



UPC HOLDING B.V.

**Condensed Consolidated Financial Statements
March 31, 2016**

**UPC Holding B.V.
Boeing Avenue 53
1119 PE, Schiphol-Rijk
The Netherlands**

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

	March 31, 2016	December 31, 2015
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 16.5	€ 139.0
Trade receivables, net	164.7	283.3
Related-party receivables (note 8)	147.0	137.6
Derivative instruments (note 3)	179.2	136.9
Prepaid expenses	47.2	15.4
Other current assets	30.3	29.9
Total current assets	584.9	742.1
Related-party receivables (note 8)	94.2	287.0
Property and equipment, net (note 5)	2,352.2	2,364.4
Goodwill (note 5)	4,305.9	4,313.7
Derivative instruments (note 3)	349.7	433.1
Intangible assets subject to amortization, net (note 5)	111.0	115.6
Other assets, net	88.7	89.0
Total assets	€ 7,886.6	€ 8,344.9

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

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

	March 31, 2016	December 31, 2015
	in millions	
LIABILITIES AND OWNERS' DEFICIT		
Current liabilities:		
Accounts payable (note 8)	€ 274.7	€ 286.7
Deferred revenue and advance payments from subscribers and others	295.5	347.9
Derivative instruments (note 3)	393.9	159.6
Current portion of debt and capital lease obligations (note 6)	581.4	548.7
Accrued interest	59.6	134.2
Other accrued and current liabilities (note 8)	620.1	615.8
Total current liabilities	2,225.2	2,092.9
Long-term debt and capital lease obligations (note 6):		
Third-party	5,287.4	5,446.7
Related-party (note 8)	5,537.5	5,825.4
Derivative instruments (note 3)	659.5	778.9
Other long-term liabilities (note 8)	337.2	217.6
Total liabilities	14,046.8	14,361.5
Commitments and contingencies (notes 3, 6 and 9)		
Owners' deficit:		
Parent's deficit:		
Distributions and accumulated losses in excess of contributions	(6,970.8)	(6,833.3)
Accumulated other comprehensive earnings, net of taxes	727.7	735.0
Total parent's deficit	(6,243.1)	(6,098.3)
Noncontrolling interests	82.9	81.7
Total owners' deficit	(6,160.2)	(6,016.6)
Total liabilities and owners' deficit	€ 7,886.6	€ 8,344.9

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

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

	Three months ended	
	March 31,	
	2016	2015
	in millions	
Revenue (notes 8 and 10)	€ 633.9	€ 628.1
Operating costs and expenses:		
Operating (other than depreciation and amortization) (note 8).....	208.2	208.1
Selling, general and administrative (SG&A) (including share-based compensation) (note 8)	95.4	96.0
Related-party fees and allocations, net (note 8)	80.8	65.4
Depreciation and amortization	135.9	143.6
Impairment, restructuring and other operating items, net	0.1	10.0
	<u>520.4</u>	<u>523.1</u>
Operating income	<u>113.5</u>	<u>105.0</u>
Non-operating income (expense):		
Interest expense:		
Third-party	(83.7)	(112.1)
Related-party (note 8)	(144.1)	(221.0)
Interest income (note 8).....	0.7	8.0
Realized and unrealized losses on derivative instruments, net (note 3).....	(196.2)	(198.0)
Foreign currency transaction gains (losses), net	172.6	(194.1)
Losses on debt modification and extinguishment, net (note 6).....	—	(128.5)
Other income, net	0.1	0.3
	<u>(250.6)</u>	<u>(845.4)</u>
Loss before income taxes	(137.1)	(740.4)
Income tax expense (note 7)	(10.2)	(36.7)
Net loss.....	<u>(147.3)</u>	<u>(777.1)</u>
Net earnings attributable to noncontrolling interests	(2.6)	(3.9)
Net loss attributable to parent	<u>€ (149.9)</u>	<u>€ (781.0)</u>

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

UPC HOLDING B.V.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	Three months ended	
	March 31,	
	2016	2015
	in millions	
Net loss.....	€ (147.3)	€ (777.1)
Other comprehensive earnings (loss), net of taxes:		
Foreign currency translation adjustments	(7.0)	297.6
Other	(0.3)	(1.4)
Other comprehensive earnings (loss).....	(7.3)	296.2
Comprehensive loss.....	(154.6)	(480.9)
Comprehensive earnings attributable to noncontrolling interests.....	(2.6)	(7.0)
Comprehensive loss attributable to parent.....	€ (157.2)	€ (487.9)

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

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings, net of taxes	Total parent's deficit	Non- controlling interests	Total owners' deficit
	in millions				
Balance at January 1, 2016	€ (6,833.3)	€ 735.0	€ (6,098.3)	€ 81.7	€ (6,016.6)
Net loss	(149.9)	—	(149.9)	2.6	(147.3)
Other comprehensive loss, net of taxes	—	(7.3)	(7.3)	—	(7.3)
Deemed contribution of technology-related services (note 8)	7.8	—	7.8	—	7.8
Share-based compensation	3.6	—	3.6	—	3.6
Property and equipment contributed by parent company (notes 5 and 8)	2.3	—	2.3	—	2.3
Capital charge in connection with the exercise of share-based incentive awards (note 8)	(1.5)	—	(1.5)	—	(1.5)
Distributions by subsidiaries to noncontrolling interest owners	—	—	—	(1.1)	(1.1)
Other	0.2	—	0.2	(0.3)	(0.1)
Balance at March 31, 2016	<u>€ (6,970.8)</u>	<u>€ 727.7</u>	<u>€ (6,243.1)</u>	<u>€ 82.9</u>	<u>€ (6,160.2)</u>

