadband internet service and (b) lower telephony call volume for customers on usage-based calling plans.

(c) 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. The increase in Switzerland's revenue during 2010, as compared to 2009, includes (i) an organic increase of €9.4 million or 1.3% and (ii) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase (decrease) in subscription revenue due to change in:			
Average number of RGUs (a)	€ 0.7	€ —	€ 0.7
ARPU (b)	(0.2)	—	(0.2)
Increase in non-subscription revenue (c)	—	8.9	8.9
Organic increase	0.5	8.9	9.4
Impact of FX	58.8	11.8	70.6
Total	€ 59.3	€ 20.7	€ 80.0

(a) The increase in Switzerland's subscription revenue related to a change 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. The decline in Switzerland's average number of analog cable RGUs led to a decline in the average number of total video RGUs in Switzerland during 2010, as compared to 2009.

(b) The slight decrease in Switzerland's subscription revenue related to a change in ARPU is due primarily to the net impact of (i) an improvement in Switzerland's RGU mix, attributable to higher proportions of digital cable and, to a lesser extent, broadband internet and telephony RGUs, (ii) price increases implemented during the second half of 2010 for certain video services, (iii) higher ARPU from digital cable services, (iv) lower telephony call volume for customers on usage-based calling plans and (v) an increase in the proportion of broadband internet subscribers selecting lower-priced tiers of service.

(c) 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, and (iii) a decline in B2B revenue. The decline in B2B revenue is due primarily to lower construction and equipment sales revenue that was 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, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase (decrease) in subscription revenue due to change in:			
Average number of RGUs (a)	€ 26.8	€ —	€ 26.8
ARPU (b)	(9.9)	—	(9.9)
Increase in non-subscription revenue (c)	—	2.0	2.0
Total	€ 16.9	€ 2.0	€ 18.9

(a) The increase in Other Western Europe's subscription revenue related to a change 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 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.

(b) The decrease in Other Western Europe's subscription revenue related to a change in ARPU is primarily attributable to the negative impacts of (i) slightly lower ARPU from digital cable services, (ii) a higher proportion of subscribers selecting lower-priced tiers of analog cable services, (iii) lower telephony call volume for customers on usage-based calling plans and, in Austria, a higher proportion of customers selecting such usage-based calling plans and (iv) a higher proportion of customers selecting lower-priced tiers of broadband internet services. These negative factors were partially offset by the positive impacts of (i) an improvement in RGU mix, attributable to higher proportions of digital cable and broadband internet RGUs, and (ii) rate increases for certain video, broadband internet and telephony services.

(c) The increase in Other Western Europe's non-subscription revenue is 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. The increase in Central and Eastern Europe's revenue during 2010, as compared to 2009, includes (i) an organic increase of €2.1 million or 0.3%, (ii) the impact of an acquisition and (iii) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase (decrease) in subscription revenue due to change in:			
Average number of RGUs (a)	€ 17.7	€ —	€ 17.7
ARPU (b)	(20.2)	—	(20.2)
Increase in non-subscription revenue (c)	—	4.6	4.6
Organic increase (decrease)	(2.5)	4.6	2.1
Impact of an acquisition	0.4	—	0.4
Impact of FX	27.6	1.9	29.5
Total	€ 25.5	€ 6.5	€ 32.0

(a) The increase in Central and Eastern Europe's subscription revenue related to a change in the average number of RGUs is

attributable to increases in the average numbers of digital cable, broadband internet, telephony and, to a lesser extent, DTH video RGUs that were only partially offset by declines in the average numbers of analog cable and, to a much lesser extent, MMDS video RGUs. The declines in the average numbers of analog cable RGUs 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.

(b) The decrease in Central and Eastern Europe's subscription revenue related to a change in ARPU is primarily attributable to the negative impacts of (i) higher proportions of broadband internet and video subscribers selecting lower-priced tiers of service, (ii) lower ARPU from analog cable services, (iii) lower telephony call volume for customers on usage-based calling plans and (iv) lower ARPU from digital cable services. These negative factors were partially offset by the positive impacts of (i) an improvement 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.

(c) The increase in Central and Eastern Europe's non-subscription revenue is due primarily to the net impact of (i) an increase in interconnect revenue, primarily in Poland, (ii) higher revenue from B2B services in Hungary, Poland and the Czech Republic and (iii) a decrease in revenue from B2B services in Romania.

VTR (Chile). The increase in VTR's revenue during 2010, as compared to 2009, includes (i) an organic increase of €20.8 million or 4.1% and (ii) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in subscription revenue due to change in:			
Average number of RGUs (a)	€ 14.9	€ —	€ 14.9
ARPU (b)	2.9	—	2.9
Increase in non-subscription revenue (c)	—	3.0	3.0
Organic increase	17.8	3.0	20.8
Impact of FX	72.5	7.0	79.5
Total	€ 90.3	€ 10.0	€ 100.3

(a) The increase in VTR's subscription revenue related to a change 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.

(b) The increase in VTR's subscription revenue related to a change in ARPU is primarily attributable to the net effect of (i) a higher proportion of subscribers selecting higher-priced tiers of broadband internet services, (ii) a higher proportion of subscribers selecting lower-priced tiers of video service, (iii) an improvement in RGU mix, attributable to higher proportions of digital cable and broadband internet RGUs, (iv) higher ARPU from digital cable services, (v) lower ARPU resulting from the estimated €3.1 million of revenue that was lost during the first quarter of 2010 as a result of an earthquake and tsunami in Chile and (vi) an increase due to inflation and other price adjustments.

(c) The increase in VTR's non-subscription revenue is primarily attributable to increases in advertising and installation revenue that were only partially offset by a decrease in interconnect revenue.

