UPC HOLDING B.V.

Consolidated Financial Statements
December 31, 2012

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 financial statements of UPC Holding B.V. (a B.V. registered in the Netherlands) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive loss, owners' deficit, and cash flows for the years ended December 31, 2012, 2011 and 2010, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years ended December 31, 2012, 2011, and 2010, in accordance with U.S. generally accepted accounting principles.

Amstelveen, the Netherlands, March 19, 2013

KPMG ACCOUNTANTS N.V.

UPC HOLDING B.V.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2012	2011
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 58.3	€ 126.5
Trade receivables, net	439.9	419.3
Deferred income taxes (note 9)	19.2	76.6
Derivative instruments (note 5)	144.3	117.2
Prepaid expenses	31.2	31.7
Other current assets (note 12)	111.7	121.5
Total current assets	804.6	892.8
Investments (including €21.7 million and €21.3 million, respectively, measured at fair value) (note 4)	22.9	23.3
Property and equipment, net (note 7)	4,196.4	4,109.3
Goodwill (note 7)	5,617.3	5,509.3
Intangible assets subject to amortization, net (note 7)	315.0	406.0
Other assets, net (notes 5, 7, 9 and 12)	476.9	469.2
Total assets	€ 11,433.1	€ 11,409.9

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

UPC HOLDING B.V.

CONSOLIDATED BALANCE SHEETS — (Continued)

	December 31, 2012	December 31, 2011
	in millions	
LIABILITIES AND OWNERS' DEFICIT		
Current liabilities:		
Accounts payable (note 12)	€ 284.1	€ 275.7
Accrued and other liabilities (notes 9 and 12)	584.6	538.2
Deferred revenue and advance payments from subscribers and others	418.3	429.0
Accrued interest	156.6	135.4
Derivative instruments (note 5)	367.8	395.7
Current portion of debt and capital lease obligations (note 8)	85.4	80.8
Total current liabilities	1,896.8	1,854.8
Long-term debt and capital lease obligations (note 8):		
Third-party	9,508.3	8,964.6
Related-party (note 12)	8,727.5	8,693.8
Derivative instruments (note 5)	1,466.8	1,199.1
Other long-term liabilities (notes 9 and 12)	217.4	226.8
Total liabilities	21,816.8	20,939.1
Commitments and contingencies (notes 5, 8 and 15)		
Owners' deficit (notes 10 and 14):		
Parent's deficit:		
Distributions and accumulated losses in excess of contributions	(11,138.0)	(10,219.7)
Accumulated other comprehensive earnings, net of taxes	583.7	536.0
Total parent's deficit	(10,554.3)	(9,683.7)
Noncontrolling interests	170.6	154.5
Total owners' deficit	(10,383.7)	(9,529.2)
Total liabilities and owners' deficit	€ 11,433.1	€ 11,409.9

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2012	2011	2010
		in millions	
Revenue (note 12)	€ 4,271.6	€ 4,013.3	€ 3,739.9
Operating costs and expenses:			
Operating (other than depreciation and amortization) (including stock-based compensation) (notes 11 and 12)	1,508.6	1,441.2	1,368.1
Selling, general and administrative (SG&A) (including stock-based compensation) (notes 11 and 12)	706.9	654.8	613.6
Related-party fees and allocations, net (note 12)	(2.4)	5.9	18.1
Depreciation and amortization	1,037.3	970.2	974.0
Impairment, restructuring and other operating items, net (notes 3 and 13)	8.2	26.8	16.0
	3,258.6	3,098.9	2,989.8
Operating income	1,013.0	914.4	750.1
Non-operating income (expense):			
Interest expense:			
Third-party	(594.1)	(518.9)	(456.8)
Related-party (note 12)	(848.5)	(655.0)	(406.0)
Interest income (note 12)	5.5	4.3	5.1
Realized and unrealized losses on derivative instruments, net (note 5)	(559.7)	(3.6)	(813.5)
Foreign currency transaction gains (losses), net	197.9	(270.5)	47.8
Realized and unrealized gains (losses) due to changes in fair values of certain investments, net (notes 4 and 6)	0.2	(9.5)	0.2
Losses on debt modification and extinguishment, net (note 8)	(12.7)	(11.7)	(17.8)
Other expense, net	(0.9)	(2.0)	(3.8)
	(1,812.3)	(1,466.9)	(1,644.8)
Loss before income taxes	(799.3)	(552.5)	(894.7)
Income tax benefit (expense) (note 9)	(86.2)	(241.4)	100.9
Net loss	(885.5)	(793.9)	(793.8)
Net earnings attributable to noncontrolling interests	(36.9)	(22.7)	(23.5)
Net loss attributable to parent	€ (922.4)	€ (816.6)	€ (817.3)

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,		
	2012	2011	2010
		in millions	
Net loss	€ (885.5)	€ (793.9)	€ (793.8)
Other comprehensive earnings, net of taxes:			
Foreign currency translation adjustments	44.3	45.3	484.5
Other	8.9	(11.6)	(1.5)
Other comprehensive earnings	53.2	33.7	483.0
Comprehensive loss	(832.3)	(760.2)	(310.8)
Comprehensive earnings attributable to noncontrolling interests	(42.4)	(14.4)	(43.2)
Comprehensive loss attributable to parent	€ (874.7)	€ (774.6)	€ (354.0)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings, net of taxes	Total parent's deficit	Non-controlling 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 14)	—	463.3	463.3	19.7	483.0
Stock-based compensation (note 11)	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 11 and 12)	(39.8)	—	(39.8)	—	(39.8)
Balance at December 31, 2010	€ (9,441.7)	€ 494.0	€ (8,947.7)	€ 177.4	€ (8,770.3)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF 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	Non-controlling 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 14)	—	42.0	42.0	(8.3)	33.7
Stock-based compensation (note 11)	13.3	—	13.3	—	13.3
Distributions by subsidiaries to noncontrolling interest owners (note 10)	—	—	—	(37.3)	(37.3)
Capital charge in connection with exercise of LGI stock incentive awards (notes 11 and 12)	(37.4)	—	(37.4)	—	(37.4)
Contribution from related-party (note 12)	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 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	Non-controlling interests	Total owners' deficit
			in millions		
Balance at January 1, 2012	€ (10,219.7)	€ 536.0	€ (9,683.7)	€ 154.5	€ (9,529.2)
Net loss	(922.4)	—	(922.4)	36.9	(885.5)
Other comprehensive earnings, net of taxes	—	47.7	47.7	5.5	53.2
Stock-based compensation (note 11)	15.2	—	15.2	—	15.2
Distributions by subsidiaries to noncontrolling interest owners (note 10)	—	—	—	(26.3)	(26.3)
Capital charge in connection with exercise of LGI stock incentive awards (notes 11 and 12)	(25.7)	—	(25.7)	—	(25.7)
Property and equipment contributed by parent company (note 7)	10.2	—	10.2	—	10.2
Adjustments due to changes in subsidiaries' equity and other, net	4.4	—	4.4	—	4.4
Balance at December 31, 2012	€ (11,138.0)	€ 583.7	€ (10,554.3)	€ 170.6	€ (10,383.7)

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,		
	2012	2011	2010
		in millions	
Cash flows from operating activities:			
Net loss	€ (885.5)	€ (793.9)	€ (793.8)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Stock-based compensation expense	17.8	13.5	17.3
Related-party fees and allocations, net	(2.4)	5.9	18.1
Depreciation and amortization	1,037.3	970.2	974.0
Impairment, restructuring and other operating items, net	8.2	26.8	16.0
Non-cash interest on shareholder loan	848.5	655.0	406.0
Amortization of deferred financing costs and non-cash interest accretion	21.0	11.6	21.5
Realized and unrealized losses on derivative instruments, net	559.7	3.6	813.5
Foreign currency transaction losses (gains), net	(197.9)	270.5	(47.8)
Realized and unrealized losses (gains) due to changes in fair values of certain investments, net	(0.2)	9.5	(0.2)
Losses on debt modification and extinguishment, net	12.7	11.7	17.8
Deferred income tax expense (benefit)	43.6	212.3	(117.7)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:			
Receivables and other operating assets	677.2	466.0	302.8
Payables and accruals	(902.7)	(712.9)	(464.7)
Net cash provided by operating activities	1,237.3	1,149.8	1,162.8
Cash flows from investing activities:			
Capital expenditures	(723.8)	(781.6)	(796.0)
Cash paid in connection with acquisitions, net of cash acquired	(41.6)	(603.4)	(2.9)
Other investing activities, net	4.1	15.4	(2.8)
Net cash used by investing activities	€ (761.3)	€ (1,369.6)	€ (801.7)

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,		
	2012	2011	2010
		in millions	
Cash flows from financing activities:			
Borrowings of third-party debt	€ 1,413.7	€ 3,197.7	€ 1,437.0
Repayments and repurchases of third-party debt and capital lease obligations	(914.1)	(2,368.2)	(1,488.7)
Net repayments of related-party debt	(992.4)	(497.0)	(277.5)
Equity contributions from related-party	—	61.0	—
Change in cash collateral	49.6	(49.1)	—
Net cash received (paid) related to derivative instruments	(54.6)	(40.8)	2.0
Distributions by subsidiaries to noncontrolling interest owners	(26.6)	(37.5)	(26.1)
Payments of financing costs and debt premiums	(17.7)	(28.4)	(44.2)
Other financing activities, net	(9.1)	(8.3)	(8.8)
Net cash provided (used) by financing activities	(551.2)	229.4	(406.3)
Effect of exchange rate changes on cash	7.0	(6.2)	8.6
Net increase (decrease) in cash and cash equivalents	(68.2)	3.4	(36.6)
Cash and cash equivalents:			
Beginning of period	126.5	123.1	159.7
End of period	€ 58.3	€ 126.5	€ 123.1
Cash paid for interest	€ 553.2	€ 479.3	€ 384.8
Net cash paid for taxes	€ 30.2	€ 31.1	€ 9.4

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 B.V. (Liberty Global Europe). Liberty Global Europe is a wholly-owned subsidiary of Liberty Global, Inc. (LGI). In these notes, 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 operations at December 31, 2012 in nine European countries and in Chile. Our European broadband communications and direct-to-home satellite (DTH) operations are collectively referred to as "UPC Europe."

Our broadband communications operations in Chile are provided through our 80%-owned subsidiary, VTR Global Com SA (VTR). In May 2012, VTR Wireless SA (VTR Wireless), an 80%-owned subsidiary of LGI that is outside of UPC Holding, began offering mobile services in Chile through a combination of its own wireless network and certain third-party wireless access arrangements. All references to VTR in these consolidated financial statements exclude the operations and financial position of VTR Wireless.

Unless otherwise indicated, ownership percentages and convenience translations into euros are calculated as of December 31, 2012.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 19, 2013, 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 restricted accounts, including cash held as collateral for debt and other compensating balances. Restricted cash amounts that are required to be used to purchase long-term assets or repay long-term debt are classified as long-term assets. All other cash that is restricted to a specific use is classified as current or long-term based on the expected timing of the disbursement. At December 31, 2012 and 2011, our aggregate current and long-term restricted cash balances aggregated €0.5 million and €51.3 million, respectively.

Our significant non-cash investing and financing activities are disclosed in our consolidated statements of owners' deficit and in notes 3, 7 and 8.

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €50.2 million and €82.0 million at December 31, 2012 and 2011, 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 do not elect 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 statements 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 4 and 6.

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, 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 4, 5 and 8, respectively. For information concerning how we arrive at certain of our fair value measurements, see note 6.

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 statements of operations when the hedged forecasted transaction affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative 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 statements of cash flows, see note 5.

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 7.

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, 2012 and 2011, the recorded value of our asset retirement obligations was €15.9 million and €15.1 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 finite 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 7.

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, 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 (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) 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 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 value of the reporting unit to its respective carrying amount. 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 statements 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 statements 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 statements 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 statements 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 sheets related to these non-functional currency transactions result in transaction gains and losses that are reflected in our consolidated statements 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.

Sale of Multiple Products and Services. We sell video, broadband internet and telephony services to our customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Revenue from bundled packages generally is allocated proportionally to the individual services based on the relative standalone price for each respective service.

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 incentive awards 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 additional information regarding our stock-based compensation, see note 11.

Litigation Costs

Legal fees and related litigation costs are expensed as incurred.

(3) 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 items in our consolidated statement of operations. 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.

The approval of the Aster Acquisition by the regulatory authority in Poland was conditioned upon our agreement to dispose of certain sections of Aster’s network on or before March 5, 2013. On March 5, 2013, two subsidiaries of UPC Holding entered into a preliminary agreement with a third-party purchaser (Netia S.A.) under which UPC Holding's Polish subsidiary will (via a demerger) transfer the relevant sections of Aster's network into two special purpose vehicles and then sell these special purpose vehicles to Netia S.A. (the Aster Disposal). Completion of the Aster Disposal is subject to the approval of the Polish regulatory authority and completion of the demerger, which is expected during the second quarter of 2013. If, however, the Polish regulatory authority does not approve the Aster Disposal, we will be required to find an alternative purchaser and will not have met the deadline to satisfy this condition. In this case, we may be subject to fines or penalties or, in the most extreme and we believe unlikely case, the Polish regulatory authority could require us to dispose of the entire Aster network. Although unlikely, a forced disposition of the entire Aster network would be highly disruptive to our operations in Poland and would likely have an adverse impact on our results of operations and financial condition, the extent of which would depend on the relationship between the value we would receive in exchange for the Aster network and our then investment in the Aster network.

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.

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.

(4) Investments

The details of our investments are set forth below:

Accounting Method	December 31, 2012	December 31, 2011
	in millions	
Fair value	€ 21.7	€ 21.3
Equity	0.9	1.6
Cost	0.3	0.4
Total	€ 22.9	€ 23.3

(5) 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 Swiss franc (CHF), the Chilean peso (CLP), the Czech koruna (CZK), the British pound sterling (£), the Hungarian forint (HUF), the Polish zloty (PLN), the Romanian lei (RON) and the U.S. dollar ($). We generally do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of most of our derivative instruments are recorded in realized and unrealized gains or 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, 2012			December 31, 2011		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (b)	€ 143.0	€ 295.6	€ 438.6	€ 115.0	€ 312.2	€ 427.2
Foreign currency forward contracts	0.5	0.3	0.8	1.5	0.2	1.7
Embedded derivatives	0.8	0.8	1.6	0.7	0.3	1.0
Total	€ 144.3	€ 296.7	€ 441.0	€ 117.2	€ 312.7	€ 429.9
Liabilities:						
Cross-currency and interest rate derivative contracts (b)	€ 365.7	€ 1,463.6	€ 1,829.3	€ 394.9	€ 1,195.9	€ 1,590.8
Foreign currency forward contracts	1.8	2.7	4.5	0.1	2.1	2.2
Embedded derivatives	0.3	0.5	0.8	0.7	1.1	1.8
Total	€ 367.8	€ 1,466.8	€ 1,834.6	€ 395.7	€ 1,199.1	€ 1,594.8

(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, 2012 and 2011, (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 €8.5 million and €34.6 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 €102.5 million and €188.5 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 net gains (losses) of (€60.2 million), €27.5 million and €73.9 million during 2012, 2011 and 2010, 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 6.