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

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

	Three months ended	
	March 31,	
	2016	2015
	in millions	
Cash flows from operating activities:		
Net loss	€ (147.3)	€ (777.1)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Share-based compensation expense	3.6	1.8
Related-party fees and allocations, net.....	80.8	65.4
Depreciation and amortization	135.9	143.6
Impairment, restructuring and other operating items, net	0.1	10.0
Non-cash interest on related-party loans	144.1	221.0
Amortization of deferred financing costs and non-cash interest accretion	1.8	4.3
Realized and unrealized losses on derivative instruments, net	196.2	198.0
Foreign currency transaction losses (gains), net	(172.6)	194.1
Losses on debt modification and extinguishment, net	—	128.5
Deferred income tax expense (benefit)	(6.7)	21.8
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions.....	(85.9)	(298.0)
Net cash provided (used) by operating activities	150.0	(86.6)
Cash flows from investing activities:		
Capital expenditures	(69.4)	(25.1)
Repayments from (advances to) related parties, net.....	5.8	(59.5)
Other investing activities, net	(2.6)	(1.8)
Net cash used by investing activities	€ (66.2)	€ (86.4)

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

	Three months ended	
	March 31,	
	2016	2015
	in millions	
Cash flows from financing activities:		
Repayments and repurchases of third-party debt and capital lease obligations.....	€ (157.8)	€ (3,116.1)
Borrowings of third-party debt	17.6	667.9
Borrowings (repayments) of related-party debt, net	(37.0)	3,018.4
Net cash paid related to derivative instruments	(29.7)	(380.3)
Payment of financing costs and debt premiums.....	(0.1)	(110.6)
Change in cash collateral	—	51.5
Other financing activities, net	(0.1)	0.3
Net cash provided (used) by financing activities	<u>(207.1)</u>	<u>131.1</u>
Effect of exchange rate changes on cash	0.8	35.4
Net decrease in cash and cash equivalents.....	(122.5)	(6.5)
Cash and cash equivalents:		
Beginning of period	139.0	51.3
End of period	<u>€ 16.5</u>	<u>€ 44.8</u>
Cash paid for interest – third-party.....	<u>€ 155.0</u>	<u>€ 217.5</u>
Cash paid for interest – related-party	<u>€ —</u>	<u>€ 106.6</u>
Net cash paid for taxes	<u>€ 14.9</u>	<u>€ 23.1</u>

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

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements
March 31, 2016
(unaudited)

(1) Basis of Presentation

UPC Holding B.V. (**UPC Holding**) is a wholly-owned subsidiary of Liberty Global plc (**Liberty Global**). 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.

As of March 31, 2016, we provided (i) video, broadband internet and fixed-line telephony services in seven European countries and (ii) mobile services in four European countries. We also provide direct-to-home satellite (**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 unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (**U.S. GAAP**). Accordingly, these financial statements do not include all of the information required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2015 annual report.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, the valuation of acquisition-related assets and liabilities, allowances for uncollectible accounts, programming and copyright costs, 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, share-based compensation and actuarial liabilities associated with certain benefit plans. Actual results could differ from those estimates.

Unless otherwise indicated, ownership percentages and convenience translations into euros are calculated as of March 31, 2016.

Certain prior period amounts, including deferred financing costs, have been reclassified to conform to the current period presentation. For additional information regarding the change in the classification of deferred financing costs, see note 2.

These condensed consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through May 25, 2016, the date of issuance.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
March 31, 2016
(unaudited)

(2) Recent Accounting Pronouncements

Accounting Changes

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03)*, which requires debt issuance costs related to a recognized debt liability to be presented on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts. ASU 2015-03 is effective for annual reporting periods beginning after December 15, 2015. We adopted ASU 2015-03 on January 1, 2016 and, accordingly, deferred financing costs are presented as a reduction of debt in our March 31, 2016 and December 31, 2015 condensed consolidated balance sheets. Prior to the adoption of ASU 2015-03, we presented deferred financing costs in other assets, net.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (ASU 2014-09)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09, as amended by ASU No. 2015-14, will replace existing revenue recognition guidance when it becomes effective for annual reporting periods beginning after December 15, 2018. Early application is permitted for annual and interim reporting periods that begin after December 15, 2016. This new standard permits the use of either the retrospective or cumulative effect transition method. We will adopt ASU 2014-09 effective January 1, 2018, and we are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (ASU 2016-02)*, which, for most leases, will result in lessees recognizing lease assets and lease liabilities on the balance sheet with additional disclosures about leasing arrangements. ASU 2016-02 requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach also includes a number of optional practical expedients an entity may elect to apply. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the effect that ASU 2016-02 will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation — Stock Compensation, Improvements to Employee Share-Based Payment Accounting (ASU 2016-09)*, which simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities and classification within the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted. We are currently evaluating the effect that ASU 2016-09 will have on our consolidated financial statements and related disclosures.

(3) Derivative Instruments

In general, we seek to enter into derivative instruments to protect against (i) increases in the interest rates on our variable-rate debt and (ii) foreign currency movements, particularly with respect to borrowings that are denominated in a currency other than the functional currency of the borrowing entity. In this regard, 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 United States (U.S.) dollar (\$), the British pound sterling (£), the Swiss franc (CHF), the Czech koruna (CZK), the Hungarian forint (HUF), the Polish zloty (PLN) and the Romanian lei (RON). We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of our derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments, net, in our condensed consolidated statements of operations.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
March 31, 2016
(unaudited)

The following table provides details of the fair values of our derivative instrument assets and liabilities:

	March 31, 2016			December 31, 2015		
	Current	Long-term	Total	Current	Long-term	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (a)	€ 178.0	€ 348.8	€ 526.8	€ 135.3	€ 432.2	€ 567.5
Foreign currency forward contracts	0.8	—	0.8	1.1	—	1.1
Other	0.4	0.9	1.3	0.5	0.9	1.4
Total.....	€ 179.2	€ 349.7	€ 528.9	€ 136.9	€ 433.1	€ 570.0
Liabilities:						
Cross-currency and interest rate derivative contracts (a)	€ 392.5	€ 659.5	€ 1,052.0	€ 158.9	€ 778.9	€ 937.8
Foreign currency forward contracts	1.4	—	1.4	0.7	—	0.7
Total.....	€ 393.9	€ 659.5	€ 1,053.4	€ 159.6	€ 778.9	€ 938.5

- (a) We consider credit risk in our fair value assessments. As of March 31, 2016 and December 31, 2015, (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 €12.0 million and €9.5 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 €73.9 million and €62.2 million, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments is generally based on our and our counterparties' credit risks, as observed in the credit default swap market and market quotations for certain of our 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 of €9.3 million and €16.9 million during the three months ended March 31, 2016 and 2015, respectively. These amounts are included in realized and unrealized losses on derivative instruments, net, in our condensed consolidated statements of operations. For further information regarding our fair value measurements, see note 4.

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

	Three months ended	
	2016	2015
	in millions	
Cross-currency and interest rate derivative contracts	€ (194.4)	€ (196.4)
Foreign currency forward contracts	(1.6)	(2.8)
Other.....	(0.2)	1.2
Total.....	€ (196.2)	€ (198.0)

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

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
March 31, 2016
(unaudited)

	Three months ended	
	March 31,	
	2016	2015
	in millions	
Operating activities	€ (10.5)	€ (103.8)
Financing activities	(29.7)	(380.3)
Total.....	€ (40.2)	€ (484.1)

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. Collateral is generally not posted by either party under our derivative instruments. At March 31, 2016, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €378.1 million.

Details of our Derivative Instruments

In the following tables, we present the details of the various categories of our derivative instruments, all of which are held by our subsidiary, UPC Broadband Holding B.V. (**UPC Broadband Holding**). 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. In addition, for derivative instruments that were in effect as of March 31, 2016, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to March 31, 2016, we present a range of dates that represents the period covered by the applicable derivative instruments.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
March 31, 2016
(unaudited)

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at March 31, 2016, are as follows:

Final maturity date	Notional amount due from counterparty		Notional amount due to counterparty		Interest rate due from counterparty	Interest rate due to (from) counterparty
	in millions					
January 2023	\$	1,140.0	€	1,043.7	5.38%	3.71%
July 2021	\$	440.0	€	337.2	6 mo. LIBOR + 2.50%	6 mo. EURIBOR + 2.87%
January 2017 - July 2021	\$	262.1	€	194.1	6 mo. LIBOR + 2.50%	6 mo. EURIBOR + 2.51%
November 2019	\$	250.0	€	181.5	7.25%	7.74%
November 2021	\$	250.0	€	181.4	7.25%	7.50%
January 2020	\$	170.6	€	130.1	6 mo. LIBOR + 4.88%	7.49%
October 2020	\$	125.0	€	91.3	6 mo. LIBOR + 3.00%	6 mo. EURIBOR + 3.04%
January 2022	\$	81.9	€	62.4	6 mo. LIBOR + 5.04%	7.19%
January 2020	\$	73.1	€	55.7	6 mo. LIBOR + 4.87%	6 mo. EURIBOR + 4.87%
January 2022	\$	49.4	€	37.6	6 mo. LIBOR + 5.04%	6 mo. EURIBOR + 5.11%
December 2016	\$	340.0	CHF	370.9	6 mo. LIBOR + 3.50%	6 mo. CHF LIBOR + 4.01%
July 2016 (a)	\$	225.0	CHF	206.3	6 mo. LIBOR + 4.81%	1.00%
July 2016 - January 2020	\$	225.0	CHF	206.3	6 mo. LIBOR + 4.81%	5.44%
July 2021	\$	200.0	CHF	186.0	6 mo. LIBOR + 2.50%	6 mo. CHF LIBOR + 2.55%
January 2017 - July 2023	\$	200.0	CHF	185.5	6 mo. LIBOR + 2.50%	6 mo. CHF LIBOR + 2.48%
November 2021	\$	175.0	CHF	158.7	7.25%	6 mo. CHF LIBOR + 5.01%
January 2017 - July 2021	\$	100.0	CHF	92.8	6 mo. LIBOR + 2.50%	6 mo. CHF LIBOR + 2.49%
July 2016 (a)	\$	201.5	RON	489.3	6 mo. LIBOR + 3.50%	1.40%
July 2016 - July 2020	\$	201.5	RON	489.3	6 mo. LIBOR + 3.50%	11.34%
January 2021	€	720.8	CHF	877.0	6 mo. EURIBOR + 2.50%	6 mo. CHF LIBOR + 2.62%
January 2017 - September 2022	€	383.8	CHF	477.0	6 mo. EURIBOR + 2.00%	6 mo. CHF LIBOR + 2.22%
January 2017	€	360.4	CHF	589.0	6 mo. EURIBOR + 3.75%	6 mo. CHF LIBOR + 3.94%

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
March 31, 2016
(unaudited)