Operating Expenses of our Reportable Segments

Operating expenses — 2011 compared to 2010

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2011	2010	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 269.8	€ 264.4	€ 5.4	2.0	2.0
Switzerland	269.1	245.5	23.6	9.6	(2.1)
Other Western Europe	248.7	242.9	5.8	2.4	2.4
Total Western Europe	787.6	752.8	34.8	4.6	0.8
Central and Eastern Europe	312.9	287.3	25.6	8.9	3.3
Central and other	76.4	74.3	2.1	2.8	2.8
Total UPC Europe	1,176.9	1,114.4	62.5	5.6	1.6
VTR (Chile)	263.0	251.7	11.3	4.5	4.1
Total operating expenses excluding stock-based compensation expense	1,439.9	1,366.1	73.8	5.4	2.0
Stock-based compensation expense	1.3	2.0	(0.7)	(35.0)	
Total	€ 1,441.2	€ 1,368.1	€ 73.1	5.3	

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 *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 (i) growth in digital cable services, in combination with the planned introduction of our Horizon platform and online viewing, and (ii) 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 €62.5 million or 5.6% during 2011, as compared to 2010. This increase includes €19.9 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's operating expenses increased €17.6 million or 1.6%. This increase includes the following factors:

- An increase in programming and related costs of €22.9 million or 6.7%, due primarily to growth in digital video services, predominantly in the Netherlands, Poland and Ireland. The net impact of favorable copyright and programming fee settlements, primarily in the Netherlands, also contributed to the increase, as the €1.6 million favorable impact in 2011 was less than the €2.9 million favorable impact in 2010;

- A decrease in interconnect costs of €10.1 million or 8.9%, primarily attributable to the net effect of (i) decreased costs due to lower rates, primarily in Switzerland, the Netherlands and the Czech Republic, (ii) decreased costs due to lower call volumes, primarily in Switzerland and Austria and (iii) a €2.3 million increase related to the impact of a favorable interconnect settlement during the third quarter of 2010 in Switzerland;

- An increase in outsourced labor and professional fees of €7.7 million or 8.2%, primarily attributable to increased call center costs due to higher call volumes in Switzerland, the Netherlands and the Czech Republic;

- A decrease of €5.2 million or 43.6%, due primarily to lower B2B construction and equipment sales in Switzerland;

- An increase in personnel costs of €4.5 million or 2.2%, due primarily to the net effect of (i) a decrease associated with

higher levels of labor costs allocated to certain capital projects, including the development of our Horizon platform, (ii) annual wage increases, (iii) increased staffing levels, (iv) higher employee benefit related costs primarily in the Netherlands, (v) increased bonus costs and (vi) lower costs related to temporary personnel, primarily in Switzerland;

- A decrease of €3.4 million at UPC DTH due to lower satellite costs resulting from (i) lower transponder rates and (ii) the impact of certain expenses incurred during 2010 related to UPC DTH's migration to a new satellite; and

- An increase in network related expenses of €0.3 million or 0.2%, due primarily to the net effect of (i) increased encryption costs, due largely to an increased number of installed digital cable set-top boxes, (ii) lower energy costs in the Czech Republic and the Netherlands, (iii) a €5.1 million decrease due to the 2011 settlement of a claim for costs incurred in connection with faulty customer premises equipment, primarily in the Netherlands and Switzerland, (iv) higher duct and pole rental costs due primarily to increased rates in the Czech Republic and Romania, (v) higher costs associated with the refurbishment of customer premises equipment and (vi) lower costs of €2.1 million in UPC Europe's central operations attributable to the favorable impact of the fourth quarter 2011 settlement of a dispute with a third party regarding services rendered in 2010.

VTR (Chile). VTR's operating expenses (exclusive of stock-based compensation expense) increased €11.3 million or 4.5% during 2011, as compared to 2010. Excluding the effects of FX, VTR's operating expenses increased €10.3 million or 4.1%. This increase includes the following factors:

- An increase in programming and related costs of €11.0 million or 13.2%, as an increase associated with growth in digital cable services was only partially offset by a decrease arising from 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 outsourced labor and professional fees of €3.6 million or 22.4%, due largely to (i) increased call center costs due to efforts to improve service levels and (ii) a higher number of service calls; and

- A decrease in bad debt and collection expenses of €4.1 million, as improved economic conditions and customer retention efforts have resulted in better collection experience.

Operating expenses — 2010 compared to 2009

	Year ended December 31,		**Increase (decrease)**		**Organic increase**
	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	

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 the impact of 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 the Hungarian Telecom Tax imposed during the fourth quarter of 2010, with retroactive effect to the beginning of 2010. The Hungarian Telecom Tax is currently scheduled to expire at the end of 2012. For additional information concerning the Hungarian Telecom Tax, see the discussion under *Discussion and Analysis of our Reportable Segments - General* above;

- 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 UPC Europe's 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. For information regarding our approach to estimating the effects of acquisitions, see *Results of Operations* above;

- 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 third quarter of 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 a decrease arising from foreign currency exchange rate fluctuations with respect to VTR's U.S. dollar denominated programming contracts;

- 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.