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

	Year ended December 31,		
	2012	2011	2010
		in millions	
Cross-currency and interest rate derivative contracts	€ (559.1)	€ 5.5	€ (808.7)
Foreign currency forward contracts	(3.4)	(9.0)	(6.2)
Embedded derivatives	2.8	(0.1)	1.4
Total	€ (559.7)	€ (3.6)	€ (813.5)

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 classification of these cash inflows (outflows) are as follows:

	Year ended December 31,		
	2012	2011	2010
		in millions	
Operating activities	€ (282.0)	€ (278.2)	€ (279.4)
Financing activities	(54.6)	(40.8)	2.0
Total	€ (336.6)	€ (319.0)	€ (277.4)

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 our counterparties do not post collateral or other security, nor have we entered into master netting arrangements with any of our counterparties. At December 31, 2012, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €441.0 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, 2012 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 B.V. (UPC Broadband Holding), a subsidiary of UPC Holding:						
November 2019	$	500.0	€	362.9	7.25%	7.74%
October 2020	$	300.0	€	219.1	6 mo. LIBOR + 3.00%	6 mo. EURIBOR + 3.04%
October 2017	$	200.0	€	145.7	6 mo. LIBOR + 3.50%	6 mo. EURIBOR + 3.33%
January 2020	$	197.5	€	150.5	6 mo. LIBOR + 4.92%	6 mo. EURIBOR + 4.91%
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%
July 2020	€	107.4	CHF	129.0	6 mo. EURIBOR + 3.00%	6 mo. CHF LIBOR + 3.28%
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%

(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, 2012, we present a single date that represents the applicable final maturity date. For derivative

instruments that become effective subsequent to December 31, 2012, 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, 2012 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%
September 2014 — January 2020	$	327.5	€	249.5	6 mo. LIBOR + 4.92%	7.52%
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	$	296.6	€	219.8	6 mo. LIBOR + 3.50%	6.75%
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%
January 2020	$	225.0	CHF	206.3	6 mo. LIBOR + 4.81%	5.44%
December 2014	$	340.0	CLP	181,322.0	6 mo. LIBOR + 1.75%	8.76%
December 2016	$	201.5	RON	489.3	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	$	446.5	CLP	247,137.8	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, 2012, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2012, 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, 2012 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 2013 — January 2014	$	1,300.0	1 mo. LIBOR + 3.49%	6 mo. LIBOR + 3.32%
January 2013	$	1,043.0	1 mo. LIBOR + 3.23%	6 mo. LIBOR + 3.03%
July 2020	$	1,000.0	6.63%	6 mo. LIBOR + 3.03%
January 2022	$	750.0	6.88%	6 mo. LIBOR + 4.89%
January 2013 — January 2014	€	2,750.0	1 mo. EURIBOR + 3.76%	6 mo. EURIBOR + 3.52%
January 2013	€	2,720.0	1 mo. EURIBOR + 3.60%	6 mo. EURIBOR + 3.13%
December 2014	€	971.8	6 mo. EURIBOR	2.97%
July 2020	€	750.0	6.38%	6 mo. EURIBOR + 3.16%
January 2015 — January 2021	€	750.0	6 mo. EURIBOR	2.57%
July 2013 — December 2014	€	500.0	6 mo. EURIBOR	4.67%
January 2015 — December 2016	€	500.0	6 mo. EURIBOR	4.32%
July 2014	€	337.0	6 mo. EURIBOR	3.94%
January 2015 — January 2023	€	290.0	6 mo. EURIBOR	2.79%
December 2015	€	263.3	6 mo. EURIBOR	3.97%
January 2023	€	210.0	6 mo. EURIBOR	2.88%
January 2014	€	185.0	6 mo. EURIBOR	4.04%
January 2015 — January 2018	€	175.0	6 mo. EURIBOR	3.74%
July 2020	€	171.3	6 mo. EURIBOR	4.32%
January 2015 — July 2020	€	171.3	6 mo. EURIBOR	3.95%
January 2015 — November 2021	€	107.0	6 mo. EURIBOR	2.89%
December 2013	€	90.5	6 mo. EURIBOR	0.90%
December 2014	CHF	2,380.0	6 mo. CHF LIBOR	2.81%
January 2015 — January 2022	CHF	711.5	6 mo. CHF LIBOR	1.89%
January 2015 — January 2021	CHF	500.0	6 mo. CHF LIBOR	1.65%
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	61,500.0	6.77%	6 mo TAB
VTR:				
July 2013	CLP	61,500.0	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, 2012, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2012, we present a range of dates that represents the period covered by the applicable derivative instrument.

Interest Rate Cap

Our sold interest rate cap contract with respect to EURIBOR is detailed below:

Subsidiary / Final maturity date (a)	December 31, 2012		
		Notional amount	EURIBOR cap rate
		in millions	
Interest rate cap sold (b):			
UPC Broadband Holding:			
January 2015 — January 2020	€	735.0	7.00%

(a) As this derivative instrument becomes effective subsequent to December 31, 2012, we present a range of dates that represents the period covered by the derivative instrument.

(b) Our sold interest rate cap requires that we make payments to the counterparty when EURIBOR exceeds the EURIBOR cap rate.

Interest Rate Collars

Our interest rate collar contracts establish floor and cap rates with respect to EURIBOR on the indicated notional amounts, as detailed below:

Subsidiary / Final maturity date (a)	December 31, 2012			
		Notional amount	EURIBOR floor rate (b)	EURIBOR cap rate (c)
		in millions		
UPC Broadband Holding:				
January 2015 — January 2020	€	1,135.0	1.00%	3.54%

(a) As this derivative instrument becomes effective subsequent to December 31, 2012, we present a range of dates that represents the period covered by the derivative instrument.

(b) We make payments to the counterparty when EURIBOR is less than the EURIBOR floor rate.

(c) We receive payments from the counterparty when EURIBOR is greater than the EURIBOR cap rate.

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, 2012	
	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, 2012:

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	$	1.3	CZK	23.6	January 2013 — May 2013
UPC Broadband Holding	€	44.8	CHF	53.8	January 2013 — December 2013
UPC Broadband Holding	€	8.3	CZK	209.9	January 2013 — September 2013
UPC Broadband Holding	€	13.0	HUF	3,825.0	January 2013 — September 2013
UPC Broadband Holding	€	36.7	PLN	155.4	January 2013 — September 2013
UPC Broadband Holding	£	2.7	€	3.4	January 2013 — September 2013
UPC Broadband Holding	CHF	75.0	€	62.1	January 2013
UPC Broadband Holding	CZK	260.0	€	10.4	January 2013
UPC Broadband Holding	HUF	7,000.0	€	24.1	January 2013
UPC Broadband Holding	PLN	107.0	€	26.2	January 2013
UPC Broadband Holding	RON	35.0	€	7.9	January 2013
VTR	$	29.9	CLP	15,078.8	January 2013 — November 2013

(6) 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, 2012 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 Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During 2012, no such transfers were made.

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. Any reasonably foreseeable changes in assumed levels of unobservable inputs would not be expected to have a material impact on our financial position or results of operations.

As further described in note 5, 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 5.

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 and discount rate 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. We performed nonrecurring fair value measurements in connection with the Aster Acquisition during the third quarter of 2011 that included a valuation of the acquired Aster customer relationships. The discount rate used to value these customer relationships was 10%. For additional information, see note 3.

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

Description	December 31, 2012	Fair value measurements at December 31, 2012 using: Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		in millions	
Assets:			
Derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 438.6	€ 438.6	€ —
Foreign currency forward contracts	0.8	0.8	—
Embedded derivatives	1.6	1.6	—
Total derivative instruments	441.0	441.0	—
Investments	21.7	—	21.7
Total assets	€ 462.7	€ 441.0	€ 21.7
Liabilities - derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 1,829.3	€ 1,829.3	€ —
Foreign currency forward contracts	4.5	4.5	—
Embedded derivatives	0.8	0.8	—
Total liabilities	€ 1,834.6	€ 1,834.6	€ —

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	€ 1,594.8	€ 1,594.8	€ —

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, 2012	€	21.3
Net gain (a)		0.2
Foreign currency translation adjustments and other, net		0.2
Balance at December 31, 2012	€	21.7

(a) The net gain recognized during 2012, which is included in other expense, net, in our consolidated statement of operations, relates to investments that we continue to carry on our consolidated balance sheet as of December 31, 2012.

(7) 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, 2012	December 31, 2012	December 31, 2011
		in millions	
Distribution systems	4 to 30 years	€ 5,331.8	€ 5,597.9
Customer premises equipment	3 to 5 years	2,012.4	1,916.4
Support equipment, buildings and land	3 to 40 years	931.7	1,023.9
		8,275.9	8,538.2
Accumulated depreciation		(4,079.5)	(4,428.9)
Total property and equipment, net		€ 4,196.4	€ 4,109.3

Depreciation expense related to our property and equipment was €921.3 million, €864.8 million and €842.2 million during 2012, 2011 and 2010, respectively.

At December 31, 2012 and 2011, the amount of property and equipment, net, recorded under capital leases was €32.2 million and €24.0 million, respectively. Most of these amounts relate to assets included in our distribution systems category. Depreciation of assets under capital leases is included in depreciation and amortization in our consolidated statements of operations.

During 2012, 2011, and 2010 we recorded non-cash increases to our property and equipment related to (i) assets acquired under capital leases of €1.9 million, €1.4 million and €5.9 million, respectively, and (ii) vendor financing arrangements of €81.5 million, €73.2 million and nil, respectively. Furthermore, during 2012, we recorded non-cash increases to our property and equipment aggregating €120.5 million related to assets acquired on our behalf by Liberty Global Europe B.V. (LG Europe), a subsidiary of LGI outside of UPC Holding, including €79.1 million acquired pursuant to vendor financing and capital lease arrangements of LG Europe. The transfer of these assets to our company was settled during 2012 through (i) a €110.3 million increase to the shareholder loan payable, as further described in note 8, and (ii) a €10.2 million non-cash contribution from our parent company, as further described in note 12.

Goodwill

Changes in the carrying amount of our goodwill during 2012 are set forth below:

	January 1, 2012	Acquisitions and related adjustments	Foreign currency translation adjustments	December 31, 2012
	in millions			
UPC Europe:				
The Netherlands	€ 912.1	€ 2.2	€ —	€ 914.3
Switzerland	2,335.4	0.8	18.7	2,354.9
Other Western Europe	781.6	—	(0.1)	781.5
Total Western Europe	4,029.1	3.0	18.6	4,050.7
Central and Eastern Europe	1,083.5	—	60.4	1,143.9
Total UPC Europe	5,112.6	3.0	79.0	5,194.6
VTR (Chile)	396.7	—	26.0	422.7
Total	€ 5,509.3	€ 3.0	€ 105.0	€ 5,617.3

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, 2012 and December 31, 2011 and based on exchange rates as of those dates, the amount of our accumulated goodwill impairments was €174.9 million and €179.7 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 2011 are set forth below:

	January 1, 2011	Acquisitions and related adjustments	Foreign currency translation adjustments	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

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, 2012	December 31, 2012			December 31, 2011		
		Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
		in millions					
Customer relationships	4 to 15 years	€ 943.3	€ (636.8)	€ 306.5	€1,110.2	€ (720.2)	€ 390.0
Other	2 to 15 years	19.6	(11.1)	8.5	20.8	(4.8)	16.0
Total		€ 962.9	€ (647.9)	€ 315.0	€1,131.0	€ (725.0)	€ 406.0

Amortization of intangible assets with finite useful lives was €116.0 million, €105.4 million and €131.8 million during 2012, 2011 and 2010, respectively. Based on our amortizable intangible asset balances at December 31, 2012, 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, 2012 exchange rates (in millions):

2013	€ 91.8
2014	81.9
2015	61.5
2016	27.2
2017	25.2
Thereafter	27.4
Total	€ 315.0

Indefinite-lived Intangible Assets

At December 31, 2012 and 2011, indefinite-lived intangible assets aggregating €21.0 million and €22.2 million, respectively, were included in other assets, net, in our consolidated balance sheets.

(8) Debt and Capital Lease Obligations

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

	December 31, 2012		Estimated fair value (c)		Carrying value (d)	
			December 31,		December 31,	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	2012	2011	2012	2011
			in millions			
Third-party debt:						
Parent - UPC Holding Senior Notes	8.24%	€ —	€ 2,417.2	€ 1,648.9	€ 2,202.0	€ 1,607.9
Subsidiaries:						
UPC Broadband Holding Bank Facility	3.85%	1,078.1	4,163.4	4,529.9	4,142.5	4,737.1
UPCB SPE Notes	6.88%	—	3,411.6	2,540.8	3,140.9	2,596.6
Vendor financing (e)	3.75%	—	82.9	77.1	82.9	77.1
Other	6.60%	—	0.2	0.4	0.2	0.4
Total third-party debt	5.86%	1,078.1	€ 10,075.3	€ 8,797.1	9,568.5	9,019.1
Related-party debt (note 12):						
Shareholder loan (f)	9.79%	—	(g)	(g)	8,712.3	8,693.8
Other (h)	9.29%	—	(g)	(g)	15.2	—
Total related-party debt	9.79%	—			8,727.5	8,693.8
Total debt	7.73%	€ 1,078.1			18,296.0	17,712.9
Capital lease obligations					25.2	26.3
Total debt and capital lease obligations					18,321.2	17,739.2
Current maturities					(85.4)	(80.8)
Long-term debt and capital lease obligations					€ 18,235.8	€ 17,658.4

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(a) Represents the weighted average interest rate in effect at December 31, 2012 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 commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our aggregate third-party indebtedness was approximately 7.8% at December 31, 2012. For information concerning our derivative instruments, see note 5.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at December 31, 2012 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2012, our availability under the UPC Broadband Holding Bank Facility was limited to €467.7 million. When the relevant December 31, 2012 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €789.2 million.

(c) The estimated fair values of our debt instruments were determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy) or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models (mostly Level 2 of the fair value hierarchy). 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. For additional information concerning fair value hierarchies, see note 6.

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

(e) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are generally due within one year. At December 31, 2012 and 2011, the amounts owed pursuant to these arrangements include (i) €67.3 million and nil, respectively, related to third-party vendor financing obligations for which we and LG Europe are co-obligors, and (ii) €5.8 million and €9.0 million, respectively, of value-added taxes that were 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.

(f) 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 on January 1 of each year. The interest rate was 9.79%, 7.75% and 4.8% for the years ended December 31, 2012, 2011 and 2010, respectively. The net increase in the shareholder loan balance during 2012 includes (i) cash payments of €2,272.6 million, (ii) cash borrowings of €1,265.0 million, (iii) additions of €847.8 million in non-cash accrued interest, (iv) an increase of €110.3 million in non-cash settlement of related-party capital additions and (v) a €68.0 million non-cash increase related to the settlement of related-party charges and allocations. 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 million in non-cash accrued interest and (iv) a €26.6 million non-cash increase related to the settlement of related-party 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 related-party charges and allocations and (v) individually insignificant net non-cash decreases aggregating €8.0 million. During the three-year period ended December 31, 2012, none of the debt repayments were payments of interest.

(g) The fair values are not subject to reasonable estimation due to the related-party nature of these loans.

(h) Represents borrowings under a loan agreement between a subsidiary of LGI and UPC Equipment B.V., an unrestricted subsidiary of UPC Broadband Holding, as contemplated by the UPC Broadband Holding Bank Facility. This note bears interest at 9.29% as of December 31, 2012 and matures in March 2032. The interest rate on this note is reviewed annually, with adjustments effective on January 1 of each year. 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.

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 €100.0 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, 2012						
Facility	Final maturity date	Interest rate	Facility amount (in borrowing currency) (a)		Unused borrowing capacity (b)		Carrying value (c)	
					in millions			
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%	€	1,204.5		—		1,204.5
T	December 31, 2016	LIBOR + 3.50%	$	260.2		—		196.1
U	December 31, 2017	EURIBOR + 4.00%	€	750.8		—		750.8
V (d)	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		—		790.2
Y (d)	July 1, 2020	6.375%	€	750.0		—		750.0
Z (d)	July 1, 2020	6.625%	$	1,000.0		—		757.7
AA	July 31, 2016	EURIBOR + 3.25%	€	904.0		904.0		—
AC (d)	November 15, 2021	7.250%	$	750.0		—		568.3
AD (d)	January 15, 2022	6.875%	$	750.0		—		568.3
AE	December 31, 2019	EURIBOR + 3.75%	€	535.5		—		535.5
AF	January 31, 2021	LIBOR + 3.00% (e)	$	500.0		—		374.7
Elimination of Facilities V, Y, Z, AC and AD in consolidation (d)						—		(3,144.3)
Total					€	1,078.1	€	4,142.5

(a) Except as described in (d) below, amounts represent total third-party facility amounts at December 31, 2012 without giving effect to the impact of discounts.

(b) At December 31, 2012, our availability under the UPC Broadband Holding Bank Facility was limited to €467.7 million. When the relevant December 31, 2012 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €789.2 million. Facility Q, Facility W and Facility AA have commitment fees on unused and uncanceled balances of 0.75%, 1.2% and 1.3% per year, respectively.

(c) The carrying values of Facilities T and AF include the impact of discounts.

(d) As further discussed in the below description of the UPCB SPE Notes, the amounts outstanding under Facilities V, Y, Z, AC and AD are eliminated in our consolidated financial statements.

(e) Facility AF has a LIBOR floor of 1.00%.

Refinancing Transactions. During 2012, 2011 and 2010, 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.

2012 Transactions. 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 (the Rolling S 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 Liberty Global Services B.V.

(Liberty Global Services) (formerly known as UPC Broadband Operations B.V.), a wholly-owned subsidiary of UPC Broadband Holding, was the initial lender under the Additional Facility AE Accession Agreement and novated its Facility AE commitments to the Rolling S Lenders. We recognized a loss on debt modification of €1.5 million associated with the third-party costs incurred in connection with the execution of Facility AE.