Final maturity date	Notional amount due from counterparty		Notional amount due to counterparty		Interest rate due from counterparty	Interest rate due to (from) counterparty
	in millions					
October 2016	€	285.1	CHF	346.7	10.51%	(0.73)%
October 2016 - January 2020.....	€	285.1	CHF	346.7	10.51%	9.42%
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%
July 2023	€	85.3	CHF	95.0	6 mo. EURIBOR + 2.21%	6 mo. CHF LIBOR + 2.65%
July 2021	€	76.1	CHF	92.1	6 mo. EURIBOR + 2.50%	6 mo. CHF LIBOR + 2.88%
January 2017.....	€	75.0	CHF	110.9	7.63%	6.98%
January 2020.....	€	318.9	CZK	8,818.7	5.58%	5.44%
January 2017.....	€	60.0	CZK	1,703.1	5.50%	6.99%
July 2017	€	39.6	CZK	1,000.0	3.00%	3.75%
July 2016 (a).....	€	260.0	HUF	75,570.0	5.50%	5.00%
July 2016 - January 2017...	€	260.0	HUF	75,570.0	5.50%	10.56%
December 2021	€	150.0	HUF	43,367.5	5.50%	3.75%
July 2018	€	78.0	HUF	19,500.0	5.50%	9.15%
January 2017.....	€	245.0	PLN	1,000.6	5.50%	9.03%
September 2016.....	€	200.0	PLN	892.7	6.00%	3.91%
January 2020.....	€	144.6	PLN	605.0	5.50%	7.98%
July 2017	€	82.0	PLN	318.0	3.00%	5.60%

- (a) Unlike the other cross-currency swaps presented in this table, the identified cross-currency swaps do not involve the exchange of notional amounts at the inception and maturity of the instruments. Accordingly, the only cash flows associated with these derivative instruments are interest payments and receipts.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
March 31, 2016
(unaudited)

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at March 31, 2016, are as follows:

<u>Final maturity date</u>	<u>Notional amount</u> in millions	<u>Interest rate due from</u> <u>counterparty</u>	<u>Interest rate due to (from)</u> <u>counterparty</u>
January 2022	\$ 675.0	6.88%	6 mo. LIBOR + 4.90%
July 2020	€ 750.0	6.38%	6 mo. EURIBOR + 3.16%
July 2016	€ 503.4	6 mo. EURIBOR	0.20%
July 2016 - January 2021	€ 250.0	6 mo. EURIBOR	2.52%
July 2016 - January 2023	€ 210.0	6 mo. EURIBOR	2.88%
January 2022	€ 107.0	6 mo. EURIBOR	2.86%
July 2016 - July 2020	€ 43.4	6 mo. EURIBOR	3.95%
July 2016	CHF 1,629.8	6 mo. CHF LIBOR	(0.25)%
July 2016 - September 2022	CHF 729.8	6 mo. CHF LIBOR	1.75%
July 2016 - January 2021	CHF 500.0	6 mo. CHF LIBOR	1.65%
July 2016 - January 2018	CHF 400.0	6 mo. CHF LIBOR	2.51%
June 2021	CHF 370.9	6 mo. CHF LIBOR	(0.25)%
November 2016	CHF 226.8	6 mo. CHF LIBOR	(1.27)%
November 2016 - November 2021	CHF 158.7	6 mo. CHF LIBOR + 5.01%	6.34%
November 2016 - June 2021	CHF 68.0	6 mo. CHF LIBOR + 5.01%	6.34%

Interest Rate Cap

Our sold interest rate cap contract with respect to EURIBOR at March 31, 2016, is detailed below:

<u>Final maturity date</u>	<u>Notional amount</u> in millions	<u>EURIBOR cap rate</u>
January 2020 (a)	€ 735.0	7.00%

- (a) Represents a sold interest rate cap, which requires that we make payments to the counterparty when the relevant EURIBOR exceeds the EURIBOR cap rate during the specified observation periods.

Interest Rate Collars

Our interest rate collar contracts establish floor and cap rates with respect to EURIBOR on the indicated notional amounts at March 31, 2016, as detailed below:

<u>Final maturity date</u>	<u>Notional amount</u> in millions	<u>EURIBOR floor rate (a)</u>	<u>EURIBOR cap rate (b)</u>
July 2016 - January 2020	€ 1,135.0	1.00%	3.54%

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- (a) We make payments to the counterparty when the relevant EURIBOR is less than the EURIBOR floor rate during the specified observation periods.
- (b) We receive payments from the counterparty when the relevant EURIBOR is greater than the EURIBOR cap rate during the specified observation periods.

Foreign Currency Forwards

The following table summarizes our outstanding foreign currency forward contracts, at March 31, 2016:

<u>Maturity dates</u>	<u>Currency purchased forward</u>	<u>in millions</u>		<u>Currency sold forward</u>
April 2016 - March 2017	\$	2.5	CZK	60.0
April 2016 - March 2017	€	64.9	CHF	70.5
April 2016 - March 2017	€	20.1	CZK	540.0
April 2016 - March 2017	€	18.9	HUF	6,000.0
April 2016 - March 2017	€	36.0	PLN	156.4
April 2016	€	11.2	RON	50.0
April 2016 - March 2017	£	3.6	€	4.8
April 2016	CHF	30.0	€	27.4
April 2016	CZK	340.0	€	12.6
April 2016	HUF	2,200.0	€	7.0
April 2016	PLN	45.0	€	10.5

(4) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of these instruments as of March 31, 2016 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities. 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 into or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During the three months ended March 31, 2016, no such transfers were made.

All of our Level 2 inputs (interest rate futures and swap rates) 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. 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.

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As further described in note 3, 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 instruments. This observable data includes most 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 represent our most significant Level 3 inputs, and these inputs are used to derive the credit risk valuation adjustments with respect to these instruments. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these 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 3.

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 relationship, contributory asset charges and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During the three months ended March 31, 2016 and 2015, we did not perform any significant nonrecurring fair value measurements.

At March 31, 2016 and December 31, 2015, all of our derivative instruments fell under Level 2 of the fair value hierarchy.