SG&A Expenses of our Reportable Segments

SG&A expenses — 2011 compared to 2010

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2011	2010	€	%	%
		in millions			
UPC Europe:					
The Netherlands	€ 102.6	€ 99.4	€ 3.2	3.2	3.2
Switzerland	136.5	118.6	17.9	15.1	2.7
Other Western Europe	89.7	90.8	(1.1)	(1.2)	(1.2)
Total Western Europe	328.8	308.8	20.0	6.5	1.7
Central and Eastern Europe	100.2	92.9	7.3	7.9	3.8
Central and other	108.2	97.4	10.8	11.1	11.1
Total UPC Europe	537.2	499.1	38.1	7.6	3.9
VTR (Chile)	105.4	99.2	6.2	6.3	5.9
Total SG&A expenses excluding stock-based compensation expense	642.6	598.3	44.3	7.4	4.3
Stock-based compensation expense	12.2	15.3	(3.1)	(20.3)	
Total	€ 654.8	€ 613.6	€ 41.2	6.7	

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 €38.1 million or 7.6% during 2011, as compared to 2010. This increase includes €5.0 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's SG&A expenses increased €19.6 million or 3.9%. This increase includes the following factors:

- An increase in personnel costs of €12.8 million or 5.9%, due primarily to (i) higher bonus costs, (ii) higher marketing staffing levels, mostly in Switzerland and the Netherlands and (iii) annual wage increases;
- An increase in outsourced labor and professional fees of €4.3 million or 13.7%, due primarily to higher consulting costs for procurement, billing system and other initiatives within UPC Europe's central operations;
- An increase in sales and marketing costs of €5.3 million or 3.7% , due primarily to the net effect of (i) increased marketing activities, primarily in the Netherlands, Ireland and UPC DTH and (ii) lower sales commissions in the Czech Republic;
- An increase in information technology related expense of €3.3 million or 15.3%, due primarily to additional support and maintenance requirements; and
- A net decrease 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 €6.2 million or 6.3%, during 2011, as compared to 2010. Excluding the effects of FX, VTR's SG&A expenses increased €5.8 million or 5.9%. This increase includes the following factors:

- An increase in sales and marketing costs of €5.1 million or 17.9%, due primarily to (i) increased costs associated with rebranding and other advertising campaigns and (ii) higher sales commissions; and

- An increase in outsourced labor and professional fees of €1.1 million, due primarily to increased consulting costs related to a subscriber retention project.

SG&A expenses — 2010 compared to 2009

	Year ended December 31,		Increase		Organic increase
	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	

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 effects of an acquistion and 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.

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 17 to our consolidated financial statements.

Operating Cash Flow — 2011 compared to 2010

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2011	2010	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 542.5	€ 507.8	€ 34.7	6.8	6.8
Switzerland	522.7	447.8	74.9	16.7	4.3
Other Western Europe	296.4	284.2	12.2	4.3	4.3
Total Western Europe	1,361.6	1,239.8	121.8	9.8	5.3
Central and Eastern Europe	393.5	374.3	19.2	5.1	(0.4)
Central and other	(95.3)	(90.3)	(5.0)	(5.5)	(4.7)
Total UPC Europe	1,659.8	1,523.8	136.0	8.9	4.0
VTR (Chile)	271.0	251.7	19.3	7.7	7.5
Total	€ 1,930.8	€ 1,775.5	€ 155.3	8.7	4.5

Operating Cash Flow — 2010 compared to 2009

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	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 Margin — 2011, 2010 and 2009

The following table sets forth the operating cash flow margins (operating cash flow divided by revenue) of each of our reportable segments:

	Year ended December 31,		
	2011	2010	2009
		%	
UPC Europe:			
The Netherlands	59.3	58.3	58.2
Switzerland	56.3	55.2	55.1
Other Western Europe	46.7	46.0	46.6
Total Western Europe	54.9	53.9	53.9
Central and Eastern Europe	48.8	49.6	52.2
Total UPC Europe, including central and other	49.2	48.6	49.3
VTR (Chile)	42.4	41.8	41.1

The operating cash flow margin of UPC Europe increased during 2011, as compared to 2010, as increases in the margins of its reportable segments in western Europe were only partially offset by a decrease in the margin of its reportable segment in Central and Eastern Europe. The improvements in the operating cash flow margins of UPC Europe's western European segments are primarily attributable to improved operational leverage, resulting from revenue growth that more than offset the accompanying increases in operating and SG&A expenses. In UPC Europe's Central and Eastern Europe segment, competitive, economic and other factors contributed to the decline in operating cash flow margin. In the case of Chile, margin improvement resulted in part from the adverse impacts of the February 2010 earthquake on VTR's margin during 2010. During 2011 and 2010, foreign currency impacts associated with non-functional currency expenses did not significantly affect the comparability of the operating cash flow margins of our operating segments.

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 the Hungarian Telecom Tax, contributed to a decline in the operating cash flow margin in Central and Eastern Europe during 2010. During 2010, foreign currency impacts associated with non-functional currency expenses had a positive impact on our operating cash flow margin in Chile, and a negative impact on our operating cash flow margin in Poland. 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 impact of the Hungarian Telecom Tax on our 2010 operating expenses, see *Discussion and Analysis of our Reportable Segments - General* above.

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.

We expect that the 2012 operating cash flow margin of (i) UPC Europe will remain relatively constant and (ii) VTR will increase, each as compared to 2011. In the case of UPC Europe, we expect that the anticipated increases in increased operational leverage will be largely offset by anticipated increases in digital programming costs as a result of growth in digital cable services, the launch of our Horizon platform, online viewing and other factors. 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, economic or political developments, could adversely impact the operating cash flow margins of our reportable segments.

Discussion and Analysis of our Consolidated Operating Results

General

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

2011 compared to 2010

Revenue

Our revenue by major category is set forth below:

	Year ended December 31,		Increase		Organic increase
	2011	2010	€	%	%
	in millions				
Subscription revenue (a):					
Video	€ 1,979.7	€ 1,860.1	€ 119.6	6.4	2.8
Broadband internet	995.5	918.5	77.0	8.4	4.9
Telephony	567.7	530.2	37.5	7.1	4.4
Total subscription revenue	3,542.9	3,308.8	234.1	7.1	3.7
Non-subscription revenue (b)	470.4	431.1	39.3	9.1	2.6
Total	€ 4,013.3	€ 3,739.9	€ 273.4	7.3	3.5

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(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 between our broadband communications operating segments.