On November 21, 2012, UPC Broadband Holding entered into a new additional facility accession agreement (the Additional Facility AF Accession Agreement) under the UPC Broadband Holding Bank Facility. Pursuant to the Additional Facility AF Accession Agreement, certain of the lenders under Facility AB (the Rolling AB Lenders) rolled their existing Facility AB commitments into a new term loan facility of $500.0 million (€378.9 million) (Facility AF). The Rolling AB Lenders novated their existing Facility AB commitments to Liberty Global Services and became lenders under the new Facility AF. Certain other new lenders (the New Lenders) agreed to make available commitments under Facility AF. The underwriters of Facility AF (the Underwriters) entered into cash novation certificates under the Additional Facility AF Accession Agreement on behalf of the New Lenders and the commitments thereunder were used to repay amounts outstanding under Facility AB. Liberty Global Services, the initial lender under Facility AF, novated its Facility AF commitment to the Rolling AB Lenders and to the Underwriters, as applicable. At any time during the twelve-month period that began on November 21, 2012, upon the occurrence of a voluntary prepayment of any or all of Facility AF, UPC Financing Partnership (UPC Financing) would be required 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 AF advance being prepaid, plus accrued and unpaid interest then due on the amount of the outstanding Facility AF advance prepaid to the date of prepayment. In connection with prepayment of Facility AB, we recognized a loss on debt extinguishment of €9.8 million associated with the write-off of deferred financing costs and an unamortized discount.

In addition, during the first quarter of 2012, 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 this refinancing transaction, we recognized losses on debt extinguishment aggregating €1.5 million, representing the write-off of deferred financing costs in connection with the prepayment of amounts outstanding under Facilities M, N and O with proceeds from the UPCB Finance VI Notes, as defined and described 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 Liberty Global Services, 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 (€22.7 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.

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 (€378.9 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 in connection with the prepayment of certain amounts outstanding under the UPC Broadband Holding Bank Facility with proceeds from certain of the UPCB SPE Notes.

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 Liberty Global Services 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 (€790.2 million)

under Facility N were rolled into Facility X and (iii) $322.9 million (€244.7 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.

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 the UPCB Finance I Notes, as defined and described below.

UPC Holding Senior Notes

2012 Transaction. On September 21, 2012, UPC Holding issued €600.0 million principal amount of 6.375% senior notes (the 6.375% Senior Notes) at an issue price of 99.094%, resulting in cash proceeds before commissions and fees of €594.6 million.

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 proceeds of the issuance of the 8.375% Senior Notes were used to purchase and redeem the €384.6 million aggregate principal amount of 7.75% Senior Notes due 2014 (the 7.75% Senior Notes) and the €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). 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.

We collectively refer to the 6.375% Senior Notes, the 8.375% Senior Notes, UPC Holding's €400.0 million principal amount of 9.75% senior notes due 2018 (the 9.75% Senior Notes), UPC Holding's $400.0 million (€303.1 million) principal amount of 9.875% senior notes due 2018 (the 9.875% 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."

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

		December 31, 2012			
		Outstanding principal amount			
UPC Holding Senior Notes	Maturity	Borrowing currency	Euro equivalent	Estimated fair value	Carrying value (a)
		in millions			
8.0% Senior Notes	November 1, 2016	€ 300.0	€ 300.0	€ 311.3	€ 300.0
9.75% Senior Notes	April 15, 2018	€ 400.0	400.0	429.7	380.5
9.875% Senior Notes	April 15, 2018	$ 400.0	303.1	342.0	286.8
8.375% Senior Notes	August 15, 2020	€ 640.0	640.0	720.0	640.0
6.375% Senior Notes	September 15, 2022	€ 600.0	600.0	614.2	594.7
			€ 2,243.1	€ 2,417.2	€ 2,202.0

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

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. The UPC Holding Senior Notes contain certain customary incurrence-based covenants. For example, the ability to raise certain additional debt and make certain distributions or loans to other subsidiaries of LGI is subject to a Consolidated Leverage Ratio test, as defined in the applicable indenture. 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.

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, August 15, 2015 in the case of the 8.375% Senior Notes and September 15, 2017 in the case of the 6.375% Senior Notes, UPC Holding may redeem some or all of such UPC Holding 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, August 15, 2015 or September 15, 2017, 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 August 15, 2013 in the case of the 8.375% Senior Notes, and September 15, 2017 in the case of the 6.375% 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) or 40% of the 6.375% Senior Notes (at a redemption price of 106.375% of the principal amount) with the net proceeds from one or more specified equity offerings.

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, August 15 in the case of the 8.375% Senior Notes and September 15 in the case of the 6.375% Senior Notes, of the years set forth below:

	Redemption price				
Year	8.0% Senior Notes	9.75% Senior Notes	9.875% Senior Notes	8.375% Senior Notes	6.375% Senior Notes
2012	102.660%	N.A.	N.A.	N.A.	N.A.
2013	101.330%	104.875%	N.A.	N.A.	N.A.
2014	100.000%	102.437%	104.938%	N.A.	N.A.
2015	100.000%	100.000%	102.469%	104.188%	N.A.
2016	100.000%	100.000%	100.000%	102.792%	N.A.
2017	N.A.	100.000%	100.000%	101.396%	103.188%
2018	N.A.	100.000%	100.000%	100.000%	102.125%
2019	N.A.	N.A.	N.A.	100.000%	101.063%
2020 and thereafter	N.A.	N.A.	N.A.	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), UPCB Finance V Limited (UPCB Finance V) and UPCB Finance VI Limited (UPCB Finance VI and, together with UPCB Finance I, UPCB Finance II, UPCB Finance III and UPCB Finance V, 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 Notes), €750.0 million principal amount of 6.375% senior secured notes (the UPCB Finance II Notes), $1.0 billion (€757.7 million) principal amount of 6.625% senior secured notes (the UPCB Finance III Notes), $750.0 million (€568.3 million) principal amount of 7.25% senior secured notes (the UPCB Finance V Notes) and $750.0 million (€568.3 million) principal amount of 6.875% senior secured notes (the UPCB Finance VI Notes and, together with the UPCB Finance I Notes, the UPCB Finance II Notes, the UPCB Finance III Notes and the UPCB Finance V Notes, the UPCB SPE Notes), respectively. The UPCB Finance I Notes, the UPCB Finance II Notes, the UPCB Finance III Notes, the UPCB Finance V Notes and the UPCB Finance VI Notes were issued on January 20, 2010, January 31, 2011, February 16, 2011, November 16, 2011 and February 7, 2012, respectively.

The UPCB Finance I 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 Notes, UPCB Finance III Notes, UPCB Finance V Notes and UPCB Finance VI Notes were each issued at par. UPCB Finance I, UPCB Finance II, UPCB Finance III, UPCB Finance V and UPCB Finance VI used the proceeds from the (i) UPCB Finance I Notes and available cash, (ii) UPCB Finance II Notes, (iii) UPCB Finance III Notes, (iv) UPCB Finance V Notes and (v) UPCB Finance VI Notes to fund new additional Facilities V, Y, Z, AC and AD, respectively, (each, a Funded Facility) under the UPC Broadband Holding Bank Facility, with UPC Financing 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 Liberty Global Services 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 (€614.8 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. 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.

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, AC and AD are eliminated in LGI's and UPC Holding'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, 2012			
			Outstanding principal amount			
UPCB SPEs	Maturity	Interest rate	Borrowing currency	Euro equivalent	Estimated fair value	Carrying value (a)
				in millions		
UPCB Finance I Notes	January 15, 2020	7.625%	€ 500.0	€ 500.0	€ 551.0	€ 496.6
UPCB Finance II Notes	July 1, 2020	6.375%	€ 750.0	750.0	801.1	750.0
UPCB Finance III Notes	July 1, 2020	6.625%	$ 1,000.0	757.7	816.0	757.7
UPCB Finance V Notes	November 15, 2021	7.25%	$ 750.0	568.3	628.0	568.3
UPCB Finance VI Notes	January 15, 2022	6.875%	$ 750.0	568.3	615.5	568.3
				€ 3,144.3	€ 3,411.6	€ 3,140.9

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

Subject to the circumstances described below, the UPCB Finance I Notes are non-callable until January 15, 2015, the UPCB Finance II Notes and the UPCB Finance III Notes are non-callable until July 1, 2015, the UPCB Finance V Notes are non-callable until November 15, 2016 and the UPCB Finance VI Notes are non-callable until January 15, 2017 (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 of such UPCB SPE Notes on 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 applicable UPCB SPE Indenture), 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, AC or AD 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, November 16, 2011, in the case of Facility AC or February 7, 2012, in the case of Facility AD, 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 Notes and the UPCB Finance VI Notes, July 1 in the case of the UPCB Finance II Notes and the UPCB Finance III Notes and November 15 in the case of the UPCB Finance V Notes, of the years set forth below:

	Redemption Price				
Year	**UPCB Finance I Notes**	**UPCB Finance II Notes**	**UPCB Finance III Notes**	**UPCB Finance V Notes**	**UPCB Finance VI Notes**
2015	103.813%	103.188%	103.313%	N.A.	N.A.
2016	102.542%	102.125%	102.208%	103.625%	N.A.
2017	101.271%	101.063%	101.104%	102.417%	103.438%
2018	100.000%	100.000%	100.000%	101.208%	102.292%
2019	100.000%	100.000%	100.000%	100.000%	101.146%
2020 and thereafter	100.000%	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, 2012 are presented below and such amounts represent euro equivalents based on December 31, 2012 exchange rates:

Debt:

	Third-party debt (a)	Shareholder loan and related-party debt	Total
		in millions	
Year ended December 31:			
2013	€ 83.1	€ —	€ 83.1
2014	—	—	—
2015	290.7	—	290.7
2016	1,701.6	—	1,701.6
2017	1,541.0	—	1,541.0
Thereafter	6,001.9	8,727.5	14,729.4
Total debt maturities	9,618.3	8,727.5	18,345.8
Unamortized discount	(49.8)	—	(49.8)
Total debt	€ 9,568.5	€ 8,727.5	€ 18,296.0
Current portion	€ 83.1	€ —	€ 83.1
Noncurrent portion	€ 9,485.4	€ 8,727.5	€ 18,212.9

(a) Amounts include the UPCB SPE Notes. As described above, the UPCB SPEs are consolidated by UPC Holding.

Capital lease obligations (in millions):

Year ended December 31:	
2013	€ 4.1
2014	3.5
2015	3.1
2016	3.0
2017	2.9
Thereafter	22.9
Total principal and interest payments	39.5
Amounts representing interest	(14.3)
Present value of net minimum lease payments	€ 25.2
Current portion	€ 2.3
Noncurrent portion	€ 22.9

Non-cash Refinancing Transactions

During 2012, 2011 and 2010, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating €666.6 million, €712.3 million and €991.5 million, respectively.

(9) 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 consolidated 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 before income taxes are as follows:

	Year ended December 31,		
	2012	2011	2010
		in millions	
Domestic	€ (1,084.9)	€ (722.2)	€ (1,028.7)
Foreign	285.6	169.7	134.0
Total	€ (799.3)	€ (552.5)	€ (894.7)

Income tax benefit (expense) consists of:

	Current	Deferred	Total
		in millions	
Year ended December 31, 2012:			
Domestic	€ —	€ 0.6	€ 0.6
Foreign	(42.6)	(44.2)	(86.8)
Total	€ (42.6)	€ (43.6)	€ (86.2)
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

Income tax expense attributable to our loss before income taxes differs from the amounts computed by applying the Dutch income tax rate of 25.0% for 2012 and 2011 and 25.5% for 2010 as a result of the following:

	Year ended December 31,		
	2012	2011	2010
		in millions	
Computed expected tax benefit	€ 199.8	€ 138.1	€ 228.1
Non-deductible or non-taxable interest and other expenses	(186.9)	(140.3)	(63.7)
Change in valuation allowances	(85.6)	(209.7)	(45.2)
Basis and other differences in the treatment of items associated with investments in subsidiaries	(11.2)	(1.8)	1.1
Enacted tax law and rate changes	9.1	(5.4)	(14.5)
Non-deductible foreign exchange results	(6.5)	(16.8)	—
Other, net	(4.9)	(5.5)	(4.9)
Total	€ (86.2)	€ (241.4)	€ 100.9

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

	December 31,	
	2012	2011
	in millions	
Current deferred tax assets	€ 19.2	€ 76.6
Noncurrent deferred tax assets (a)	44.4	27.9
Current deferred tax liabilities (a)	(1.0)	(0.8)
Noncurrent deferred tax liabilities (a)	(84.0)	(76.0)
Net deferred tax asset (liability)	€ (21.4)	€ 27.7

(a) Our current deferred tax liabilities are included in accrued and other 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, 2012	December 31, 2011
	in millions	
Deferred tax assets:		
Net operating loss and other carryforwards	€ 1,020.7	€ 983.8
Derivative instruments	332.3	274.6
Property and equipment, net	227.4	248.8
Debt	37.0	82.1
Intangible assets	67.0	39.1
Other future deductible amounts	37.1	60.1
Deferred tax assets	1,721.5	1,688.5
Valuation allowance	(1,580.7)	(1,495.7)
Deferred tax assets, net of valuation allowance	140.8	192.8
Deferred tax liabilities:		
Intangible assets	(76.9)	(91.4)
Property and equipment, net	(53.3)	(53.5)
Other future taxable amounts	(32.0)	(20.2)
Deferred tax liabilities	(162.2)	(165.1)
Net deferred tax asset (liability)	€ (21.4)	€ 27.7

Our deferred income tax valuation allowance increased €85.0 million during 2012, substantially all of which relates to our 2012 net tax expense. The significant components of our tax loss carryforwards and related tax assets at December 31, 2012 are as follows:

Country	Tax loss carryforward	Related tax asset	Expiration date
	in millions		
The Netherlands	€ 2,281.7	€ 570.4	2013-2021
Luxembourg	704.0	205.7	Indefinite
France	488.2	168.1	Indefinite
Ireland	389.8	48.7	Indefinite
Hungary	113.5	11.4	Indefinite
Romania	51.1	8.2	2013-2019
Chile	20.3	4.1	Indefinite
Austria	4.3	1.1	Indefinite
Other	15.0	3.0	Various
Total	€ 4,067.9	€ 1,020.7	

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 standalone 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 2008 are no longer subject to examination by tax authorities. Currently our foreign subsidiary in Hungary is involved in income tax examinations for the years 2009-2011. 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:

	Year ended December 31,		
	2012	2011	2010
		in millions	
Balance at January 1	€ 19.0	€ 29.7	€ 12.1
Reductions for tax positions of prior years	(4.3)	(17.3)	(5.0)
Additions based on tax positions related to the current year	4.1	2.7	1.9
Lapse of statute of limitations	(3.8)	—	—
Additions for tax positions of prior years	2.1	4.7	20.3
Foreign currency translation	0.8	(0.8)	0.4
Balance at December 31	€ 17.9	€ 19.0	€ 29.7

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

As of December 31, 2012, our unrecognized tax benefits included €13.9 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 2013, 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, 2012. 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 changes in our unrecognized tax positions during 2013.

(10) 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, 2012 and 2011, 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, and the management board is required to notify the co-shareholders within two weeks. Co-shareholders then have two weeks to notify the management board of a decision to purchase the shares. 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. On January 26, 2012, we and the 20% noncontrolling interest owner in VTR (the VTR NCI Owner) approved a distribution of CLP 35.0 billion (€54.6 million at the applicable rate). Our share of this distribution is CLP 28.0 billion (€43.7 million at the applicable rate) and the VTR NCI Owner's share of this distribution is CLP 7.0 billion (€10.9 million at the applicable rate). During September 2012, we and the VTR NCI Owner approved an additional distribution of CLP 20.0 billion (€33.1 million at the applicable rate). Our share of this additional distribution was CLP 16.0 billion (€26.5 million at the applicable rate) and the VTR NCI Owner's share of this distribution was CLP 4.0 billion (€6.6 million at the applicable rate). The aggregate amount of these distributions was paid by VTR during 2012.

In March 2011, we and 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).

(11) 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 one 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,					
	2012		2011		2010	
	U.S. $	Euro equivalent	U.S. $	Euro equivalent	U.S. $	Euro equivalent
	in millions					
LGI common stock:						
LGI performance-based incentive awards (a)	$ 9.4	€ 7.3	$ 7.8	€ 5.6	$ 8.9	€ 6.7
Other LGI stock-based incentive awards	11.8	9.2	10.7	7.7	11.9	9.0
Total LGI common stock	21.2	16.5	18.5	13.3	20.8	15.7
Other (b)	1.6	1.3	0.3	0.2	2.1	1.6
Total	$ 22.8	€ 17.8	$ 18.8	€ 13.5	$ 22.9	€ 17.3
Included in:						
Operating expenses	$ 0.6	€ 0.5	$ 1.8	€ 1.3	$ 2.6	€ 2.0
SG&A expenses	22.2	17.3	17.0	12.2	20.3	15.3
Total	$ 22.8	€ 17.8	$ 18.8	€ 13.5	$ 22.9	€ 17.3

(a) Includes stock-based compensation expense related to LGI performance-based restricted share units (PSUs) and, during 2011 and 2010, LGI's five-year performance-based incentive plans for LGI senior executives and certain key employees (the LGI Performance Plans).