(5) Long-lived Assets

Property and Equipment, Net

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

	March 31, 2016	December 31, 2015
	in millions	
Distribution systems	€ 3,637.5	€ 3,808.9
Customer premises equipment.....	1,162.5	1,160.6
Support equipment, buildings and land	393.4	425.1
	<u>5,193.4</u>	<u>5,394.6</u>
Accumulated depreciation	(2,841.2)	(3,030.2)
Total property and equipment, net.....	<u>€ 2,352.2</u>	<u>€ 2,364.4</u>

During the three months ended March 31, 2016 and 2015, we recorded non-cash increases to our property and equipment related to (i) certain vendor financing arrangements of €160.6 million and €122.3 million, respectively, and (ii) assets acquired under capital leases of €2.6 million and €0.4 million, respectively. Furthermore, during the three months ended March 31, 2016 and 2015, we recorded non-cash increases to our property and equipment of €2.3 million and €4.4 million, respectively, related

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to assets acquired on our behalf pursuant to vendor financing and capital lease arrangements of Liberty Global B.V. (LG B.V.), a subsidiary of Liberty Global that is outside of UPC Holding. For additional information, see notes 6 and 8.

Goodwill

Changes in the carrying amount of our goodwill during the three months ended March 31, 2016 are set forth below:

	<u>January 1, 2016</u>	<u>Acquisitions and related adjustments</u>	<u>Foreign currency translation adjustments</u>	<u>March 31, 2016</u>
	in millions			
Switzerland/Austria	€ 3,221.4	€ —	€ (12.0)	€ 3,209.4
Central and Eastern Europe	1,092.3	—	4.2	1,096.5
Total	<u>€ 4,313.7</u>	<u>€ —</u>	<u>€ (7.8)</u>	<u>€ 4,305.9</u>

Intangible Assets Subject to Amortization, Net

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

	<u>March 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
	in millions					
Customer relationships.....	€ 252.9	€ (142.7)	€ 110.2	€ 249.0	€ (134.3)	€ 114.7
Other.....	3.4	(2.6)	0.8	3.7	(2.8)	0.9
Total.....	<u>€ 256.3</u>	<u>€ (145.3)</u>	<u>€ 111.0</u>	<u>€ 252.7</u>	<u>€ (137.1)</u>	<u>€ 115.6</u>

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(6) Debt and Capital Lease Obligations

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

	March 31, 2016		Estimated fair value (c)		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
	in millions					
Third-party debt:						
Parent – UPC Holding Senior Notes...	6.59%	€ —	€ 1,477.5	€ 1,473.8	€ 1,370.7	€ 1,372.2
Subsidiaries:						
UPC Broadband Holding Bank Facility	3.25%	990.1	1,139.6	1,181.9	1,146.7	1,201.0
UPCB SPE Notes.....	5.80%	—	2,867.4	2,882.1	2,787.9	2,891.5
Vendor financing (d).....	3.42%	—	579.1	546.4	579.1	546.4
Total principal amount of third- party debt before unamortized discounts and deferred financing costs.....	5.25%	€ 990.1	€ 6,063.6	€ 6,084.2	€ 5,884.4	€ 6,011.1
					March 31, 2016	December 31, 2015
					in millions	
Total principal amount of third-party debt before unamortized discounts and deferred financing costs.....					€ 5,884.4	€ 6,011.1
Unamortized discounts					(7.6)	(7.9)
Unamortized deferred financing costs.....					(32.4)	(30.5)
Total carrying amount of third-party debt.....					5,844.4	5,972.7
Capital lease obligations					24.4	22.7
Total third-party debt and capital lease obligations.....					5,868.8	5,995.4
Related-party debt (note 8)					5,537.5	5,825.4
Total debt and capital lease obligations.....					11,406.3	11,820.8
Current maturities of debt and capital lease obligations.....					(581.4)	(548.7)
Long-term debt and capital lease obligations					€ 10,824.9	€ 11,272.1

(a) Represents the weighted average interest rate in effect at March 31, 2016 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 derivative instruments, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our aggregate third-party variable- and fixed-rate indebtedness was 3.9% at March 31, 2016. For information regarding our derivative instruments, see note 3.

(b) Unused borrowing capacity represents the maximum availability under the UPC Broadband Holding Bank Facility at March 31, 2016 without regard to covenant compliance calculations or other conditions precedent to borrowing. At March 31, 2016, based on the applicable leverage and other financial covenants, our availability under the UPC Broadband Holding Bank Facility was limited to €858.3 million. When the relevant March 31, 2016 compliance reporting requirements have been completed and assuming no changes from March 31, 2016 borrowing levels, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €685.3 million.

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- (c) The estimated fair values of our debt instruments are determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy). For additional information regarding fair value hierarchies, see note 4.
- (d) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property and equipment additions and, to a lesser extent, certain of our operating expenses. These obligations are generally due within one year. At March 31, 2016 and December 31, 2015, the amounts owed pursuant to these arrangements include €6.9 million and €6.7 million, respectively, related to third-party capital-related vendor financing obligations for which we and LG B.V. are co-obligors. We expect to cash settle the co-obligor obligations with LG B.V. in advance of when we and LG B.V. are required to settle the obligations with the applicable third parties. Our cash payments to LG B.V. will be reflected as cash capital expenditures in our condensed consolidated statements of cash flows and any cash payments made prior to the settlement of the related co-obligor obligation will be reflected in our related-party accounts receivable from LG B.V. in our condensed consolidated balance sheets. In addition, the March 31, 2016 and December 31, 2015 amounts include €54.9 million and €50.9 million, respectively, of value-added taxes (VAT) that was paid on our behalf by the vendor. Repayments of vendor financing obligations other than the co-obligor obligations are included in repayments and repurchases of debt and capital lease obligations in our condensed consolidated statements of cash flows.