(b) Non-subscription revenue includes B2B, interconnect and installation revenue.

Total revenue. Our consolidated revenue increased €273.4 million during 2011, as compared to 2010. This increase includes €49.4 million, attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, total consolidated revenue increased €132.2 million or 3.5%, respectively.

Subscription revenue. The details of the increase in our consolidated subscription revenue for 2011, as compared to 2010, are as follows (in millions):

Increase due to change in:	
Average number of RGUs	€ 124.2
ARPU	(3.1)
Organic increase	121.1
Impact of acquisitions	35.9
Impact of FX	77.1
Total increase in subscription revenue	€ 234.1

Excluding the effects of acquisitions and FX, our consolidated subscription revenue increased €121.1 million or 3.7% during 2011, as compared to 2010. This increase is attributable to (i) an increase in subscription revenue from video services of €52.6 million or 2.8%, as the impact of higher ARPU from video services was only partially offset by a decline in the average number of video RGUs, (ii) an increase in subscription revenue from broadband internet services of €45.4 million or 4.9%, 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, and (iii) an increase in subscription revenue from telephony services of €23.1 million or 4.4%, as the impact of an increase

in the average number of telephony RGUs was only partially offset by lower ARPU from telephony services.

Non-subscription revenue. Excluding the effects of acquisitions and FX, our consolidated non-subscription revenue increased €11.1 million or 2.6% during 2011, as compared to 2010. This increase is primarily attributable to (i) an increase in B2B revenue and (ii) an increase in interconnect revenue.

For additional information concerning the changes in our subscription and non-subscription revenue, see *Discussion and Analysis of our Reportable Segments — Revenue — 2011 compared to 2010* above. For information regarding the competitive environment in certain of our markets, see *Overview* above.

Operating expenses

Our operating expenses increased €73.1 million during 2011, as compared to 2010. This increase includes €19.9 million attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which decreased €0.7 million during 2011. 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 €27.9 million or 2.0% during 2011, as compared to 2010. This increase primarily is attributable to a net increase in programming and other direct costs. In addition, the net impact of (i) a net increase in outsourced labor and professional fees, (ii) a net decrease in interconnect charges and (iii) a decrease of €5.2 million due primarily to lower B2B construction and equipment sales in Switzerland contributed to the overall increase in our operating expenses. For additional information regarding the changes in our operating expenses, see *Discussion and Analysis of our Reportable Segments — Operating Expenses — 2011 compared to 2010* above,

SG&A expenses

Our SG&A expenses increased €41.2 million during 2011, as compared to 2010. This increase includes €5.0 million attributable to the impact of acquisitions. Our SG&A expenses include stock-based compensation expense, which decreased €3.1 million during 2011. 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 €25.5 million or 4.3% during 2011, as compared to 2010. This increase generally reflects (i) a net increase in personnel costs and (ii) an increase in marketing and advertising costs. For additional information regarding the changes in our SG&A expenses, see *Discussion and Analysis of our Reportable Segments — SG&A Expenses — 2011 compared to 2010* above.

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

Our stock-based compensation expense includes amounts allocated to our company by LGI and amounts that are based on stock incentive awards related to shares of our subsidiaries. The amounts allocated by LGI to our company represent the stock-based compensation associated with the LGI stock incentive awards held by certain 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,	
	2011	**2010**
	in millions	
LGI common stock:		
LGI performance-based incentive awards (a)	€ 5.6	€ 6.7
Other LGI stock-based incentive awards	7.7	9.0
Total LGI common stock	13.3	15.7
Other	0.2	1.6
Total	€ 13.5	€ 17.3
Included in:		
Continuing operations:		
Operating expense	€ 1.3	€ 2.0
SG&A expense	12.2	15.3
Total	€ 13.5	€ 17.3

(a) Includes stock-based compensation expense related to the LGI Performance Plans and the LGI PSUs.

For additional information concerning our stock-based compensation, see note 12 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense decreased €3.8 million during 2011 as compared to 2010. Excluding the effects of FX, depreciation and amortization expense decreased €27.5 million or 2.8%. This decrease is due primarily to the net effect of (i) increases associated with capital expenditures related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives, (ii) decreases associated with certain assets becoming fully depreciated, primarily in the Netherlands, Switzerland, Chile and Austria and (iii) net decreases associated with changes in the useful lives of certain assets, primarily in the Netherlands and Romania.

Impairment, restructuring and other operating charges, net

We recognized impairment, restructuring and other operating charges, net, of €26.8 million during 2011, as compared to €16.0 million during 2010. The 2011 amount includes (i) €5.7 million of direct acquisition costs, primarily attributable to the Aster Acquisition, and (ii) restructuring charges of €14.9 million, primarily related to reorganization and integration activities in Europe and Chile. The 2010 amount includes aggregate restructuring charges of €14.9 million associated with (i) 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 (ii) employee severance and termination costs related to reorganization and integration activities, primarily in Europe.

For additional information regarding our restructuring charges, see note 14 to our consolidated financial statements.

If, among other factors, (i) LGI's equity values were to decline significantly or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Any such impairment charges could be significant. For additional information, see *Critical Accounting Policies, Judgments and Estimates - Impairment of Property and Equipment and Intangible Assets*, below.

Interest expense - third party

Our interest expense increased €62.1 million during 2011, as compared to 2010. Excluding the effects of FX, interest expense increased €61.9 million or 13.5%. This increase is primarily attributable to (i) higher average outstanding debt balances and (ii) higher weighted average interest rates. The increase in our weighted average interest rate is primarily related to (i) the completion of refinancing transactions that generally resulted in extended maturities and higher interest rates and (ii) increases in the base borrowing rates for certain of our variable-rate indebtedness. For additional information regarding our outstanding indebtedness, see note 9 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 increased €249.0 million during 2011, as compared to 2010. This increase reflects (i) an increase in the weighted average interest rate on our shareholder loan from 4.80% during 2010 to 7.75% during 2011 and (ii) a slight increase in the average outstanding balance of our shareholder loan. For additional information, see notes 9 and 13 to our consolidated financial statements.