(b) The 2012 amount includes stock-based compensation expense related to performance-based awards granted pursuant to a liability-based plan in which VTR employees participate. These awards were granted during the first quarter of 2012 and,

based on the level of the specified performance criteria achieved during 2012, these awards will vest on December 31, 2013.

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, 2012:

	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)	$ 24.5	€ 18.6	$ 7.6	€ 5.8
Weighted average period remaining for expense recognition (in years)	2.7		1.2	

(a) Amounts relate to awards (other than LGI PSUs) granted under 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 2012 and 2011 as described below.

(c) Convenience translations into euros are calculated as of December 31, 2012.

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

	Year ended December 31,		
	2012	2011	2010
Assumptions used to estimate fair value of options and stock appreciation rights (SARs) granted:			
Risk-free interest rate	0.37 - 0.66%	0.93 - 1.42%	1.26 - 2.53%
Expected life	3.3 - 3.9 years	3.4 - 3.7 years	3.4 - 4.9 years
Expected volatility	28.0 - 40.4%	40.7 - 41.8%	42.1 - 45.5%
Expected dividend yield	none	none	none
Weighted average grant-date fair value per share of awards granted:			
SARs	$ 12.84	$ 14.28	$ 9.27
Restricted shares and restricted share units	$ 49.25	$ 45.14	$ 24.79
PSUs	$ 50.10	$ 39.98	$ 27.65
Total intrinsic value of awards exercised (in millions):			
Options	$ —	$ 0.6	$ 11.8
SARs	$ 16.4	$ 14.1	$ 17.6
Cash received by LGI from exercise of options (in millions)	$ —	$ 1.7	$ 18.8
Income tax benefit related to stock-based compensation (in millions)	$ 0.3	$ —	$ 0.4

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 LGI. Awards under the LGI Incentive Plan issued prior to June 2005 are fully vested and expire 10 years after the grant date. Awards (other than performance-based awards) under the LGI Incentive Plan issued after June 2005 generally (i) vest 12.5% on the six month anniversary of the grant date and then vest at a rate of 6.25% each quarter thereafter and (ii) expire seven years after the grant date. The LGI Incentive Plan had 8,778,271 shares available for grant as of December 31, 2012.

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 16), 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.

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 (€239.8 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. The first two installments of the awards were settled during 2009 with a combination of cash and restricted share units.

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 (€38.6 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 vested 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.

During 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 final performance target as adjusted 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 6% for the two-year performance period, determined by comparing LGI's 2011 Adjusted OCF to LGI's 2009 Adjusted OCF (each as defined in the grant agreement). In February 2012, the compensation committee of LGI's board of directors determined that an OCF CAGR of 5.7% was achieved with respect to the 2010 PSUs, resulting in award recipients earning approximately 87.5% of their 2010 PSUs. One-half of the earned 2010 PSUs vested on March 31, 2012 and the balance vested on September 30, 2012.

During 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 are scheduled to vest on March 31, 2013 and the remaining 2011 PSUs are scheduled to vest on September 30, 2013. On December 31, 2012, the compensation committee of LGI's board of directors certified that the base performance objective for the two-year performance period had been achieved.

During 2012, the compensation committee of LGI's board of directors granted to LGI's executive officers and certain key employees a total of 427,960 LGI Series A PSUs and 427,960 LGI Series C PSUs (including 135,630 and 135,630 respectively, granted to employees of our subsidiaries) pursuant to the LGI Incentive Plan. Each PSU represents the right to receive one share of Series A common stock or Series C common stock, as applicable, subject to performance and vesting. The performance period for these PSUs (the 2012 PSUs) is January 1, 2012 to December 31, 2013. As the performance measure, the compensation committee of LGI's board of directors selected the compound annual growth rate in LGI's consolidated operating cash flow (OCF CAGR) from 2011 to 2013, as adjusted for events such as acquisitions, dispositions and changes in foreign currency exchange rates and accounting principles or policies that effect comparability. The target OCF CAGR selected by the committee was based upon a comparison of LGI's 2011 actual results to those reflected in LGI's then existing long-range plan for 2013. The target OCF CAGR is 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 2012 PSUs, subject to reduction or forfeiture based on individual performance. One-half of the earned 2012 PSUs will vest on March 31, 2014 and the balance will vest on September 30, 2014. The compensation committee of LGI's board of directors also established a minimum OCF CAGR base performance objective, subject to certain limited adjustments, which must be satisfied in order for LGI's named executive officers to be eligible to earn any of their 2012 PSUs.

Compensation expense attributable to the 2012, 2011 and PSUs is recognized over the requisite service period of the awards.

Stock Award Activity - LGI Common Stock

The following tables summarize the stock award activity during 2012 with respect to LGI common stock held by employees of our subsidiaries:

Options — LGI Series A and Series C common stock	**Number of shares**	**Weighted average base price**	**Weighted average remaining contractual term**	**Aggregate intrinsic value**
			in years	**in millions**
Outstanding and exercisable at December 31, 2012:				
LGI Series A common stock	31,720	$ 22.68	0.2	$ 1.3
LGI Series C common stock	31,720	$ 21.66	0.2	$ 1.2

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, 2012	917,864	$ 31.31		
Granted	406,192	$ 50.08		
Exercised	(326,687)	$ 26.15		
Forfeited or expired	(27,564)	$ 36.04		
Transfers	2,525	$ 17.84		
Outstanding at December 31, 2012	972,330	$ 40.72	5.3	$ 21.6
Exercisable at December 31, 2012	231,365	$ 34.22	4.6	$ 6.6

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, 2012	890,917	$ 30.54		
Granted	406,192	$ 48.27		
Exercised	(295,203)	$ 25.66		
Forfeited or expired	(27,564)	$ 28.77		
Transfers	2,525	$ 17.56		
Outstanding at December 31, 2012	976,867	$ 39.23	5.3	$ 19.0
Exercisable at December 31, 2012	235,902	$ 33.05	4.6	$ 6.0

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, 2012	132,533	$ 30.72	
Granted	60,944	$ 50.16	
Released from restrictions	(68,563)	$ 29.53	
Forfeited	(9,313)	$ 35.78	
Transfers	226	$ 21.08	
Outstanding at December 31, 2012	115,827	$ 41.23	2.4

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, 2012	132,533	$ 29.73	
Granted	60,944	$ 48.33	
Released from restrictions	(68,563)	$ 28.60	
Forfeited	(9,313)	$ 34.61	
Transfers	226	$ 21.26	
Outstanding at December 31, 2012	115,827	$ 39.78	2.4

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, 2012	247,829	$ 35.15	
Granted	135,630	$ 51.16	
Released from restrictions	(92,695)	$ 27.64	
Performance adjustment	(13,200)	$ 27.64	
Outstanding at December 31, 2012	277,564	$ 45.83	1.2

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, 2012	247,829	$ 34.10	
Granted	135,630	$ 49.05	
Released from restrictions	(92,695)	$ 27.25	
Performance adjustment	(13,200)	$ 27.25	
Outstanding at December 31, 2012	277,564	$ 44.02	1.2

(12) Related-Party Transactions

Our related-party transactions are as follows:

	Year ended December 31,		
	2012	2011	2010
		in millions	
Revenue	€ 12.9	€ 11.0	€ 10.2
Operating expenses	(60.2)	(62.5)	(64.2)
SG&A expenses	1.5	(1.4)	(3.9)
Allocated stock-based compensation expense	(16.5)	(13.3)	(15.7)
Fees and allocations, net	2.4	(5.9)	(18.1)
Included in operating income	(59.9)	(72.1)	(91.7)
Interest expense	(848.5)	(655.0)	(406.0)
Interest income	1.1	—	—
Included in net loss	€ (907.3)	€ (727.1)	€ (497.7)

Revenue. Amounts consist primarily of cash settled construction and programming services provided to our affiliates, programming services provided to Chellomedia B.V. (Chellomedia) and cash settled backbone capacity provided to Unitymedia KabelBW GmbH (Unitymedia KabelBW). Each of Chellomedia and Unitymedia KabelBW are subsidiaries of LGI that are outside of UPC Holding. In addition, the 2012 and 2011 amounts include €1.5 million and €0.9 million, respectively, 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 of €58.7 million, €56.8 million and €56.3 million during the years ended December 31, 2012, 2011 and 2010, respectively. Operating expenses include costs for cash settled programming and interconnect fees charged by certain of LGI's affiliates of €12.3 million, €10.2 million and €9.2 million for the years ended December 31, 2012, 2011 and 2010, respectively. In addition, the 2012, 2011 and 2010 amounts are net of (i) €7.4 million, €4.0 million and €1.3 million, respectively, of cash settled encryption and other operating expenses charged to Unitymedia KabelBW, (ii) €2.0 million, €0.5 million and nil, respectively, of net cash settled facilities and other operating expenses charged by VTR to VTR Wireless and (iii) €1.4 million, nil and nil, respectively, of net cash settled network and maintenance expenses charged to LG Europe.

SG&A expenses. Amounts consist primarily of (i) net cash settled SG&A expenses between VTR and VTR Wireless that resulted in credits of €3.5 million and €1.6 million for the years ended December 31, 2012 and 2011, respectively, and (ii) net cash settled administrative expenses, primarily between our company, Chellomedia and LG Europe, that resulted in charges of €2.0 million, €3.0 million and €3.5 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Allocated stock-based compensation expense. As further described in note 11, 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, during 2012, 2011 and 2010, (i) aggregate charges from LG Europe and Liberty Global Europe Ltd. (LGE Ltd.) of €61.6 million, €56.8 million and €52.6 million, respectively, (ii) charges to Unitymedia KabelBW of €53.7 million, €35.8 million and €23.8 million, respectively, and (iii) charges to LGI and certain other LGI subsidiaries of €10.3 million, €15.1 million and €10.7 million, 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 KabelBW, also include charges related to marketing and other services that support Unitymedia KabelBW's broadband communications operations, including the use of the UPC trademark. The amounts charged generally are based on the respective subsidiary's estimated share of the applicable costs incurred (including personnel and other costs related to the services provided) 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 2011, 2010 and 2009 amounted to decreases of €0.7 million, €2.2 million and €2.8 million, respectively, in our billings to LGI and certain other LGI subsidiaries during the three months ended March 31, 2012, 2011 and 2010 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 8.

Interest income. Amounts represent interest income related to a loan receivable from Unitymedia Hessen GmbH & Co. KG, a subsidiary of Unitymedia KabelBW, as described below.

Except as noted above, our related-party transactions are loan settled. Depending on the nature of our related-party 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 related-party 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 standalone basis. In addition to the net operating and SG&A expenses charged by VTR to VTR Wireless, as set forth above, VTR and VTR Wireless each pay certain operating and SG&A expenses on behalf of the other party and settle amounts due at a later date.

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

	December 31,	
	2012	2011
	in millions	
Other current assets (a)	€ 76.9	€ 30.0
Other noncurrent assets (b)	€ 11.4	€ —
Accounts payable	€ 29.4	€ 27.5
Accrued and other liabilities	25.1	17.3
Shareholder loan (note 8)	8,712.3	8,693.8
Other related-party debt (note 8)	15.2	—
Other long-term liabilities	0.8	—
Total	€ 8,782.8	€ 8,738.6

(a) Represents related-party receivables.

(b) Represents amounts loaned under an agreement between Unitymedia Hessen GmbH & Co. KG and Unitymedia International GmbH (UMI). This note bears interest at 10.0% as of December 31, 2012 and matures in December 31, 2025. The interest rate on this note is reviewed annually, with adjustments effective on January 1 of each year. 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, Unitymedia Hessen GmbH & Co. KG's initial €61.0 million investment in UMI is reflected as an equity contribution, and the transactions between UMI and our subsidiaries are eliminated.

During 2012, 2011 and 2010, we recorded aggregate capital charges of €25.7 million, €37.4 million and €39.8 million, respectively, in our consolidated statements 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.

During 2012, LG Europe leased certain property and equipment on our behalf. This property and equipment was contributed by LG Europe to our company during 2012. As a result, LG Europe's €10.2 million carrying value in this property and equipment has been reflected as a decrease to parent's deficit in our consolidated statement of owners' deficit.

(13) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2012 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, 2012	€ 5.4	€ 2.8	€ 0.4	€ 8.6
Restructuring charges	6.0	1.3	—	7.3
Cash paid	(7.2)	(1.0)	(0.4)	(8.6)
Foreign currency translation adjustments	0.2	—	—	0.2
Restructuring liability as of December 31, 2012	€ 4.4	€ 3.1	€ —	€ 7.5
Short-term portion	€ 4.3	€ 1.6	€ —	€ 5.9
Long-term portion	0.1	1.5	—	1.6
Total	€ 4.4	€ 3.1	€ —	€ 7.5

Our 2012 restructuring charges for employee severance and termination costs relate to reorganization and integration activities in certain of our European operations and in Chile.

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 in 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 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.

(14) Accumulated Other Comprehensive Earnings

Accumulated other comprehensive earnings included in our consolidated balance sheets and statements of owners' deficit reflect the aggregate impact of foreign currency translation adjustments and pension related adjustments. The changes in the components of accumulated other comprehensive earnings, net of taxes, are summarized as below. Except as noted 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 (a)	Accumulated other comprehensive earnings	Non-controlling interests	Total accumulated other comprehensive earnings
			in millions		
Balance at January 1, 2010	€ 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
Other comprehensive earnings	38.8	8.9	47.7	5.5	53.2
Balance at December 31, 2012	€ 585.4	€ (1.7)	€ 583.7	€ 14.3	€ 598.0

(a) The pension related adjustments included in other comprehensive earnings are net of income tax benefit (expense) of (€2.9 million), €2.4 million and (€0.7 million) for the years ended December 31, 2012, 2011 and 2010, respectively.

(15) 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-cancelable operating leases, programming contracts, satellite carriage commitments, purchases of customer premises equipment and other items. As of December 31, 2012, the euro equivalents (based on December 31, 2012 exchange rates) of such commitments that are not reflected in our consolidated balance sheet are as follows:

	Payments due during:						
	2013	2014	2015	2016	2017	Thereafter	Total
				in millions			
Operating leases	€ 80.4	€ 49.4	€ 46.4	€ 38.1	€ 32.3	€ 147.9	€ 394.5
Programming obligations	76.5	34.9	32.7	32.0	31.6	—	207.7
Other commitments	229.8	50.8	41.0	27.5	19.6	39.9	408.6
Total	€ 386.7	€ 135.1	€ 120.1	€ 97.6	€ 83.5	€ 187.8	€ 1,010.8

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 or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. 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 2012, 2011 and 2010, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €515.4 million, €467.0 million, and €423.1 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, including €98.5 million related to related-party purchase obligations, 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 2012, 2011 and 2010, see note 5.

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

Rental expense under non-cancelable operating lease arrangements amounted to €69.4 million, €79.1 million and €85.8 million in 2012, 2011 and 2010, 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 subsidiaries' employees. The aggregate expense of our matching contributions under the various defined contribution employee benefit plans was €16.5 million, €14.3 million and €12.4 million in 2012, 2011 and 2010, 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

Netherlands Regulatory Developments. In December 2011, the Dutch National Regulatory Authority (OPTA) completed a market assessment of the television market in the Netherlands, concluding that there were no grounds for regulation of that market. This final assessment is not open for appeal, as confirmed by the Dutch Supreme Administrative Court on June 18, 2012. As a result, no new regulations relating to the television market may be proposed without a new analysis. On December 22, 2011, referring to its final assessment of the television market, OPTA rejected previously filed requests from a number of providers to perform a new market analysis of the television market. This decision by OPTA was appealed by such providers to the Dutch Supreme Administrative Court. On November 5, 2012, the Dutch Supreme Administrative Court rejected the appeals against OPTA's decision.

In May 2012, the Dutch Senate adopted laws that (i) provide the power to OPTA to impose an obligation for the mandatory resale of television services and to the Commissariaat voor de Media to supervise a new introduced resale by law obligation and (ii) provide for "net neutrality" on the internet, including limitations on the ability of broadband service providers to delay, choke or block traffic except under specific circumstances. These laws became effective on January 1, 2013 notwithstanding the above-described November 5, 2012 decision of the Dutch Supreme Administrative Court. On October 24, 2012, the European Commission opened formal infringement proceedings against the Dutch government on the basis that the new laws pertaining to resale breach EU law. We agree with the EU that the new laws pertaining to resale are contrary to EU law and we, along with other market participants, will contest their application. We have received requests under the new Commissariaat voor de Media resale regulation and are in early negotiations. We cannot predict the outcome of these negotiations nor whether or when we will begin selling our television services in the Netherlands pursuant to the new resale regulation. In this regard, any implementation of a resale regime would likely take several months or more and, if implemented, its application may strengthen our competitors by granting them resale access to our network to offer competing products and services notwithstanding our substantial historical financial outlays in developing the infrastructure. In addition, any resale access granted to our competitors could (i) limit the bandwidth available to us to provide new or expanded products and services to the customers served by our network and (ii) adversely impact our ability to maintain or increase our revenue and cash flows. The new regulation concerning "net neutrality" needs to work within a broader EU framework, requires some implementation by relevant authorities and is subject to challenge by market participants. It is unclear therefore what its impact on our business and the industry in general will be at this stage, if any.