Maturities of Debt and Capital Lease Obligations

Maturities of our debt and capital lease obligations as of March 31, 2016 are presented below and such amounts represent euro equivalents based on March 31, 2016 exchange rates:

Debt:

	Third-party debt (a)	Shareholder Loan and related- party debt	Total
	in millions		
Year ending December 31:			
2016 (remainder of year)	€ 460.4	€ —	€ 460.4
2017	118.7	—	118.7
2018	—	—	—
2019	—	—	—
2020	—	—	—
2021	1,739.7	—	1,739.7
Thereafter	3,565.6	5,537.5	9,103.1
Total debt maturities	<u>5,884.4</u>	<u>5,537.5</u>	<u>11,421.9</u>
Unamortized discounts	(7.6)	—	(7.6)
Unamortized deferred financing costs	(32.4)	—	(32.4)
Total debt	<u>€ 5,844.4</u>	<u>€ 5,537.5</u>	<u>€ 11,381.9</u>
Current portion	<u>€ 579.1</u>	<u>€ —</u>	<u>€ 579.1</u>
Noncurrent portion	<u>€ 5,265.3</u>	<u>€ 5,537.5</u>	<u>€ 10,802.8</u>

- (a) Amounts include certain senior secured notes issued by special purpose financing entities that are consolidated by UPC Holding.

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Capital lease obligations (in millions):

Year ending December 31:

2016 (remainder of year)	€	3.3
2017		3.8
2018		3.5
2019		3.2
2020		2.5
2021		2.5
Thereafter		16.7
Total principal and interest payments		35.5
Amounts representing interest		(11.1)
Present value of net minimum lease payments	€	24.4
Current portion	€	2.3
Noncurrent portion	€	22.1

Non-cash Refinancing Transactions

During the three months ended March 31, 2016 and 2015, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating nil and €1,378.4 million, respectively.

(7) Income Taxes

Income tax expense attributable to our loss before income taxes differs from the amounts computed using the Dutch income tax rate of 25.0%, as a result of the following factors:

	Three months ended	
	March 31,	
	2016	2015
	in millions	
Computed “expected” tax benefit	€ 34.3	€ 185.1
Change in valuation allowances	(41.0)	(209.0)
Non-deductible or non-taxable interest and other expenses	(7.8)	(20.2)
Other, net	4.3	7.4
Total income tax expense	€ (10.2)	€ (36.7)

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(8) Related-party Transactions

Our related-party transactions are as follows:

	Three months ended March 31,	
	2016	2015
	in millions	
Revenue.....	€ 0.5	€ 0.4
Operating expenses.....	(3.9)	(9.8)
SG&A expenses.....	1.0	(0.9)
Allocated share-based compensation expense.....	(3.6)	(1.8)
Fees and allocations, net:		
Operating and SG&A (exclusive of depreciation and share-based compensation).....	(29.0)	(26.3)
Depreciation.....	(18.8)	(15.3)
Share-based compensation.....	(9.0)	(10.0)
Management fee.....	(24.0)	(13.8)
Total fees and allocations, net.....	(80.8)	(65.4)
Included in operating income.....	(86.8)	(77.5)
Interest expense.....	(144.1)	(221.0)
Interest income.....	0.5	7.6
Included in net loss.....	€ (230.4)	€ (290.9)
Property and equipment additions (transfers), net.....	€ (142.7)	€ (50.1)

General. Certain Liberty Global subsidiaries charge fees and allocate costs and expenses to UPC Holding. Depending on the nature of these related-party transactions, the amount of the charges or allocations may be based on (i) our estimated share of the underlying costs, (ii) our estimated share of the underlying costs plus a mark-up or (iii) commercially-negotiated rates. The methodology Liberty Global uses to allocate its central and administrative costs to its borrowing groups impacts the calculation of the “EBITDA” metric specified by our debt agreements (**Covenant EBITDA**). In this regard, the components of related-party fees and allocations that are deducted to arrive at our Covenant EBITDA are based on (a) the amount and nature of costs incurred by the allocating Liberty Global subsidiaries during the period, (b) the allocation methodologies in effect during the period and (c) the size of the overall pool of entities that are charged fees and allocated costs, such that changes in any of these factors would likely result in changes to the amount of related-party fees and allocations that will be deducted to arrive at our Covenant EBITDA in future periods. For example, to the extent that a Liberty Global subsidiary borrowing group was to acquire (sell) an operating entity, and assuming no change in the total costs incurred by the allocating entities, the fees charged and the costs allocated to our company would decrease (increase). Although we believe that the related-party charges and allocations described below are reasonable, no assurance can be given that the related-party costs and expenses reflected in our condensed consolidated statements of operations are reflective of the costs that we would incur on a standalone basis.

Revenue. Amounts primarily relate to business-to-business (**B2B**) related services and network maintenance services provided to certain non-consolidated affiliates.

Operating expenses. Amounts represent certain cash settled charges from other Liberty Global subsidiaries to UPC Holding and consist of (i) aggregate recharges for network-related services and other items provided to our company from LG B.V. of €2.3 million and €8.4 million for the three months ended March 31, 2016 and 2015, respectively, and (ii) network-related fees charged by certain of Liberty Global’s affiliates of €1.6 million and €1.4 million for the three months ended March 31, 2016 and 2015, respectively.

SG&A expenses. Amounts represent certain cash settled charges between Liberty Global subsidiaries and UPC Holding, primarily for information technology-related services and software maintenance services.

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Allocated share-based compensation expense. Amounts are allocated to our company by Liberty Global and represent share-based compensation associated with the Liberty Global share-based incentive awards held by certain employees of our subsidiaries.