Interest income

Our interest income decreased €0.8 million during 2011, as compared to 2010. This decrease is primarily attributable to the net effect of (i) lower average cash and cash equivalent and restricted cash balances and (ii) slightly higher 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 gains or 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 derivative contracts are fully or partially settled and (ii) realized gains or losses upon the full or partial settlement of the derivative contracts. The details of our realized and unrealized losses on derivative instruments, net, are as follows:

	Year ended December 31,	
	2011	2010
	in millions	
Cross-currency and interest rate derivative contracts (a)	€ 5.5	€ (808.7)
Foreign currency forward contracts	(9.0)	(6.2)
Embedded derivatives	(0.1)	1.4
Total	€ (3.6)	€ (813.5)

(a) The 2011 loss is primarily attributable to the net effect of (i) losses associated with decreases in market interest rates in the euro, Swiss franc, Chilean peso, Polish zloty and Czech koruna markets, (ii) gains associated with decreases in the value of the Polish zloty, Hungarian forint and Chilean peso relative to the euro, (iii) gains associated with a decrease in the value of the Chilean peso relative to the U.S. dollar, (iv) gains associated with an increase in the value of the U.S. dollar relative to the euro and (v) losses associated with an increase in the value of the Swiss franc relative to the euro. dollar. In addition, the 2011 loss includes a net gain of €27.5 million resulting from changes in our credit risk valuation adjustments. The 2010 loss is primarily 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) gains associated with an increase in the value of the U.S. dollar relative to the euro. In addition, the 2010 loss includes a net gain of €73.9 million resulting from changes in our credit risk valuation adjustments.

For additional information concerning our derivative instruments, see notes 6 and 7 to our consolidated financial statements.

Foreign currency transaction gains (losses), net

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

	Year ended December 31,	
	2011	2010
	in millions	
Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a)	€ (214.2)	€ 202.6
U.S. dollar denominated debt issued by European subsidiaries	(52.0)	(156.4)
Cash and restricted cash denominated in a currency other than the entity's functional currency	(0.1)	13.0
U.S. dollar denominated debt issued by a Chilean subsidiary	—	(13.0)
Other	(4.2)	1.6
Total	€ (270.5)	€ 47.8

(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 (iii) a U.S. dollar denominated loan between a Chilean subsidiary and a non-operating subsidiary in Europe. Accordingly, these amounts are a function of movements of (i) the euro against (a) the U.S. dollar and (b) other local currencies in Europe and (ii) the U.S. dollar against the Chilean peso.

Realized and unrealized gains (losses) due to changes in fair values of certain investments, net

Our realized and unrealized gains or losses due to changes in fair values of certain investments, net, include unrealized gains or losses associated with changes in fair values that are non-cash in nature until such time as these gains or losses are realized through cash transactions. We recognized realized and unrealized gains (losses) due to changes in fair values of certain investments, net of (€9.5 million) during 2011, as compared to €0.2 million during 2010. The 2011 amount mostly reflects a decrease in the fair value of our investment in a broadband communications operator in Switzerland, due primarily to a decrease in projected cash flows.

For additional information regarding our investments and fair value measurements, see notes 5 and 7 to our consolidated financial statements.

Losses on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of €11.7 million and €17.8 million during 2011 and 2010, respectively. The loss during 2011 includes the write-off of €11.3 million of deferred financing costs and an unamortized discount during the first quarter of 2011 in connection with the prepayment of amounts outstanding under Facilities M, P, T and U of the UPC Broadband Holding Bank Facility. The loss during 2010 includes 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 certain of UPC Holding's senior notes. For additional information, see note 9 to our consolidated financial statements.

Income tax benefit (expense)

We recognized income tax expense of €241.4 million and income tax benefit of €100.9 million during 2011 and 2010, respectively.

The income tax expense during 2011 differs from the expected income tax benefit of €138.1 million (based on the Dutch 25.0% 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, including €169.3 million of valuation allowances that were recorded in France during the fourth quarter of 2011 due to a modification of our intercompany financing structure in that jurisdiction that resulted largely from a change in local tax law, (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items and (iii) certain permanent differences in realization of foreign currency gains and losses between financial and tax accounting.

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.

For additional information concerning our income taxes, see note 10 to our consolidated financial statements.

Net loss

During 2011 and 2010, we reported net losses from continuing operations of €793.9 million and €793.8 million, respectively, including (i) operating income of €914.4 million and €750.1 million, respectively, (ii) net non-operating expenses of €1,466.9 million and €1,644.8 million, respectively, and (iii) income tax benefit (expense) of (€241.4 million) and €100.9 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.

Net earnings attributable to noncontrolling interests

Net earnings attributable to noncontrolling interests decreased €0.8 million during 2011, as compared to 2010, due primarily to a decline in the results of operations of VTR.

2010 compared to 2009

Revenue

Our revenue by major category is set forth below:

	Year ended December 31,		Increase		Organic increase
	2010	2009	€	%	%
	in millions				
Subscription revenue (a):					
Video	€ 1,860.1	€ 1,747.1	€ 113.0	6.5	1.7
Broadband internet	918.5	839.2	79.3	9.4	3.8
Telephony	530.2	480.6	49.6	10.3	4.1
Total subscription revenue	3,308.8	3,066.9	241.9	7.9	2.7
Non-subscription revenue (b)	431.1	387.0	44.1	11.4	6.1
Total	€ 3,739.9	€ 3,453.9	€ 286.0	8.3	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 allocation of bundling discounts may vary between our broadband communications operating segments.