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, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, 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 and (iii) disputes over interconnection, programming, copyright and carriage 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.

(16) 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 items). Other operating items 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 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 before income taxes is presented below.

Beginning in the fourth quarter of 2012, the management responsibility for certain of our operations in Switzerland was transferred to our Austrian operations and, accordingly, such operations are now reported within our Other Western Europe segment. Segment information for all periods presented has been retrospectively revised to reflect this change. 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, 2012, our UPC Europe operating segments provided broadband communications services in nine European countries and DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia through a Luxembourg-based organization that 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 video, broadband internet and telephony 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' interest 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,					
	2012		2011		2010	
	Revenue	Operating cash flow	Revenue	Operating cash flow	Revenue	Operating cash flow
	in millions					
UPC Europe:						
The Netherlands	€ 955.6	€ 573.1	€ 914.9	€ 542.5	€ 871.6	€ 507.8
Switzerland	979.6	558.4	921.3	518.5	804.9	443.5
Other Western Europe	659.5	316.9	641.8	300.6	624.9	288.5
Total Western Europe	2,594.7	1,448.4	2,478.0	1,361.6	2,301.4	1,239.8
Central and Eastern Europe	867.5	431.7	806.6	393.5	754.5	374.3
Central and other	91.2	(122.2)	89.3	(95.3)	81.4	(90.3)
Total UPC Europe	3,553.4	1,757.9	3,373.9	1,659.8	3,137.3	1,523.8
VTR (Chile)	718.2	316.0	639.4	271.0	602.6	251.7
Total	€ 4,271.6	€ 2,073.9	€ 4,013.3	€ 1,930.8	€ 3,739.9	€ 1,775.5

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

	Year ended December 31,		
	2012	2011	2010
		in millions	
Total segment operating cash flow	€ 2,073.9	€ 1,930.8	€ 1,775.5
Stock-based compensation expense	(17.8)	(13.5)	(17.3)
Related-party fees and allocations, net	2.4	(5.9)	(18.1)
Depreciation and amortization	(1,037.3)	(970.2)	(974.0)
Impairment, restructuring and other operating items, net	(8.2)	(26.8)	(16.0)
Operating income	1,013.0	914.4	750.1
Interest expense:			
Third-party	(594.1)	(518.9)	(456.8)
Related-party	(848.5)	(655.0)	(406.0)
Interest income	5.5	4.3	5.1
Realized and unrealized losses on derivative instruments, net	(559.7)	(3.6)	(813.5)
Foreign currency transaction gains (losses), net	197.9	(270.5)	47.8
Realized and unrealized gains (losses) due to changes in fair values of certain investments, net	0.2	(9.5)	0.2
Losses on debt modification and extinguishment, net	(12.7)	(11.7)	(17.8)
Other expense, net	(0.9)	(2.0)	(3.8)
Loss before income taxes	€ (799.3)	€ (552.5)	€ (894.7)

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,	
	2012	2011	2012	2011
		in millions		
UPC Europe:				
The Netherlands	€ 1,802.1	€ 1,792.8	€ 2,052.7	€ 2,041.9
Switzerland	3,550.5	3,575.9	3,826.9	3,896.3
Other Western Europe	1,429.8	1,461.0	1,491.3	1,514.6
Total Western Europe	6,782.4	6,829.7	7,370.9	7,452.8
Central and Eastern Europe	2,171.7	2,117.5	2,235.8	2,206.8
Central and other	262.2	223.3	797.1	750.1
Total UPC Europe	9,216.3	9,170.5	10,403.8	10,409.7
VTR (Chile)	933.4	876.3	1,029.3	1,000.2
Total	€ 10,149.7	€ 10,046.8	€ 11,433.1	€ 11,409.9

Property and Equipment Additions of our Reportable Segments

The property and equipment additions of our reportable segments (including capital additions financed under vendor financing or capital lease arrangements) are presented below and reconciled to the capital expenditure amounts included in our consolidated statements of cash flows. For additional information concerning capital additions financed under vendor financing and capital lease arrangements, see note 7.

	Year ended December 31,		
	2012	2011	2010
		in millions	
UPC Europe:			
The Netherlands	€ 172.3	€ 166.6	€ 124.5
Switzerland	173.2	169.5	160.1
Other Western Europe	112.7	139.4	149.5
Total Western Europe	458.2	475.5	434.1
Central and Eastern Europe	176.7	144.9	154.3
Central and other	120.2	120.7	82.4
Total UPC Europe	755.1	741.1	670.8
VTR (Chile)	160.6	132.1	131.6
Property and equipment additions	915.7	873.2	802.4
Assets acquired under capital-related vendor financing arrangements (including related-party amounts)	(160.6)	(73.2)	—
Assets acquired under capital leases	(1.9)	(1.4)	(5.9)
Asset acquisitions settled through increases to shareholder loan	(31.2)	—	—
Assets contributed by parent company	(10.2)	—	—
Changes in current liabilities related to capital expenditures (including related-party amounts)	12.0	(17.0)	(0.5)
Total capital expenditures	€ 723.8	€ 781.6	€ 796.0

Revenue by Major Category

Our revenue by major category is set forth below:

	Year ended December 31,		
	2012	2011 (a)	2010 (a)
		in millions	
Subscription revenue (b):			
Video	€ 2,064.3	€ 1,981.0	€ 1,860.5
Broadband internet	1,131.6	1,023.4	940.6
Telephony	615.5	574.0	535.6
Total subscription revenue	3,811.4	3,578.4	3,336.7
Non-subscription revenue (c)	460.2	434.9	403.2
Total	€ 4,271.6	€ 4,013.3	€ 3,739.9

(a) Effective January 1, 2012, we began classifying the monthly revenue derived from certain small office and home office (SOHO) subscribers as subscription revenue. SOHO subscribers pay a premium price to receive enhanced service levels along with video programming, internet or telephony services that are the same or similar to the mass marketed products

offered to our residential subscribers. Prior period amounts have been conformed to the current period presentation by reclassifying the corresponding SOHO revenue from non-subscription revenue to subscription revenue.

(b) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile services 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.

(c) 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,		
	2012	2011	2010
		in millions	
Europe:			
The Netherlands	€ 955.6	€ 914.9	€ 871.6
Switzerland	979.6	921.3	804.9
Austria	328.0	332.7	345.1
Ireland	331.5	309.1	279.8
Poland	349.8	281.3	238.3
Hungary	193.1	194.4	189.6
The Czech Republic	176.1	180.8	169.8
Romania	101.1	103.1	111.1
Slovakia	47.4	47.0	45.7
Other (a)	91.2	89.3	81.4
Total Europe	3,553.4	3,373.9	3,137.3
Chile	718.2	639.4	602.6
Total	€ 4,271.6	€ 4,013.3	€ 3,739.9

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

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

	December 31,	
	2012	2011
	in millions	
Europe:		
The Netherlands	€ 1,802.1	€ 1,792.8
Switzerland	3,550.5	3,575.9
Austria	871.2	881.6
Ireland	558.6	579.4
Poland	888.7	838.5
Hungary	472.2	433.4
The Czech Republic	561.3	588.3
Romania	151.7	158.9
Slovakia	97.8	98.4
Other (a)	262.2	223.3
Total Europe	9,216.3	9,170.5
Chile	933.4	876.3
Total	€ 10,149.7	€ 10,046.8

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

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

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

- *Forward-Looking Statements.* This section provides a description of certain of the factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Results of Operations.* This section provides an analysis of our results of operations for the years ended December 31, 2012, 2011 and 2010.
- *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.

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

Unless otherwise indicated, convenience translations into euros are calculated, and operational data (including subscriber statistics) are presented, as of December 31, 2012.

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 property and equipment additions in 2013, the future projected cash flows associated with our commitments and 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 in the EU and related fiscal reforms;
- 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, telephony and mobile service offerings, and of new technology, programming alternatives and other products and 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, telephony and mobile service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in the countries in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that opens our broadband distribution networks to competitors, such as the obligations imposed in the Netherlands;
- our 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 acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement our business plan with respect to, the businesses we acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in countries in which we operate;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors to timely deliver quality 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;
- our ability to adequately forecast and plan future network requirements;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- 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;
- 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 operations at December 31, 2012 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. In May 2012, VTR Wireless, a subsidiary of LGI that is outside of UPC Holding, began offering mobile services in Chile through a combination of its own wireless network and certain third-party wireless access arrangements. As VTR Wireless is outside of UPC Holding, all references to VTR in the following discussion and analysis exclude the operations and financial position of VTR Wireless.

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), digital video recorders and high definition programming.

In September 2012 and January 2013, we launched Horizon TV in the Netherlands and Switzerland, respectively. Horizon TV is a family of media products that allows customers to view and share content across the television, computer, tablet and smartphone. Horizon TV is powered by a user interface that provides customers a seamless intuitive way to access linear, time-shifted, on-demand and web-based content on the television. It also features an advanced set-top box that delivers not only video, but also internet and voice connections along with a wireless network for the home. For our Horizon TV customers, we also offer applications for various services. We intend to expand the availability of Horizon TV to other markets within our footprint, with a launch planned in Ireland during 2013 and in certain additional markets during 2014 and 2015.

Although our digital television signals are encrypted in many of the countries in which we operate, the basic digital television channels in our entire footprints in Switzerland, Austria, Romania and the Czech Republic are unencrypted as of February 1, 2013. It is possible that we will decide to unencrypt the digital versions of our basic analog tier in additional markets in 2013 and future periods. Where our basic digital television channels are unencrypted, subscribers who have the necessary equipment and who pay the monthly subscription fee for our analog package are able to watch our basic digital television channels. Regardless of whether basic digital television channels are offered on an unencrypted basis, expanded channel packages and premium channels and services continue to be available for an incremental monthly fee in all of our markets.

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 telephony services in all of our broadband communications markets, primarily using voice-over-internet-protocol or “VoIP” technology. In Poland, the Netherlands and Hungary, we also offer mobile services using third-party networks.

We have completed a number of transactions that impact the comparability of our 2012, 2011 and 2010 results of operations. The most significant of these transactions was the Aster Acquisition on September 16, 2011. We also completed a number of less significant acquisitions in Europe during 2012, 2011 and 2010. For further information regarding the Aster Acquisition, see note 3 to our consolidated financial statements.

From a strategic perspective, we are seeking to build broadband communications, DTH and programming businesses that have strong prospects for future growth in revenue, operating cash flow (as defined in note 16 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 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, 2012, we owned and operated networks that passed 18,054,400 homes and served 18,735,500 revenue generating units (RGUs), consisting of 9,290,400 video subscribers, 5,458,400 broadband internet subscribers and 3,986,700 telephony subscribers. Effective January 1, 2012, we began including certain SOHO RGUs in our externally-reported subscriber statistics. As a result of this change, we recorded a non-organic adjustment to increase the number of our RGUs at January 1, 2012 by 126,600.

Including the effects of acquisitions, we added a total of 806,400 RGUs during 2012. Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition date RGU additions, we added 711,200 RGUs (including 71,300 SOHO RGUs) on an organic basis during 2012. The organic RGU growth during 2012 is attributable to the growth of our (i) digital cable services, which added 496,900 RGUs, (ii) telephony services, which added 476,800 RGUs, (iii) broadband internet services, which added 403,300 RGUs, and (iv) DTH video services, which added 87,900 RGUs. The growth of our digital cable, telephony, broadband internet and DTH video services was partially offset by a decline in our analog cable RGUs of 744,200, 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 the Czech Republic and (b) overall revenue in Poland during the fourth quarter of 2012, as compared to the fourth quarter of 2011;

(ii) organic declines in subscription revenue from (a) video services in Poland, Ireland, the Czech Republic and Hungary and (b) telephony services in Chile during the fourth quarter of 2012, as compared to the fourth quarter of 2011;

(iii) organic declines in subscription revenue from video services in Poland during the fourth quarter of 2012, as compared to the third quarter of 2012;

(iv) organic declines in (a) video RGUs in many of our markets during the fourth quarter of 2012, 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) telephony RGUs in the Czech Republic and Chile during the fourth quarter of 2012;

(v) organic declines in ARPU from broadband internet and telephony services in most of our broadband communications markets during the fourth quarter of 2012, as compared to the fourth quarter of 2011; and

(vi) organic declines in overall ARPU in Ireland, Hungary, Slovakia, Austria, Poland, the Czech Republic and Romania during the fourth quarter of 2012, as compared to the fourth quarter of 2011.

In addition to competition, our operations are subject to macroeconomic 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 European monetary union 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, primarily driven by growth in our operations in Switzerland and the Netherlands. In addition, we currently expect that the continued expansion of our mobile service offerings will (i) positively impact our revenue and, towards the end of this timeframe, our OCF growth and (ii) positively impact our subscriber retention rates. Additionally, we plan to continue improving our competitive position, with (i) further planned launches of our Horizon TV platform, as discussed above, and (ii) upgrades to our network capacity in certain markets. While we expect that these and other initiatives will require significant additions to our property and equipment, we currently expect that our total additions to property and equipment as a percentage of our revenue will continue to decline over the next few years. For additional information concerning our property and equipment additions, including our 2013 expectations for UPC Europe and VTR, 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 additions to our property and equipment 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, the expansion of existing technologies such as fiber-to-the-home, 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 additions to our property and equipment, our growth could be limited and our competitive position could be harmed. For information regarding our property and equipment additions, 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 2012, 2011 and 2010 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, 2012 was to the Swiss franc and the Chilean peso. In addition, our reported operating results are impacted by changes in the exchange rates of other local currencies in Europe. In this regard, 59.3% 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, 2012, our UPC Europe operating segments provided broadband communications services in nine European countries and DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia through 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 video, broadband internet and telephony 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 16 to our consolidated financial statements) as well as an analysis of operating cash flow by reportable segment for (i) 2012, as compared to 2011, and (ii) 2011, as compared to 2010. 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 2012, 2011 and 2010 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, channel carriage fees, installation fees, mobile services revenue, late fees and advertising revenue. Consistent with the presentation of our revenue categories in note 16 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 services 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 Chile, our ability to bundle or discount our services is subject to certain limitations, and in Europe, our ability to bundle or discount our services may be constrained if we are held to be dominant with respect to any product we offer. The amounts we charge and incur with respect to telephony interconnection fees are also subject to regulatory oversight in many of our markets. Adverse outcomes from rate regulation or other regulatory initiatives could have a significant negative impact on our ability to maintain or increase our revenue. For information concerning the potential impact of adverse regulatory developments in the Netherlands, see note 15 to our consolidated financial statements.

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 increased (i) effective January 1, 2012 in Ireland and Hungary, (ii) effective October 1, 2012 in the Netherlands and (iii) effective January 1, 2013 in the Czech Republic. In addition, during the fourth quarter of 2010, the Hungarian government imposed a revenue-based tax on telecommunications operators (the 2010 Hungarian Telecom Tax) that, prior to its expiration at the end of 2012, was applicable to our broadband communications operations in Hungary, with retroactive effect to the beginning of 2010. In September 2011, the European Commission requested that Hungary abolish the 2010 Hungarian Telecom Tax on the grounds that it was illegal under EU rules. In March 2012, the European Commission announced its decision to refer the matter to the European Court of Justice, as Hungary continued to impose the 2010 Hungarian Telecom Tax in violation of EU rules. The ultimate resolution of this matter may take several years, and no assurance can be given as to the outcome. Through December 31, 2012, we have incurred total inception-to-date operating expenses of HUF 9.5 billion (€32.6 million) as a result of the 2010 Hungarian Telecom Tax. This amount includes a HUF 650.0 million (€2.2 million) reduction recorded during the second quarter of 2012 that reflects the cumulative effect of credits taken during the quarter with respect to prior period payments. The credits taken resulted from a change in our approach to determining the 2010 Hungarian Telecom Tax that was implemented on a retroactive basis during the second quarter of 2012.