Fees and allocations, net. These amounts represent fees charged to UPC Holding that originate with Liberty Global and certain other Liberty Global subsidiaries, and include charges for management, finance, legal, technology and other corporate and administrative services provided to our subsidiaries. The categories of our fees and allocations, net, are as follows:

- *Operating and SG&A (exclusive of depreciation and share-based compensation).* The amounts included in this category, which are generally loan settled, represent our estimated share of certain centralized technology, management, marketing, finance and other operating and SG&A expenses of Liberty Global's European operations, whose activities benefit multiple operations, including operations within and outside of our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global's European operations, without a mark-up. Amounts in this category are generally deducted to arrive at our Covenant EBITDA.
- *Depreciation.* The amounts included in this category, which are generally loan settled, represent our estimated share of depreciation of assets not owned by our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global's European operations, without a mark-up.
- *Share-based compensation.* The amounts included in this category, which are generally loan settled, represent our estimated share of share-based compensation associated with Liberty Global employees who are not employees of our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global's European operations, without a mark-up.
- *Management fee.* The amounts included in this category, which are generally loan settled, represent our estimated allocable share of (i) operating and SG&A expenses related to stewardship services provided by certain Liberty Global subsidiaries and (ii) the mark-up, if any, applicable to each category of the related-party fees and allocations charged to our company.

Liberty Global charges technology-based fees to our company using a royalty-based method. For the three months ended March 31, 2016, our €47.9 million proportional share of these technology-based costs was €7.8 million more than the aggregate royalty-based technology fee charged under the new approach. Accordingly, the €7.8 million excess amount has been reflected as a deemed contribution of technology-related services in our condensed consolidated statement of owners' deficit. The charges under the royalty-based fees are expected to escalate in future periods. Any excess of these charges over our estimated proportionate share of the underlying technology-based costs will be classified as management fees and added back to arrive at Covenant EBITDA.

Interest expense. Amounts primarily include interest accrued on the Shareholder Loan (as defined and described below). 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.

Interest income. The 2015 amount primarily includes interest income related to certain related-party receivables that were settled during the first quarter of 2015.

Property and equipment additions (transfers), net. These amounts, which are generally cash settled, represent the net carrying values of (i) customer premises equipment that is centrally procured by a UPC Holding subsidiary and subsequently transferred to other Liberty Global subsidiaries outside of UPC Holding and (ii) customer premises and network-related equipment acquired from other Liberty Global subsidiaries, including LG B.V. During all periods presented, the carrying values of the equipment transferred out of UPC Holding exceed the carrying values of the equipment transferred into UPC Holding.

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

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
	<u>in millions</u>	
Assets:		
Receivables (a)	€ 147.0	€ 137.6
Other long-term assets (b)	<u>€ 94.2</u>	<u>€ 287.0</u>
Liabilities:		
Accounts payable.....	€ 133.2	€ 98.5
Accrued liabilities.....	120.2	117.4
Shareholder Loan (c).....	5,342.6	5,645.5
UPC Equipment Note (d).....	194.9	179.9
Other long-term liabilities (e).....	144.1	14.9
Total.....	<u>€ 5,935.0</u>	<u>€ 6,056.2</u>

- (a) Primarily represents (i) €21.3 million and €27.5 million, respectively, of receivables from LG B.V. that arose from our retention of certain third-party liabilities of Liberty Global Services II B.V. (**Liberty Global Services II**) following the transfer of Liberty Global Services II and Liberty Global Operations B.V. from our company to certain other subsidiaries of Liberty Global outside of UPC Holding (the **Corporate Entities Transfer**) and (ii) €100.2 million and €70.0 million, respectively, of receivables due from other Liberty Global subsidiaries related to centrally-procured property and equipment purchased by our company on behalf of these other Liberty Global subsidiaries. These receivables are non-interest bearing and may be cash or loan settled.
- (b) Primarily represents (i) €32.4 million and €220.0 million, respectively, of long-term receivables from LG B.V. that arose from our retention of certain third-party liabilities of Liberty Global Services II following the Corporate Entities Transfer and (ii) €59.8 million and €64.0 million (including accrued interest), respectively, related to a note receivable (the **Unitymedia Receivable**) from Unitymedia Hessen GmbH & Co. KG (a subsidiary of Liberty Global) to Unitymedia International GmbH (**UMI**), a subsidiary of Liberty Global that is consolidated by UPC Holding (as further described in (d) below). The Unitymedia Receivable bears interest at EURIBOR plus a margin of 2.75% per annum (subject to adjustment) and matures on December 31, 2025. Accrued interest on the Unitymedia Receivable may be, at the option of UMI, (a) transferred to the loan balance annually on January 1 or (b) repaid on the last day of each month and on the date of principal repayments.
- (c) UPC Holding has an unsecured shareholder loan (the **Shareholder Loan**) with Liberty Global Europe Financing B.V. (**LGE Financing**), which, as amended, matures 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. The interest rate on the Shareholder Loan is a fixed rate of 9.79% and accrued interest is included in other long-term liabilities until it is transferred to the loan balance at the end of each year. The net decrease in the Shareholder Loan balance during the first three months of 2016 includes (a) cash advances of €686.4 million, (b) cash payments of €723.5 million and (c) a €265.8 million non-cash decrease related to the settlement of related-party charges and allocations. During the three months ended March 31, 2016 and 2015, nil and €106.6 million of our Shareholder Loan repayments represented payments of interest, respectively.
- (d) Represents borrowings under a loan agreement (the **UPC Equipment Note**) between a subsidiary of Liberty Global and our subsidiary, UPC Equipment B.V. (**UPC Equipment**). The UPC Equipment Note bears interest at 9.29% as of March 31, 2016 and matures in March 2032. Accrued and unpaid interest on this note may, at the option of UPC Equipment, be (i)

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payable on the last day of each month and on the date of each full or partial repayment of the outstanding principal, (ii) added to the outstanding principal amount on January 1 of each year or (iii) payable in any other manner as agreed by the respective parties. UPC Equipment and its immediate parent entity (together, the **UPC Leasing Entities**), and UMI were formed for the purpose of acquiring and legally owning certain customer premises equipment assets to be leased to certain of our other subsidiaries. The leasing transactions between UMI, the UPC Leasing Entities and certain of our other subsidiaries create a variable interest in UMI for which we are the primary beneficiary and, accordingly, UPC Holding is required to consolidate UMI. The increase in the aggregate balance of the UPC Equipment Note during the first three months of 2016 includes (a) cash advances of €0.1 million, and (b) the transfer of €14.9 million in non-cash accrued interest to the loan balance.