(b) Non-subscription revenue includes B2B, installation and interconnect 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. The details of the increases in our consolidated subscription revenue for 2010, as compared to 2009, are as follows (in millions):

Increase due to change in:		
Average number of RGUs	€	87.1
ARPU		(5.3)
Organic increase		81.8
Impact of acquisitions		0.3
Impact of FX		159.8
Total increase in subscription revenue	€	241.9

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 €31.7 million or 3.8%, 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 €30.5 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 €19.6 million or 4.1%, as the impact of an increase in the average number of telephony RGUs was only partially offset by lower ARPU from telephony services.

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

For additional information concerning the changes in our subscription and non-subscription revenue, see *Discussion and Analysis of our Reportable Segments — Revenue — 2010 compared to 2009* 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 the Hungarian Telecom Tax, (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 — 2010 compared to 2009* 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)

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

	Year ended December 31,	
	2010	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, the LGI PSUs. The amount presented for 2009 includes an €0.8 million reduction associated with the first quarter 2009 grant of restricted share units 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 12 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 (i) 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 (ii) employee severance and termination costs related to reorganization and integration activities, primarily in Europe. The 2009 amount includes (i) a charge of €84.7 million to reduce the carrying amount of the goodwill associated with our Romanian reporting unit and (ii) restructuring charges of €8.1 million.

For additional information regarding our goodwill impairment and restructuring charges, see notes 8 and 14, respectively, to our consolidated financial statements.

Interest expense - third party

Our interest expense increased €73.8 million during 2010, as compared to 2009. Excluding the effects of FX, interest expense increased €73.5 million. 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 rate is primarily attributable to increases in interest rates on the UPC Broadband Holding Bank Facility. For additional information regarding our outstanding indebtedness, see note 9 to our consolidated financial statements.

Interest expense - related party

Our consolidated related-party interest expense relates to the interest expense on our shareholder loan. Our total consolidated related-party interest expense decreased €162.1 million during 2010, as compared to 2009. This decrease 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 9 and 13 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 gains or 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 derivative contracts are fully or partially settled and (ii) realized gains or losses upon the full or partial settlement of the derivative 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 contracts	1.4	1.1
Total	€ (813.5)	€ (642.9)

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(a) The 2010 loss is primarily 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 2010 loss includes a net gain of €73.9 million resulting from changes in our credit risk valuation adjustments. The 2009 loss is primarily 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 net loss of €14.5 million resulting from changes in our credit risk valuation adjustments.

For additional information concerning our derivative instruments, see notes 6 and 7 to our consolidated financial statements.

Foreign currency transaction gains, net

Our foreign currency transaction gains or losses primarily result from the remeasurement of monetary assets and liabilities that are denominated in currencies other than the underlying functional currency of the applicable entity. Unrealized foreign currency transaction gains or 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	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 Chilean 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 Chilean subsidiary and a non-operating subsidiary in Europe. Accordingly, these amounts 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 modification and extinguishment, net

We recognized losses on debt modification and extinguishment net, of €17.8 million and €17.7 million during 2010 and 2009, respectively. The loss during 2010 includes 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 certain of UPC Holding's senior notes. The loss during 2009 includes (i) a €14.0 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 9 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) 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 10 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) net 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.

Discontinued operation

Our earnings from discontinued operation, net of taxes, of €2.7 million during 2009 relates to the operation of UPC Slovenia. We recognized a gain on disposal of discontinued operation, 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 4 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.

Liquidity and Capital Resources

Sources and Uses of Cash

As a holding company UPC Holding's primary assets are its investments in consolidated subsidiaries. UPC Holding's primary subsidiary is UPC Broadband Holding, which owns all of the operating subsidiaries that are consolidated by UPC Holding. Although our consolidated operating subsidiaries 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, 2011. 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, 2011 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	€	0.1
UPC Broadband Holding (excluding VTR)		105.6
VTR		20.8
Total cash and cash equivalents	€	126.5

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, 2011, see note 9 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 and (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 information concerning the completed acquisitions of our subsidiaries, see note 3 to our consolidated financial statements.

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, 2011 Senior Debt to our annualized EBITDA (last two quarters annualized) for UPC Holding was 3.83x. In addition, the ratio of our December 31, 2011 Total Debt to annualized EBITDA (last two quarters annualized) was 4.63x, 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 6 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 addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in the various debt instruments of our subsidiaries. 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, 2011, our outstanding consolidated third-party debt and capital lease obligations aggregated €9,045.4 million, including €80.8 million that is classified as current in our consolidated balance sheet and €8,917.9 million that is due in 2014 or thereafter.

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 maturing debt grows in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. 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 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, 2011. For additional information concerning our debt, see note 9 to our consolidated financial statements.

For additional information concerning our debt and capital lease obligations, see notes 9 and 18 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.

2011 Consolidated Cash Flow Statement

Summary. During 2011, we used net cash provided by our operating activities of €1,149.8 million and net cash provided by our financing activities of €229.4 million to fund net cash used by our investing activities of €1,369.6 million and a €9.6 million increase in our existing cash and cash equivalents (excluding a €6.2 million decrease due to FX).

Operating Activities. Net cash provided by our operating activities decreased €13.0 million, from €1,162.8 million during 2010 to €1,149.8 million during 2011. This decrease 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 in cash provided due to higher cash payments for interest, (iii) an increase in the reported net cash provided by operating activities due to FX and (iv) a decrease in cash provided due to higher cash payments for taxes.