During the second quarter of 2012, Hungary imposed an act that provides for a new usage-based telecommunication tax (the 2012 Hungarian Telecom Tax) on telecommunications service providers for fixed and mobile voice and mobile texting services, effective from July 1, 2012 for an indefinite period of time. As a result of the 2012 Hungarian Telecom Tax, we incurred additional operating expenses of HUF 349.0 million (€1.2 million) during the last half of 2012. On June 21, 2012, the European Commission sent a letter of formal notice to Hungary with respect to the 2012 Hungarian Telecom Tax setting out concerns regarding the compatibility of the tax with EU rules. Hungary has responded to the European Commission and indicated that it believes the 2012 Hungarian Telecom Tax is in compliance with EU rules. On January 24, 2013, the European Commission commenced formal infringement proceedings against Hungary, and, depending on Hungary's response, this matter could ultimately be referred to the European Court of Justice. The ultimate resolution of this matter may take several years.

On November 20, 2012, the Parliament of Hungary adopted an act imposing tax on utility networks, effective from January 1, 2013 for an indefinite period of time. The act provides that a tax will be levied on the owners of ducts providing for electricity, telecommunication, natural gas, heating, water and wastewater services. For telecommunication networks, the level of tax levied will depend on the length of ducts. Based on the current text of the new law, we currently estimate that our Hungarian operations will incur additional operating expenses in 2013 as a result of the new utility tax of approximately HUF 1.2 billion (€4.1 million).

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, 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. 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 — 2012 compared to 2011

	Year ended December 31,		Increase		Organic increase (decrease)
	2012	2011	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 955.6	€ 914.9	€ 40.7	4.4	4.4
Switzerland	979.6	921.3	58.3	6.3	3.7
Other Western Europe	659.5	641.8	17.7	2.8	2.8
Total Western Europe	2,594.7	2,478.0	116.7	4.7	3.7
Central and Eastern Europe	867.5	806.6	60.9	7.6	(0.3)
Central and other	91.2	89.3	1.9	2.1	3.0
Total UPC Europe	3,553.4	3,373.9	179.5	5.3	2.7
VTR (Chile)	718.2	639.4	78.8	12.3	4.3
Total	€ 4,271.6	€ 4,013.3	€ 258.3	6.4	3.0

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 increase in the Netherlands' revenue during 2012, as compared to 2011, includes (i) an organic increase of €40.1 million or 4.4% and (ii) the impact of an acquisition, 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)	€ 29.2	€ —	€ 29.2
ARPU (b)	5.6	—	5.6
Increase in non-subscription revenue (c)	—	5.3	5.3
Organic increase	34.8	5.3	40.1
Impact of acquisition	0.6	—	0.6
Total	€ 35.4	€ 5.3	€ 40.7

(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 telephony, digital cable and broadband internet RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the average number of analog cable RGUs in the Netherlands led to a decline in the average number of total video RGUs during 2012, as compared to 2011.

(b) The increase in the Netherlands' subscription revenue related to a change in ARPU is due to the net effect of (i) an improvement in RGU mix, attributable to higher proportions of digital cable, broadband internet and telephony RGUs, and (ii) a net decrease resulting primarily from the following factors: (a) lower ARPU due to a decrease in telephony call volume, including the impact of higher proportions of customers selecting usage-based calling plans, (b) lower ARPU

due to the impact of bundling and promotional discounts and (c) higher ARPU due to January 2012 price increases for certain video services and, to a lesser extent, July 2012 price increases for bundled services.

(c) The increase in the Netherlands' non-subscription revenue is primarily attributable to the net effect of (i) an increase in B2B revenue, (ii) an increase in revenue from late charges, (iii) an increase in installation revenue and (iv) a decrease in interconnect revenue, due primarily to the impact of an August 1, 2012 reduction in fixed termination rates.

For information concerning certain regulatory developments that could have an adverse impact on our revenue in the Netherlands, see note 15 to our consolidated financial statements.

Switzerland. The increase in Switzerland's revenue during 2012, as compared to 2011, includes (i) an organic increase of €34.3 million or 3.7%, (ii) the impact of acquisitions and (iii) 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)	€ 29.5	€ —	€ 29.5
ARPU (b)	2.8	—	2.8
Increase in non-subscription revenue (c)	—	2.0	2.0
Organic increase	32.3	2.0	34.3
Impact of acquisitions	3.2	—	3.2
Impact of FX	17.6	3.2	20.8
Total	€ 53.1	€ 5.2	€ 58.3

(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 the average number of Switzerland's analog cable RGUs led to a decline in the average number of total video RGUs during 2012, as compared to 2011.

(b) The increase in Switzerland's subscription revenue related to a change in ARPU is due to the net effect of (i) an improvement in RGU mix, attributable to higher proportions of digital cable, broadband internet and telephony RGUs, and (ii) a net decrease resulting primarily from the following factors: (a) higher ARPU due to higher proportions of customers selecting higher-priced tiers of broadband internet services and, to a lesser extent, digital cable services, (b) lower ARPU due to the impact of bundling discounts and (c) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans.

(c) The increase in Switzerland's non-subscription revenue is attributable to the net effect of (i) an increase in installation revenue, (ii) a decline in revenue from usage-based wholesale residential telephony services and (iii) a net increase resulting from various individually insignificant changes. In addition, B2B revenue remained relatively unchanged during 2012, as lower revenue from construction and equipment sales was offset by growth in B2B broadband internet and telephony services.

In October 2012, we announced an agreement with the Swiss Price Regulator pursuant to which we will make certain changes to our service offerings in exchange for progressive increases in the price of our basic cable connection over the next two years. In this regard, (i) effective November 1, 2012, we began offering a basic tier of digital television channels on an unencrypted basis in our Switzerland footprint and (ii) effective January 3, 2013, for video subscribers who pay the required upfront activation fee, we have made available, at no additional monthly charge, a 2.0 Mbps internet connection, which was an increase from the previously offered 300 Kbps internet connection. In addition, the price for a cable connection increased by CHF 0.90 (€0.75) effective January 1, 2013 and a further increase of CHF 0.60 (€0.50) will take effect on January 1, 2014.

Although the above changes in our service offerings may negatively impact certain revenue streams, we believe that the positive impact of the price increases in 2013 and 2014 will offset such negative impacts and place us in a position where we can continue to increase our revenue and RGUs in Switzerland. No assurance can be given that our assessment of the net impact of these changes in our service offerings and prices will prove to be accurate or that we will be able to continue to grow our revenue and RGUs in Switzerland.

Other Western Europe. The increase in Other Western Europe's revenue during 2012, as compared to 2011, includes an organic increase of €17.7 million or 2.8%, 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)	€ 40.8	€ —	€ 40.8
ARPU (b)	(25.1)	—	(25.1)
Increase in non-subscription revenue (c)	—	2.0	2.0
Total	€ 15.7	€ 2.0	€ 17.7

(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 a decline in the average number of analog cable RGUs in each of Austria and Ireland 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 a decline in the average number of total video RGUs in each of Ireland and Austria during 2012, as compared to 2011.

(b) The decrease in Other Western Europe's subscription revenue related to a change in ARPU is attributable to a decrease in ARPU in each of Ireland and Austria. The decrease in Ireland's ARPU is mostly due to (i) lower ARPU due to the impact of bundling discounts, (ii) lower ARPU from digital cable services and (iii) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans, including the impact of higher proportions of customers selecting usage-based calling plans. The decrease in Austria's ARPU is primarily due to (a) lower ARPU due to the impact of bundling discounts, (b) lower ARPU due to a higher proportion of customers selecting lower-priced tiers of broadband internet services, (c) higher ARPU due to the third quarter 2011 implementation of an additional charge for broadband internet services and (d) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans. In addition, Other Western Europe's overall ARPU was impacted by adverse changes in RGU mix, primarily attributable to a lower proportion of digital cable RGUs in Ireland.

(c) The increase in Other Western Europe's non-subscription revenue is due primarily to the net effect of (i) an increase in installation revenue in each of Austria and Ireland and (ii) a decline in B2B revenue, as a decrease in revenue from B2B broadband internet and telephony services in Austria was only partially offset by an increase in revenue from B2B telephony services in Ireland.

Central and Eastern Europe. The increase in Central and Eastern Europe's revenue during 2012, as compared to 2011, includes (i) an organic decrease of €2.3 million or 0.3%, (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)	€ 21.0	€ —	€ 21.0
ARPU (b)	(25.1)	—	(25.1)
Increase in non-subscription revenue (c)	—	1.8	1.8
Organic increase (decrease)	(4.1)	1.8	(2.3)
Impact of acquisitions	71.9	10.8	82.7
Impact of FX	(17.6)	(1.9)	(19.5)
Total	€ 50.2	€ 10.7	€ 60.9

(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, telephony and broadband internet RGUs that were only partially offset by declines in the average numbers of analog cable and, to a much lesser extent, MMDS video RGUs in Slovakia. In each country within our Central and Eastern Europe segment, a decline in the average number of analog cable RGUs led to a decline in the average number of total video RGUs during 2012, as compared to 2011.

(b) The decrease in Central and Eastern Europe’s subscription revenue related to a change in ARPU is primarily due to (i) lower ARPU due to increases in the proportions of video, broadband internet and telephony subscribers selecting lower-priced tiers of services, (ii) lower ARPU due to the impact of higher bundling discounts and (iii) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans. In addition, Central and Eastern Europe’s overall ARPU was positively impacted by an improvement in RGU mix, primarily attributable to a higher proportion of digital cable and, to a lesser extent, broadband internet RGUs.

(c) The increase in Central and Eastern Europe’s non-subscription revenue is due primarily to the net effect of (i) an increase in sales of customer premises equipment, primarily in the Czech Republic, (ii) a decrease in installation revenue, primarily in Poland, and (iii) a net increase resulting from individually insignificant changes in other non-subscription revenue categories.

VTR (Chile). The increase in VTR's revenue during 2012, as compared to 2011, includes (i) an organic increase of €27.8 million or 4.3% 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)	€ 27.9	€ —	€ 27.9
ARPU (b)	1.9	—	1.9
Decrease in non-subscription revenue (c)	—	(2.0)	(2.0)
Organic increase (decrease)	29.8	(2.0)	27.8
Impact of FX	47.1	3.9	51.0
Total	€ 76.9	€ 1.9	€ 78.8

(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 numbers of analog cable RGUs.

(b) The increase in VTR's subscription revenue related to a change in ARPU is primarily due to the positive impact of an improvement in RGU mix, attributable to a higher proportion of digital cable RGUs. Excluding the positive impact related to RGU mix, ARPU remained relatively unchanged due to the net effect of the following factors: (i) higher ARPU from digital cable services, (ii) higher ARPU due to semi-annual inflation and other price adjustments for video, broadband internet and telephony services, (iii) lower ARPU due to the impact of promotional and bundling discounts and (iv) lower ARPU from telephony services, due in part to the net effect of (a) the negative impact of a lower volume of calls subject to usage-based charges and (b) the positive impact of a higher proportion of customers on fixed-rate calling plans.

(c) The decrease in VTR's non-subscription revenue is primarily attributable to decreases in installation and interconnect revenue.

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	921.3	804.9	116.4	14.5	2.2
Other Western Europe	641.8	624.9	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

The Netherlands. The increase in the Netherland's revenue during 2011, as compared to 2010, includes an organic increase of €43.3 million or 5.0% 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)	€ 31.0	€ —	€ 31.0
ARPU (b)	13.4	—	13.4
Decrease in non-subscription revenue (c)	—	(1.1)	(1.1)
Total	€ 44.4	€ (1.1)	€ 43.3

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(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 decrease 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)	€ 8.5	€ —	€ 8.5
ARPU (b)	9.3	—	9.3
Decrease in non-subscription revenue (c)	—	(0.3)	(0.3)
Organic increase	17.8	(0.3)	17.5
Impact of FX	83.1	15.8	98.9
Total	€ 100.9	€ 15.5	€ 116.4

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(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 decrease 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 common interface plus (CI+) modules, which enable authorized customers with CI+ enabled televisions 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. The increase in Other Western Europe's revenue during 2011, as compared to 2010, includes an organic increase of €16.9 million or 2.7% 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)	€ 35.1	€ —	€ 35.1
ARPU (b)	(16.2)	—	(16.2)
Decrease in non-subscription revenue (c)	—	(2.0)	(2.0)
Total	€ 18.9	€ (2.0)	€ 16.9

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(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: (a) higher ARPU due to January 2011 price increases for certain digital and broadband internet services and (b) 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 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 (a) growth in Ireland's B2B broadband internet services, (b) a decrease in Austria's B2B broadband internet and telephony services and (c) 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)	€ 17.8	€ —	€ 17.8
ARPU (b)	(10.4)	—	(10.4)
Increase in non-subscription revenue (c)	—	4.0	4.0
Organic increase	7.4	4.0	11.4
Impact of acquisitions	35.9	13.5	49.4
Impact of FX	(7.8)	(0.9)	(8.7)
Total	€ 35.5	€ 16.6	€ 52.1

(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.

Operating Expenses of our Reportable Segments

Operating expenses — 2012 compared to 2011

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2012	2011	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 275.6	€ 269.8	€ 5.8	2.1	2.1
Switzerland	279.7	267.1	12.6	4.7	2.2
Other Western Europe	251.7	250.7	1.0	0.4	0.4
Total Western Europe	807.0	787.6	19.4	2.5	1.6
Central and Eastern Europe	325.3	312.9	12.4	4.0	(3.0)
Central and other	87.1	76.4	10.7	14.0	14.7
Total UPC Europe	1,219.4	1,176.9	42.5	3.6	1.2
VTR (Chile)	288.7	263.0	25.7	9.8	2.0
Total operating expenses excluding stock-based compensation expense	1,508.1	1,439.9	68.2	4.7	1.4
Stock-based compensation expense	0.5	1.3	(0.8)	N.M.	
Total	€ 1,508.6	€ 1,441.2	€ 67.4	4.7	

N.M. - Not Meaningful.

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 introduction of Horizon TV, 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 €42.5 million or 3.6% during 2012, as compared to 2011. This increase includes €31.0 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's operating expenses increased €14.5 million or 1.2%. This increase includes the following factors:

- An increase in programming and related costs of €24.1 million or 6.5%, primarily due to growth in digital video services, predominantly in Switzerland, Austria and the Netherlands. The increase in programming and related costs also reflects a decrease of €2.7 million due to the net impact of accrual releases in Poland in the fourth quarter of 2012 and the Netherlands during 2012 and 2011. These accrual releases primarily relate to the settlement or reassessment of operational contingencies;

- An increase in network-related expenses of €10.3 million or 7.0%, due largely to (i) increased network maintenance costs, largely in Poland, the Netherlands, UPC DTH and Ireland, (ii) higher duct and pole rental costs, primarily in Romania, (iii) higher costs of €1.0 million due to the net impact of settlements in 2012 and 2011 of claims for costs incurred in connection with faulty customer premises equipment, primarily in the Netherlands, Switzerland and Poland, and (iv)

increased encryption costs, due largely to increased numbers of installed digital cable set-top boxes in Switzerland. In addition, in UPC Europe's central operations, the impact of a fourth quarter 2011 settlement of a dispute with a third party contributed €2.1 million to the overall increase in network-related expenses;

- A decrease in bad debt and collection expenses of €5.5 million or 14.1%, primarily in Poland, the Czech Republic, Ireland and Austria. The decrease in bad debt and collection expenses is largely attributable to (i) improved collection experience and (ii) the €1.9 million impact of a nonrecurring increase to bad debt expense that was recorded in the Netherlands during the first quarter of 2011;

- An increase in personnel costs of €4.8 million or 2.2%, primarily due to (i) annual wage increases, with the largest impacts occurring in the Netherlands, Switzerland and Austria, and (ii) increased staffing levels in UPC Europe's central operations and the Netherlands. The increased staffing levels in UPC Europe's central operations are due in part to increased numbers of strategic initiatives;

- A decrease in outsourced labor and professional fees of €3.2 million or 3.0%, due in part to the net effect of (i) lower call center costs in Switzerland and (ii) higher outsourced labor costs associated with customer-facing activities in Ireland and Switzerland;

- A decrease of €1.0 million associated with lower taxes in Hungary. This decrease represents the net effect of (i) a decrease attributable to a change in our approach to determining the 2010 Hungarian Telecom Tax that was implemented on a retroactive basis during the second quarter of 2012 and (ii) an increase attributable to the initiation of the 2012 Hungarian Telecom Tax in July 2012. For additional information regarding the 2012 Hungarian Telecom Tax and the 2010 Hungarian Telecom Tax, see *Discussion and Analysis of our Reportable Segments — General*; and

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

VTR (Chile). VTR's operating expenses (exclusive of stock-based compensation expense) increased €25.7 million or 9.8% during 2012, as compared to 2011. Excluding the effects of FX, VTR's operating expenses increased €5.3 million or 2.0%. This increase includes the following factors:

- An increase in programming and related costs of €10.2 million or 10.7%, primarily associated with growth in digital cable services. Although a significant portion of VTR's programming contracts are denominated in U.S. dollars, the impact of foreign currency exchange rate fluctuations did not materially impact the increase in VTR's programming costs during 2012;

- A decrease in personnel costs of €5.2 million or 13.5%, primarily related to lower bonus costs;

- An increase in interconnect and access costs of €1.7 million or 3.9%, due primarily to higher costs associated with broadband internet services, as the impact of higher traffic was only partially offset by lower average rates; and

- A decrease in outsourced labor and professional fees of €0.8 million or 4.3%, due primarily to a decrease in customer-facing activities.