Investing Activities. Net cash used by our investing activities increased €567.9 million, from €801.7 million during 2010 to €1,369.6 million during 2011. This increase in cash used is due primarily to the net effect of (i) an increase in cash used associated with higher cash paid in connection with acquisitions of €600.5 million and (ii) a decrease in cash used associated with lower capital expenditures of €14.4 million. Capital expenditures decreased from €796.0 million during 2010 to €781.6 million during 2011, due to a net decrease in the local currency capital expenditures of our subsidiaries, which was only partially offset by an increase due to FX and an increase due to acquisitions.

As further discussed and quantified below, the capital expenditures that we report in our consolidated cash flow statements do not include amounts that are financed under vendor financing or capital lease arrangements. Instead, these expenditures are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and as repayments of debt when the principal is repaid.

UPC Europe accounted for €663.6 million and €659.3 million of our consolidated capital expenditures during 2011 and 2010, respectively. These amounts exclude €74.6 million and €5.9 million, respectively, of capital additions that were financed under vendor financing or capital lease arrangements. The increase in the capital expenditures of UPC Europe (excluding the estimated impact of capital additions financed under vendor financing or capital lease arrangements) is due primarily to the net effect of (i) an increase 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) an increase in expenditures for support capital such as information technology upgrades and general support systems. During 2011 and 2010, UPC Europe's capital expenditures represented 19.7% and 21.0%, respectively, of its revenue.

VTR accounted for €118.0 million and €136.7 million of our consolidated capital expenditures during 2011 and 2010, respectively. The decrease in the capital expenditures of VTR is due primarily to the net effect of (i) a decrease in expenditures for the purchase and installation of customer premises equipment, (ii) a decrease in expenditures for new build and upgrade projects, (iii) an increase in expenditures for support capital, such as information technology upgrades and general support systems, and (iv) an increase due to FX. During 2011 and 2010, VTR's capital expenditures represented 18.5% and 22.7%, respectively, of its revenue.

We expect the percentage of revenue represented by our aggregate 2012 capital expenditures (excluding the estimated impact of capital additions to be financed under vendor financing and/or capital lease arrangements) to decline as compared to 2011, with the 2012 percentage expected to range from (i) 15% to 17% for UPC Europe and (ii) 20% to 22% for VTR. The actual amount of the 2012 capital expenditures of UPC Europe and VTR may vary from expected amounts for a variety of reasons, including (i) changes in (a) the competitive or regulatory environment, (b) business plans or (c) our current or expected future operating results, and (ii) the availability of sufficient capital. Accordingly, no assurance can be given that our actual capital expenditures will not vary materially from our expectations.

Financing Activities. Net cash provided by our financing activities was €229.4 million during 2011, compared to net cash used by our financing activities of €406.3 million during 2010. This change is due primarily to the net effect of (i) an increase in cash related to higher net borrowings of third-party debt of €881.2 million and (ii) a decrease in cash related to higher net repayments of the shareholder loan of €219.5 million.

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 existing cash and cash equivalents (excluding an €8.6 million increase due to FX) to fund net cash used by our investing activities of €801.7 million, 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 in cash provided 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 in cash provided 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 in cash used associated

with cash received during the 2010 period in connection with the disposition of a discontinued operation of €118.5 million, and (ii) a decrease in cash used due to lower capital expenditures of €57.9 million. Capital expenditures decreased from €853.9 million during 2009 to €796.0 million during 2010, as a net decrease in the local currency capital expenditures of our subsidiaries, was only partially offset by a decrease 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, excluding the impact of capital lease additions, is due primarily to the net 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 €136.7 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, (iv) an increase in expenditures related to the construction of VTR's wireless network and (v) an increase in expenditures for new build and upgrade projects. During 2010 and 2009, VTR's capital expenditures represented 22.7% and 22.4%, respectively, of its revenue.

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 due primarily to the net effect of (i) an increase in cash used related to higher net repayments of debt and capital lease obligations of €526.4 million, (ii) a decrease in cash used related to lower net repayments of the shareholder loan of €364.1 million and (iii) a decrease in cash used related to lower payments for financing costs and debt premiums of €17.2 million.

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 relation to our financial position or results of operations.

Contractual Commitments

As of December 31, 2011, the euro equivalents (based on December 31, 2011 exchange rates) of the consolidated contractual commitments of our continuing operations are as follows:

	Payments due during:						
	2012	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Total**
				in millions			
Debt (excluding interest):							
Third party	€ 77.3	€ 44.9	€ 532.2	€ 290.7	€ 2,240.8	€ 5,890.2	€ 9,076.1
Related party	—	—	—	—	—	8,693.8	8,693.8
Capital leases (excluding interest)	3.5	1.9	1.4	1.2	1.4	16.9	26.3
Operating leases	73.7	46.4	34.2	27.9	20.3	66.5	269.0
Programming obligations	87.3	37.0	17.6	17.3	17.3	17.1	193.6
Other commitments	197.3	48.1	34.4	34.7	20.4	57.2	392.1
Total (a)	€ 439.1	€ 178.3	€ 619.8	€ 371.8	€ 2,300.2	€ 14,741.7	€18,650.9
Projected cash interest payments on debt and capital lease obligations (b)	€ 470.8	€ 554.2	€ 557.2	€ 541.0	€ 563.2	€ 1,197.1	€ 3,883.5

(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2011 balance sheet other than debt and capital lease obligations. Our liability for uncertain tax positions in the various jurisdictions in which we operate (€8.1 million at December 31, 2011) has been excluded from the table as the amount and timing of any related payments are not subject to reasonable estimation.

(b) Amounts are based on interest rates and contractual maturities in effect as of December 31, 2011. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. In addition, 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 service to a portion of our subscribers or dispose of a portion of our distribution 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. In this regard, during 2011, 2010 and 2009, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €467.0 million, €423.1 million and €368.3 million, respectively.