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	267.1	243.4	23.7	9.7	(2.0)
Other Western Europe	250.7	245.0	5.7	2.3	2.3
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)	N.M.	
Total	€ 1,441.2	€ 1,368.1	€ 73.1	5.3	

N.M. - Not Meaningful.

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 TV 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 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;

- 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.

SG&A Expenses of our Reportable Segments

SG&A expenses — 2012 compared to 2011

	Year ended December 31,		Increase		Organic increase
	2012	2011	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 106.9	€ 102.6	€ 4.3	4.2	3.9
Switzerland	141.5	135.7	5.8	4.3	1.5
Other Western Europe	90.9	90.5	0.4	0.4	0.4
Total Western Europe	339.3	328.8	10.5	3.2	1.9
Central and Eastern Europe	110.5	100.2	10.3	10.3	4.5
Central and other	126.3	108.2	18.1	16.7	16.8
Total UPC Europe	576.1	537.2	38.9	7.2	5.4
VTR (Chile)	113.5	105.4	8.1	7.7	0.2
Total SG&A expenses excluding stock-based compensation expense	689.6	642.6	47.0	7.3	4.6
Stock-based compensation expense	17.3	12.2	5.1	N.M.	
Total	€ 706.9	€ 654.8	€ 52.1	8.0	

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N.M. - Not Meaningful.

General. SG&A expenses include human resources, information technology, general services, management, finance, legal and sales 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 €38.9 million or 7.2% during 2012, as compared to 2011. This increase includes €9.5 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's SG&A expenses increased €29.1 million or 5.4%. This increase includes the following factors:

- An increase in personnel costs of €22.6 million or 9.2%, due largely to (i) increased staffing levels at UPC Europe's central operations due largely to increased numbers of strategic initiatives and (ii) annual wage increases, predominantly in the Netherlands, UPC Europe's central operations and Switzerland. The increase in personnel costs also includes the impact of a new employee wage tax in the Netherlands, which tax is payable in 2013. This new employee wage tax, which was authorized in September 2012, is based on wages for the year ended December 31, 2012; and

- An increase in facilities expenses of €3.1 million or 6.4%, due primarily to increases in costs related to the rental of office space in UPC Europe's central operations and the Netherlands.

VTR (Chile). VTR's SG&A expenses (exclusive of stock-based compensation expense) increased €8.1 million or 7.7% during 2012, as compared to 2011. Excluding the effects of FX, VTR's SG&A expenses increased €0.2 million or 0.2%. This increase includes the following factors:

- A decrease in personnel costs of €2.8 million or 7.2%, primarily resulting from lower bonus costs and, to a lesser extent, lower staffing levels;

- An increase in facilities expenses of €2.6 million or 19.2%, due primarily to higher rental and related costs associated with increases in office and other space; and

- An increase in sales and marketing costs of €0.2 million or 0.7%, due primarily to the net effect of (i) higher sales commissions paid to third parties and (ii) decreased advertising campaigns. The higher sales commissions are primarily attributable to a higher proportion of sales generated by third-party dealers.

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		135.7		118.0		17.7	15.0	2.6
Other Western Europe		90.5		91.4		(0.9)	(1.0)	(1.0)
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)	N.M.	
Total	€	654.8	€	613.6	€	41.2	6.7	

N.M. - Not Meaningful.

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 third-party 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 third-party 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.

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 items). For additional information concerning this performance measure and for a reconciliation of total segment operating cash flow to our loss before income taxes, see note 16 to our consolidated financial statements.

Operating Cash Flow — 2012 compared to 2011

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2012	2011	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 573.1	€ 542.5	€ 30.6	5.6	5.6
Switzerland	558.4	518.5	39.9	7.7	5.1
Other Western Europe	316.9	300.6	16.3	5.4	5.4
Total Western Europe	1,448.4	1,361.6	86.8	6.4	5.4
Central and Eastern Europe	431.7	393.5	38.2	9.7	0.6
Central and other	(122.2)	(95.3)	(26.9)	(28.2)	(28.1)
Total UPC Europe	1,757.9	1,659.8	98.1	5.9	2.9
VTR (Chile)	316.0	271.0	45.0	16.6	8.2
Total	€ 2,073.9	€ 1,930.8	€ 143.1	7.4	3.7

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	518.5	443.5	75.0	16.9	4.4
Other Western Europe	300.6	288.5	12.1	4.2	4.2
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 Margin — 2012, 2011 and 2010

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,		
	2012	2011	2010
		%	
UPC Europe:			
The Netherlands	60.0	59.3	58.3
Switzerland	57.0	56.3	55.1
Other Western Europe	48.1	46.8	46.2
Total Western Europe	55.8	54.9	53.9
Central and Eastern Europe	49.8	48.8	49.6
Total UPC Europe, including central and other	49.5	49.2	48.6
VTR (Chile)	44.0	42.4	41.8

The operating cash flow margin of UPC Europe improved during 2012, as compared to 2011, as most of the cash flow margins of UPC Europe's operating segments improved or remained relatively unchanged. The increase in the operating cash flow margin of UPC Europe generally represents the net impact of (i) improved operational leverage, resulting from revenue growth that more than offset the accompanying increases in operating and SG&A expenses, and (ii) the negative effects of (a) competitive and economic factors and (b) an increase in the operating cash flow deficit of UPC Europe's central and other category, which increase is primarily attributable to higher personnel and consulting costs, due in part to increased levels of strategic initiatives. In the case of Chile, the increase in the operating cash flow margin is attributable to improved operational leverage.

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. 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.

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 2013 operating cash flow margin of UPC Europe will remain relatively unchanged and VTR will increase somewhat, each as compared to 2012. 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.

2012 compared to 2011

Revenue

Our revenue by major category is set forth below:

	Year ended December 31,		Increase		Organic increase
	2012	2011 (a)	€	%	%
		in millions			
Subscription revenue (b):					
Video	€ 2,064.3	€ 1,981.0	€ 83.3	4.2	0.7
Broadband internet	1,131.6	1,023.4	108.2	10.6	7.0
Telephony	615.5	574.0	41.5	7.2	4.3
Total subscription revenue	3,811.4	3,578.4	233.0	6.5	3.1
Non-subscription revenue (c)	460.2	434.9	25.3	5.8	2.2
Total	€ 4,271.6	€ 4,013.3	€ 258.3	6.4	3.0

(a) Effective January 1, 2012, we began classifying the monthly revenue derived from certain SOHO subscribers as subscription revenue. SOHO subscribers pay a premium price to receive enhanced service levels along with video programming, internet or telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. Amounts have been conformed to the current period presentation by reclassifying the corresponding SOHO revenue from non-subscription revenue to subscription revenue.

(b) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile services 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.

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

Total revenue. Our consolidated revenue increased €258.3 million during 2012, as compared to 2011. This increase includes €86.5 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, total consolidated revenue increased €120.2 million or 3.0%.

Subscription revenue. The details of the increase in our consolidated subscription revenue during 2012, as compared to 2011, are as follows (in millions):

Increase (decrease) due to change in:		
Average number of RGUs	€	159.6
ARPU		(48.9)
Organic increase		110.7
Impact of acquisitions		75.7
Impact of FX		46.6
Total increase in subscription revenue	€	233.0

Excluding the effects of acquisitions and FX, our consolidated subscription revenue increased €110.7 million or 3.1% during 2012, as compared to 2011. This increase is attributable to (i) an increase in subscription revenue from broadband internet services of €72.0 million or 7.0%, 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 telephony services of €24.7 million or 4.3%, as the impact of an increase in the average number of telephony RGUs was only partially offset by lower ARPU from telephony services, and (iii) an increase in subscription revenue from video services of €14.0 million or 0.7%, as the impact of higher ARPU from video services was only partially offset by a decline in the average number of video RGUs.

Non-subscription revenue. Excluding the effects of acquisitions and FX, our consolidated non-subscription revenue increased €9.5 million or 2.2% during 2012, as compared to 2011. This increase is primarily attributable to the net impact of (i) an increase in revenue from late fees, (ii) a decrease in interconnect revenue, (iii) an increase in installation revenue and (iv) an increase in revenue from equipment sales.

For additional information concerning the changes in our subscription and non-subscription revenue, see *Discussion and Analysis of our Reportable Segments — Revenue — 2012 compared to 2011* above. For information regarding the competitive environment in certain of our markets, see *Overview* above.

Operating expenses

Our operating expenses increased €67.4 million during 2012, as compared to 2011. This increase includes €31.0 million attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which decreased €0.8 million during 2012. 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 €19.8 million or 1.4% during 2012, as compared to 2011. This increase primarily reflects an increase in programming and other direct costs and, to a lesser extent, the net effect of (i) an increase in network related expenses, (ii) a decrease in bad debt and collection expenses, (iii) a decrease in outsourced labor and professional fees and (iv) a net decrease resulting from individually insignificant changes in other operating expense categories. For additional information regarding the changes in our operating expenses, see *Discussion and Analysis of our Reportable Segments — Operating Expenses — 2012 compared to 2011* above.

SG&A expenses

Our SG&A expenses increased €52.1 million during 2012, as compared to 2011. This increase includes €9.5 million attributable to the impact of acquisitions. Our SG&A expenses include stock-based compensation expense, which increased €5.1 million during 2012. 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 €29.3 million or 4.6% during 2012, as compared to 2011. This increase primarily reflects increases in (i) personnel costs and (ii) facilities expenses. For additional information regarding the changes in our SG&A expenses, see *Discussion and Analysis of our Reportable Segments — SG&A Expenses — 2012 compared to 2011* 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 one 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,	
	2012	2011
	in millions	
LGI common stock:		
LGI performance-based incentive awards (a)	€ 7.3	€ 5.6
Other LGI stock-based incentive awards	9.2	7.7
Total LGI common stock	16.5	13.3
Other (b)	1.3	0.2
Total	€ 17.8	€ 13.5
Included in:		
Operating expense	€ 0.5	€ 1.3
SG&A expense	17.3	12.2
Total	€ 17.8	€ 13.5

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(a) Includes stock-based compensation expense related to the LGI PSUs and, during 2011, the LGI Performance Plans.

(b) The 2012 amount includes stock-based compensation expense related to performance-based awards granted pursuant to a liability-based plan of VTR. These awards were granted during the first quarter of 2012 and, based on the level of the specified performance criteria achieved during 2012, these awards will vest on December 31, 2013.

For additional information concerning our stock-based compensation, see note 11 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense increased €67.1 million during 2012, as compared to 2011. Excluding the effects of FX, depreciation and amortization expense increased €56.8 million or 5.9%. This increase is due primarily to the net effect of (i) an increase associated with property and equipment additions 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, largely in Switzerland, Chile and the Netherlands, and (iii) an increase associated with acquisitions.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €8.2 million during 2012, as compared to €26.8 million during 2011. The 2012 amount primarily is related to restructuring charges associated with reorganization and integration activities in Europe. 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.

For additional information regarding our restructuring charges, see note 13 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 third-party interest expense increased €75.2 million during 2012, as compared to 2011. Excluding the effects of FX, interest expense increased €74.4 million or 14.3%. This increase is primarily attributable to (i) higher average outstanding debt balances and (ii) a slightly higher weighted average interest rate. The slight increase in our weighted average interest rate is primarily related to the net effect of (i) the completion of certain financing transactions that resulted in extended maturities, certain of which resulted in an increase to our weighted average interest rates, and (ii) decreases in certain of the base rates for our variable rate indebtedness. For additional information regarding our outstanding indebtedness, see note 8 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.

Interest expense - related-party

Our related-party interest expense primarily relates to the interest expense on our shareholder loan. Our related-party interest expense increased €193.5 million during 2012, as compared to 2011. This increase is primarily due to (i) an increase in the weighted average interest rate on our shareholder loan from 7.75% during 2011 to 9.79% during 2012 and (ii) an increase in the average outstanding balance of our shareholder loan during 2012, as compared to 2011. For additional information, see note 8 to our consolidated financial statements.

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,	
	2012	2011
	in millions	
Cross-currency and interest rate derivative contracts (a)	€ (559.1)	€ 5.5
Foreign currency forward contracts	(3.4)	(9.0)
Embedded derivatives	2.8	(0.1)
Total	€ (559.7)	€ (3.6)

(a) The loss during 2012 is primarily attributable to the net effect of (i) losses associated with decreases in market interest rates in the Hungarian forint, euro, Polish zloty, Swiss franc and Czech koruna markets, (ii) losses associated with increases in the values of the Polish zloty, Hungarian forint, Chilean peso and Swiss franc relative to the euro, (iii) losses associated with increases in the values of the Chilean peso and Swiss franc relative to the U.S. dollar, (iv) gains associated with decreases in market interest rates in the U.S. dollar market and (v) losses associated with a decrease in the value of the U.S. dollar relative to the euro. In addition, the loss during 2012 includes a net loss of €60.2 million resulting from changes in our credit risk valuation adjustments. The gain during 2011 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 values 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. In addition, the gain during 2011 includes a net gain of €27.5 million resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see notes 5 and 6 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,	
	2012	**2011**
	in millions	
Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a)	€ 159.6	€ (214.2)
U.S. dollar denominated debt issued by European subsidiaries	32.7	(52.0)
Cash and restricted cash denominated in a currency other than the entity's functional currency	5.3	(0.1)
Other	0.3	(4.2)
Total	€ 197.9	€ (270.5)

(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, and (ii) 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 (losses) due to changes in fair values of certain investments, net, include unrealized gains (losses) associated with changes in fair values that are non-cash in nature until such time as these gains (losses) are realized through cash transactions. We recognized realized and unrealized gains (losses) due to changes in fair values of certain investments, net of €0.2 million and (€9.5 million) during 2012 and 2011, respectively. The 2011 amount mostly reflects a decrease in the fair value of our investment in a broadband communications operator in Switzerland.

For additional information regarding our investments and fair value measurements, see notes 4 and 6 to our consolidated financial statements.

Losses on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of €12.7 million and €11.7 million during 2012 and 2011, respectively. The loss during 2012 includes (i) a loss of €9.8 million associated with the write-off of deferred financing costs and an unamortized discount during the fourth quarter in connection with the prepayment of Facility AB under the UPC Broadband Holding Bank Facility, (ii) the incurrence of third-party costs of €1.5 million during the first quarter associated with

the execution of Facility AE under the UPC Broadband Holding Bank Facility and (iii) the write-off of €1.5 million of deferred financing costs during the first quarter in connection with the prepayment of amounts outstanding under Facilities M, N and O under the UPC Broadband Holding Bank Facility. The loss during 2011 includes the write-off of €11.3 million of deferred financing costs and an unamortized discount during the first quarter in connection with the prepayment of amounts outstanding under Facilities M, P, T and U of the UPC Broadband Holding Bank Facility. For additional information, see note 8 to our consolidated financial statements.

Income tax expense

We recognized income tax expense of €86.2 million and €241.4 million during 2012 and 2011, respectively.

The income tax expense during 2012 differs from the expected income tax benefit of €199.8 million (based on the Dutch 25.0% 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 and (iii) certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries. The negative impacts of these items were partially offset by the positive impact of an increase in certain net deferred tax assets due to an enacted increase in Chilean tax law.

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, 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 the realization of foreign currency gains and losses between financial and tax accounting.

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

Net loss

During 2012 and 2011, we reported net losses of €885.5 million and €793.9 million, respectively, including (i) operating income of €1,013.0 million and €914.4 million, respectively, (ii) non-operating expense of €1,812.3 million and €1,466.9 million, respectively, and (iii) income tax expense of €86.2 million and €241.4 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 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) depreciation and amortization, (c) impairment, restructuring and other operating items, net, (d) interest expense, (e) other net non-operating expenses and (f) income tax expenses.

Due largely to the fact that we seek to maintain our debt at levels that provide for attractive 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 increased €14.2 million during 2012, as compared to 2011, due primarily to improvements in the results of operations of VTR during 2011.