Other commitments also include (i) satellite commitments associated with satellite carriage services provided to our company, (ii) purchase obligations associated with commitments to purchase customer premises and other equipment that are enforceable and legally binding on us and (iii) certain fixed minimum contractual commitments associated with our agreements with franchise or municipal authorities. Commitments arising from acquisition agreements 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. For information concerning projected cash flows associated with these derivative instruments, see *Projected Cash Flows Associated with Derivatives* below. For information concerning our derivative instruments, including the net cash paid or received in connection with these instruments during 2011, 2010 and 2009, see note 6 to our consolidated financial statements.

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.

Projected Cash Flows Associated with Derivatives

The following table provides information regarding the projected cash flows associated with our derivative instruments. The euro equivalents presented below are based on interest rates and exchange rates that were in effect as of December 31, 2011. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. For additional information regarding our derivative instruments, see note 6 to our consolidated financial statements.

	Payments (receipts) due during:						
	Year ended December 31,						
	2012	2013	2014	2015	2016	Thereafter	Total
	in millions						
Projected derivative cash payments (receipts), net:							
Interest-related (a)	€ 249.0	€ 323.9	€ 322.8	€ 77.1	€ 128.5	€ (34.2)	€ 1,067.1
Principal-related (b)	23.0	—	280.5	14.2	53.2	(37.5)	333.4
Other	(1.0)	—	—	—	(1.2)	(27.2)	(29.4)
Total	€ 271.0	€ 323.9	€ 603.3	€ 91.3	€ 180.5	€ (98.9)	€ 1,371.1

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(a) Includes the cash flows of (i) our interest rate swap instruments and (ii) the interest-related cash flows of our cross-currency and cross-currency interest rate swap instruments.

(b) Includes the principal-related cash flows of our cross-currency and cross-currency interest rate swap instruments.

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 2 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 88% of our total assets at December 31, 2011.

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 make a qualitative assessment to determine if goodwill may be impaired. If it is more likely than not that a reporting unit's fair value is less than its carrying value, we then 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.

When required, considerable management judgment is necessary to estimate the fair value of reporting units and underlying long-lived and indefinite-lived assets. We typically determine fair value using an income-based 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. Based on the results of our 2011 qualitative assessment of our reporting unit carrying values, we determined that it was more likely than not that fair value exceeded carrying value for all but one of our reporting units.

During 2011, 2010 and 2009, we recorded impairments of our property and equipment and intangible assets (including goodwill) aggregating €6.3 million, €0.7 million and €84.7 million, respectively. The 2009 amount is primarily due to a goodwill impairment recorded in June 2009 with respect to our Romanian reporting unit.

In the case of certain of our smaller reporting units, including our broadband communications operations in Hungary and the Czech Republic, a hypothetical 20% to 30% decline in the fair value of any of these reporting units could result in the need to record a goodwill impairment charge. At December 31, 2011, the goodwill associated with these reporting units aggregated €572.8 million. If a goodwill impairment charge were to be required for all of these reporting units, a hypothetical 20% and 30% decrease in the implied fair value of goodwill would lead to an estimated aggregate impairment charge of €114.6 million and €171.8 million, respectively, based on December 31, 2011 exchange rates. If, among other factors, (i) LGI's equity values were to decline significantly, or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

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, and certain warehouse-related costs. 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 2011, 2010 and 2009 was €970.2 million, €974.0 million and €1,048.5 million, respectively. A 10% increase in the aggregate amount of the depreciation and amortization expense of our continuing operations during 2011 would have resulted in a €97.0 million or 10.6% decrease in our 2011 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, each of which are carried at fair value. We use (i) cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments and (ii) a binomial option pricing model to determine the fair values

of our equity-related derivative instruments. We use quoted market prices when available and, when not available, we use a combination of an income approach (discounted cash flows) and a market approach (market multiples of similar businesses) to determine the fair value of our fair value method investments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments and fair value method investments, see notes 6 and 7 to our consolidated financial statements.

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 2011, 2010 and 2009, our continuing operations included net losses of €13.1 million, €813.3 million and €642.8 million, respectively, attributable to changes in the fair value of these items.

As further described in note 7 to our consolidated financial statements, actual amounts received or paid upon the settlement of our derivative instruments or disposal of our fair value method investments may differ materially from the recorded fair values at December 31, 2011.

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 or reproduction 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 3, 7 and 8 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, 2011, the aggregate valuation allowance provided against deferred tax assets was €1,495.7 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, 2011 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, 2011, the amount of unrecognized tax benefits for financial reporting purposes, but taken or expected to be taken on tax returns, was €19.0 million, of which €16.0 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.

We have potential tax liabilities related to withholding taxes that could arise upon the reversal of temporary differences in investments in certain foreign subsidiaries. We do not recognize the tax liabilities associated with these withholding taxes as the taxes could be offset by foreign tax credits, subject to limitations, and it is impractical to estimate the amount. If our plans or intentions change in the future due to liquidity or other relevant considerations, we could decide that it would be prudent to repatriate significant funds or other assets from one or more of our subsidiaries, even though we would incur a tax liability in connection with any such repatriation. If our plans or intentions were to change in this manner, the recognition of all or a part of these taxes could have an adverse impact on our consolidated income tax expense or benefit and net earnings or loss.

For additional information concerning our income taxes, see note 10 to our consolidated financial statements.

Management and Principal Shareholder

The managing director of UPC Holding B.V. is Liberty Global Europe Management B.V., which is an indirect subsidiary of LGI. The address for the managing director is Boeing Avenue 53, 1119 PE Schiphol-Rijk, the Netherlands. The managing director is authorized to conduct the day to day business of the issuer and its subsidiaries within the governance of LGI and its subsidiaries.