2011 compared to 2010

Revenue

Our revenue by major category is set forth below:

	Year ended December 31,		Increase		Organic increase
	2011 (a)	2010 (a)	€	%	%
	in millions				
Subscription revenue (b):					
Video	€ 1,981.0	€ 1,860.5	€ 120.5	6.5	2.9
Broadband internet	1,023.4	940.6	82.8	8.8	5.4
Telephony	574.0	535.6	38.4	7.2	4.5
Total subscription revenue	3,578.4	3,336.7	241.7	7.2	3.9
Non-subscription revenue (c)	434.9	403.2	31.7	7.9	0.8
Total	€ 4,013.3	€ 3,739.9	€ 273.4	7.3	3.5

(a) Effective January 1, 2012, we began classifying the monthly revenue derived from certain SOHO subscribers as subscription revenue. SOHO subscribers pay a premium price to receive enhanced service levels along with video programming, internet or telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. Amounts have been conformed to the 2012 presentation by reclassifying the corresponding SOHO revenue from non-subscription revenue to subscription revenue.

(b) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile services 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.

(c) 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%.

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	€ 125.0
ARPU	3.9
Organic increase	128.9
Impact of acquisitions	35.9
Impact of FX	76.9
Total increase in subscription revenue	€ 241.7

Excluding the effects of acquisitions and FX, our consolidated subscription revenue increased €128.9 million or 3.9% during 2011, as compared to 2010. This increase is attributable to (i) an increase in subscription revenue from video services of €53.9 million or 2.9%, 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 €51.0 million or 5.4%, as the impact of an increase in the average number of broadband internet RGUs was only partially offset by lower ARPU from broadband

internet services, and (iii) an increase in subscription revenue from telephony services of €24.0 million or 4.5%, 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 €3.3 million or 0.8% during 2011, as compared to 2010. This increase is primarily attributable to increases in (i) B2B revenue and (ii) 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.

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 one 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:		
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 11 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 property and equipment additions 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 items, net

We recognized impairment, restructuring and other operating items, 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 13 to our consolidated financial statements.

Interest expense - third-party

Our third-party 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 (a) the completion of refinancing transactions that generally resulted in extended maturities and higher interest rates and (b) increases in the base borrowing rates for certain of our variable-rate indebtedness. For additional information regarding our outstanding indebtedness, see note 8 to our consolidated financial statements.

Interest expense - related-party

Our consolidated related-party interest expense relates to the interest expense on our shareholder loan. Our total consolidated related-party interest expense increased €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 8 and 12 to our consolidated financial statements.

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 gain 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 values 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. In addition, the gain during 2011 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 loss during 2010 includes a net gain of €73.9 million resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see notes 5 and 6 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, and (ii) 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 (losses) due to changes in fair values of certain investments, net, include unrealized gains (losses) associated with changes in fair values that are non-cash in nature until such time as these gains (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) and €0.2 million during 2011 and 2010, respectively. The 2011 amount mostly reflects a decrease in the fair value of our investment in a broadband communications operator in Switzerland.

For additional information concerning our investments and fair value measurements, see notes 4 and 6 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 8 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, 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 the 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 which included tax benefits of €159.3 million recognized in France upon the release of valuation allowances during the fourth quarter of 2010 in connection with an internal financial restructuring 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 9 to our consolidated financial statements.

Net loss

During 2011 and 2010, we reported net losses 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.

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.

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, 2012. 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, 2012 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	€	0.3
UPC Broadband Holding (excluding VTR)		31.3
VTR		26.7
Total cash and cash equivalents	€	58.3

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). No assurance can be given that any external funding would be available on favorable terms, or at all.

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 the purchase or exchange of outstanding debt securities in the open market or privately-negotiated transactions and 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.

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, 2012, see note 8 to our consolidated financial statements. Our subsidiaries' liquidity generally is used to fund capital expenditures and debt service requirements. From time to time, our subsidiaries may also require funding in connection with (i) acquisitions and other investment opportunities, (ii) loans to UPC Holding or other LGI subsidiaries or (iii) 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 Aster Acquisition, see note 3 to our consolidated financial statements.

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

Capitalization

We seek to maintain our debt at levels that provide for attractive equity returns without assuming undue risk. In this regard, we generally seek 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. However, the timing of our acquisitions and financing transactions may temporarily cause this ratio to exceed our targeted range. The ratio of our December 31, 2012 Senior Debt to our annualized EBITDA (last two quarters annualized) for UPC Holding was 3.64x. In addition, the ratio of our December 31, 2012 Total Debt to our annualized EBITDA (last two quarters annualized) was 4.66x, with each ratio defined and calculated in accordance with the UPC Broadband Holding Bank Facility.

When it is cost effective, we generally seek to match the denomination of the borrowings of our subsidiaries with the functional currency of the operations that are supporting the respective borrowings. As further discussed in note 5 to our 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 the leverage covenants in our and certain of our subsidiaries credit agreements and indentures 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 our and UPC Broadband Holding's debt instruments. For example, 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, 2012, we and each of our borrowing subsidiaries were in compliance with our and our subsidiaries' debt covenants. In addition, we do not anticipate any instances of non-compliance with respect to our or our subsidiaries' debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

At December 31, 2012, our outstanding consolidated third-party debt and capital lease obligations aggregated €9,593.7 million, including €85.4 million that is classified as current in our consolidated balance sheet and €7,511.9 million that is due in 2017 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 these refinancing transactions or otherwise extend our debt maturities. In this regard, it is difficult to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments will impact the credit and equity markets we access and our future financial position. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) 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, 2012.

For additional information concerning our debt and capital lease obligations, see note 8 to our consolidated financial statements.

Consolidated Cash Flow Statements

General. Our cash flows are subject to significant variations due to FX.

Consolidated Cash Flow Statement - 2012 *compared to 2011*

Summary. The 2012 and 2011 consolidated cash flow statements are summarized as follows:

	Year ended December 31,		
	2012	2011	Change
		in millions	
Net cash provided by operating activities	€ 1,237.3	€ 1,149.8	€ 87.5
Net cash used by investing activities	(761.3)	(1,369.6)	608.3
Net cash provided (used) by financing activities	(551.2)	229.4	(780.6)
Effect of exchange rate changes on cash	7.0	(6.2)	13.2
Net increase (decrease) in cash and cash equivalents	€ (68.2)	€ 3.4	€ (71.6)

Operating Activities. The increase in net cash provided by our operating activities 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 related to derivative instruments.

Investing Activities. The decrease in net cash used by our investing activities is primarily attributable to (i) a decrease in cash used of €561.8 million due to lower cash paid in connection with acquisitions, net of cash acquired, and (ii) a decrease in cash used of €57.8 million due to lower capital expenditures. Capital expenditures decreased from €781.6 million during 2011 to €723.8 million during 2012, due primarily to a net decrease in the local currency capital expenditures of our subsidiaries that was only partially offset by increases due to FX and acquisitions.

The capital expenditures that we report in our consolidated cash flow statements do not include (i) amounts that are financed under vendor financing or capital lease arrangements or (ii) purchased assets transferred to our company by another entity under the common control of LGI in exchange for non-cash increases to our shareholder loan or non-cash contributions from our parent (non-cash related-party capital additions). Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and in the case of vendor financing and capital lease arrangements, as repayments of debt when the principal is repaid. In the following discussion, we present (i) our capital expenditures as reported in our consolidated cash flow statements, which exclude non-cash related-party capital additions and amounts financed under vendor financing or capital lease arrangements, and (ii) our total property and equipment additions, which include changes in current liabilities associated with capital expenditures, non-cash related-party capital additions and amounts that are financed under vendor financing or capital lease arrangements. For additional information, see notes 7 and 8 to our consolidated financial statements.

UPC Europe accounted for (i) €571.6 million and €663.6 million of our consolidated capital expenditures during 2012 and 2011, respectively, and (ii) €755.1 million and €741.1 million of our consolidated property and equipment additions during 2012 and 2011, respectively. The increase in UPC Europe's property and equipment additions is due primarily to the net effect of (i) an increase in expenditures for the purchase and installation of customer premises equipment, (ii) a decrease in expenditures for new build and upgrade projects to expand services, (iii) an increase in expenditures for support capital, such as information technology upgrades and general support systems, and (iv) an increase due to FX. During 2012 and 2011, UPC Europe’s (a) capital expenditures represented 16.1% and 19.7% of its revenue, respectively, and (b) property and equipment additions represented 21.3% and 22.0% of its revenue, respectively.

VTR accounted for (i) €152.2 million and €118.0 million of our consolidated capital expenditures during 2012 and 2011, respectively, and (ii) €160.6 million and €132.1 million of our consolidated property and equipment additions during 2012 and 2011, respectively. The increase in the property and equipment additions of VTR is due primarily to the net effect of (i) an increase in expenditures for the purchase and installation of customer premises equipment, (ii) an increase in expenditures for new build and upgrade projects, (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 2012 and 2011, VTR’s (a) capital expenditures represented 21.2% and 18.5% of its revenue, respectively, and (b) property and equipment additions represented 22.4% and 20.7% of its revenue, respectively.

We expect the percentage of revenue represented by our aggregate 2013 consolidated property and equipment additions to decline slightly as compared to 2012, with the 2013 percentage expected to range from (i) 21% to 23% for UPC Europe and (ii) 18% to 20% for VTR. The actual amount of our 2013 consolidated property and equipment additions and the 2013 property and equipment additions 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 property and equipment additions will not vary materially from our expectations.

Financing Activities. The decrease in net cash provided (used) by our financing activities is primarily attributable to the net effect of (i) a decrease in cash of €495.4 million related to higher net repayments of related-party debt, (ii) a decrease in cash of €329.9 million related to lower net borrowings of third-party debt, (iii) an increase in cash of €98.7 million related to changes in cash collateral and (iv) a decrease in cash of €61.0 million due to lower equity contributions from a related party.

Consolidated Cash Flow Statement - 2011 compared to 2010

Summary. The 2011 and 2010 consolidated cash flow statements are summarized as follows:

	Year ended December 31,		
	2011	2010	Change
		in millions	
Net cash provided by operating activities	€ 1,149.8	€ 1,162.8	€ (13.0)
Net cash used by investing activities	(1,369.6)	(801.7)	(567.9)
Net cash provided (used) by financing activities	229.4	(406.3)	635.7
Effect of exchange rate changes on cash	(6.2)	8.6	(14.8)
Net increase (decrease) in cash and cash equivalents	€ 3.4	€ (36.6)	€ 40.0

Operating Activities. The decrease in net cash provided by our operating activities 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. The increase in net cash used by our investing activities 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 increases due to FX and acquisitions.

UPC Europe accounted for (i) €663.6 million and €659.3 million of our consolidated capital expenditures during 2011 and 2010, respectively, and (ii) €741.1 million and €670.8 million of our consolidated property and equipment additions during 2011 and 2010, respectively. The increase in UPC Europe's property and equipment additions is due primarily to (i) an increase in expenditures for new build and upgrade projects to expand services, (ii) an increase due to FX, (iii) an increase in expenditures for support capital, such as information technology upgrades and general support systems, and (iv) an increase in expenditures for the purchase and installation of customer premises equipment. During 2011 and 2010, UPC Europe's (a) capital expenditures represented 19.7% and 21.0% of its revenue, respectively, and (b) property and equipment additions represented 22.0% and 21.4% of its revenue, respectively.

VTR accounted for (i) €118.0 million and €136.7 million of our consolidated capital expenditures during 2011 and 2010, respectively, and (ii) €132.1 million and €131.6 million of our consolidated property and equipment additions during during 2011 and 2010, respectively. The increase in VTR's property and equipment additions is due primarily to the net effect of (i) a decrease in expenditures for the purchase and installation of customer premises equipment, (ii) an increase in expenditures for support capital, such as information technology upgrades and general support systems, (iii) an increase due to FX and (iv) an increase in expenditures for new build and upgrade projects. During 2011 and 2010, VTR's (a) capital expenditures represented 18.5% and 22.7% of its revenue, respectively, and (b) property and equipment additions represented 20.7% and 21.8% of its revenue, respectively.

Financing Activities. The increase in net cash provided (used) by our financing activities 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, (ii) a decrease in cash related to higher net repayments of the shareholder loan of €219.5 million and (iii) an increase in cash of €61.0 million due to higher equity contributions from a related party.

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, 2012, the euro equivalents (based on December 31, 2012 exchange rates) of our consolidated contractual commitments are as follows:

	Payments due during:						
	2013	2014	2015	2016	2017	Thereafter	Total
				in millions			
Debt (excluding interest):							
Third-party	€ 83.1	€ —	€ 290.7	€ 1,701.6	€ 1,541.0	€ 6,001.9	€ 9,618.3
Related-party	—	—	—	—	—	8,727.5	8,727.5
Capital leases (excluding interest)	2.3	1.9	1.6	1.7	1.7	16.0	25.2
Operating leases	80.4	49.4	46.4	38.1	32.3	147.9	394.5
Programming obligations	76.5	34.9	32.7	32.0	31.6	—	207.7
Other commitments	229.8	50.8	41.0	27.5	19.6	39.9	408.6
Total (a)	€ 472.1	€ 137.0	€ 412.4	€ 1,800.9	€ 1,626.2	€ 14,933.2	€19,381.8
Projected cash interest payments on third-party debt and capital lease obligations (b)	€ 511.2	€ 578.7	€ 582.1	€ 588.8	€ 509.5	€ 1,254.0	€ 4,024.3

(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2012 balance sheet other than debt and capital lease obligations. Our liability for uncertain tax positions in the various jurisdictions in which we operate (€8.5 million at December 31, 2012) 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, interest payment dates and contractual maturities in effect as of December 31, 2012. 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. Amounts associated with related-party debt are excluded from the table.

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 or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. 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 2012, 2011 and 2010, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €515.4 million, €467.0 million and €423.1 million, respectively.

Other commitments relate primarily to (i) satellite commitments associated with satellite carriage services provided to our company, (ii) unconditional purchase obligations associated with commitments to purchase customer premises and other equipment and services that are enforceable and legally binding on us, including €98.5 million related to related-party purchase obligations, 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 2012, 2011 and 2010, see note 5 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 communication 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, 2012. 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 5 to our consolidated financial statements.

	Payments (receipts) due during:						
	2013	**2014**	**2015**	**2016**	**2017**	**Thereafter**	**Total**
				in millions			
Projected derivative cash payments (receipts), net:							
Interest-related (a)	€ 222.8	€ 395.9	€ 61.3	€ 150.4	€ 24.1	€ 7.4	€ 861.9
Principal-related (b)	—	369.2	27.8	154.4	7.2	2.1	560.7
Other	0.4	—	—	(0.8)	(1.6)	(16.7)	(18.7)
Total	€ 223.2	€ 765.1	€ 89.1	€ 304.0	€ 29.7	€ (7.2)	€ 1,403.9

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

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

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 significant 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 89% of our total assets at December 31, 2012.

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 (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) 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 value of the reporting unit to its respective carrying amount. 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. Our determination of the discount rate is based on a weighted average cost of capital approach, which uses a market participant's cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows. Based on the results of our 2012 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 small reporting unit. Upon our determination of the implied fair value of the goodwill and other long-lived assets of this reporting unit, we concluded that the goodwill and long-lived assets of this reporting unit were not impaired.

During 2012, 2011 and 2010, we recorded no impairments of our property and equipment and intangible assets (including goodwill).

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. The capitalization of these costs is based on time sheets, time studies, standard costs, call tracking systems and other verifiable means that directly link the costs incurred with the applicable capitalizable activity. We continuously monitor the appropriateness of our capitalization policies and update the policies 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 changes, changes in anticipated use, legal and economic factors, rebuild and equipment swap-out plans, and other factors. Our intangible assets with finite 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, technological 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 finite lives. Any changes to estimated useful lives are reflected prospectively. Depreciation and amortization expense during 2012, 2011 and 2010 was €1,037.3 million, €970.2 million and €974.0 million, respectively. A 10% increase in the aggregate amount of the depreciation and amortization expense during 2012 would have resulted in a €103.7 million or 10.2% decrease in our 2012 operating income.

Fair Value Measurements

U.S. GAAP provides guidance with respect to the recurring and nonrecurring 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 cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments. We use quoted market prices when available and, when not available, we use a combination of an income approach (discounted cash flows) and a market approach (market multiples of similar businesses) to determine the fair value of our fair value method investments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments and fair value method investments, see note 6 to our consolidated financial statements. See also notes 4 and 5 to our consolidated financial statements for information concerning our fair value method investments and derivative instruments, respectively.

Changes in the fair values of our derivative instruments and fair value method investments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During 2012, 2011 and 2010, our results of operations included net losses of €559.5 million, €13.1 million and €813.3 million, respectively, attributable to changes in the fair values of these items.

As further described in note 6 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, 2012.

Nonrecurring Valuations. Our nonrecurring 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, 6 and 7 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, 2012, the aggregate valuation allowance provided against deferred tax assets was €1,580.7 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, 2012 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 our consolidated financial statements is different than the amount taken or expected to be taken in our tax returns. As of December 31, 2012, the amount of unrecognized tax benefits for financial reporting purposes, but taken or expected to be taken on tax returns, was €17.9 million, of which €13.9 million would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

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

For additional information concerning our income taxes, see note 9 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.