- (e) Primarily includes accrued interest on the Shareholder Loan. Accrued interest on the Shareholder Loan is included in other long-term liabilities until it is transferred to the loan balance at the end of each year.

During the three months ended March 31, 2016, we recorded an aggregate capital charge of €1.5 million in our condensed consolidated statement of owners' deficit in connection with the exercise of Liberty Global share appreciation rights and the vesting of Liberty Global restricted share awards and performance-based restricted share units held by employees of our subsidiaries. We and Liberty Global have agreed that these capital charges will be based on the fair value of the underlying Liberty Global shares associated with share-based incentive awards that vest or are exercised during the period, subject to any reduction that is necessary to ensure that the capital charge does not exceed the amount of share-based compensation expense recorded by our company with respect to Liberty Global share-based incentive awards. These charges are loan settled.

LG B.V. leases certain property and equipment on our behalf and then contributes it to our company. During the three months ended March 31, 2016, LG B.V.'s carrying value in such property and equipment of €2.3 million has been reflected as a decrease to parent's deficit in our condensed consolidated statement of owners' deficit.

(9) 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 purchases of customer premises and other equipment and services, non-cancellable operating leases, network and connectivity commitments, programming contracts and other items. The euro equivalents of such commitments as of March 31, 2016 are presented below:

	Payments due during:							Total
	Remainder of 2016	2017	2018	2019	2020	2021	Thereafter	
	in millions							
Purchase commitments	€ 394.8	€ 74.3	€ 53.4	€ 11.2	€ 12.4	€ 11.4	€ 54.3	€ 611.8
Operating leases	32.5	29.8	26.3	22.9	18.7	15.0	80.3	225.5
Network and connectivity commitments	60.3	29.0	8.9	6.3	4.7	2.1	9.2	120.5
Programming commitments	19.0	18.8	12.7	—	—	—	—	50.5
Other commitments	6.9	5.8	5.8	5.8	5.9	5.5	6.1	41.8
Total (a)	€ 513.5	€ 157.7	€ 107.1	€ 46.2	€ 41.7	€ 34.0	€ 149.9	€ 1,050.1

- (a) The commitments included in this table do not reflect any liabilities that are included in our March 31, 2016 condensed consolidated balance sheet.

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Purchase commitments include unconditional and legally-binding obligations related to (i) the purchase of customer premises and other equipment and (ii) certain service related commitments, including information technology and maintenance services, including €15.4 million associated with related-party purchase obligations.

Network and connectivity commitments include commitments associated with (i) fiber leasing, (ii) satellite carriage services provided to our company and (iii) commitments associated with our mobile virtual network operator (MVNO) agreements. The amounts reflected in the above table with respect to certain of our MVNO commitments represent fixed minimum amounts payable under these agreements and, therefore, may be significantly less than the actual amounts we ultimately pay in these periods.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us as 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. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect that this will continue to be the case in future periods. In this regard, our total programming and copyright costs aggregated €72.9 million and €73.0 million during the three months ended March 31, 2016 and 2015, respectively.

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the three months ended March 31, 2016 and 2015, see note 3.

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.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide (i) indemnifications to our lenders, our vendors and certain other parties and (ii) 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

Financial Transactions Tax. Certain countries in the European Union (EU), including Austria and Slovakia, are participating in an enhanced cooperation procedure to introduce a financial transactions tax (the FTT). Under the draft language of the FTT proposal, a wide range of financial transactions could be taxed at rates of at least 0.01% for derivative transactions based on the notional amount and 0.1% for other covered financial transactions based on the underlying transaction price. Each of the individual countries would be permitted to determine an exact rate, which could be higher than the proposed rates of 0.01% and 0.1%. Any implementation of the FTT could have a global impact because it would apply to all financial transactions where a financial institution is involved (including unregulated entities that engage in certain types of covered activity) and either of the parties (whether the financial institution or its counterparty) is in one of the participating countries. Although there continues to be ongoing discussions in the relevant countries around the FTT, uncertainty remains as to if and when the FTT will be implemented and the breadth of its application. Based on our understanding of the current status of the potential FTT, we do not expect that any implementation of the FTT would occur before January 2017. Any imposition of the FTT could increase banking fees and introduce taxes on internal transactions that we currently perform. Due to the uncertainty regarding the FTT, we are currently unable to estimate the financial impact that the FTT could have on our results of operations, cash flows or financial position.

Hungary VAT Matter. In February 2016, our DTH operations in Luxembourg received a second instance decision from the Hungarian tax authorities as a result of an audit with respect to VAT payments that the Hungarian tax authorities conducted for the years 2010 through 2012. The Hungarian tax authorities have assessed our DTH operations with an obligation to pay VAT for

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the years audited of HUF 5,413.2 million (€17.2 million), excluding interest and penalties, which could be significant. We believe that our DTH operations have operated in compliance with all applicable rules, regulations and interpretations thereof, including a binding tax ruling that we received from the Hungarian government in 2010. Although under applicable law the full amount of the assessment was due on March 1, 2016, we filed a request for suspension of payment and, accordingly, no payment has been made. On May 12, 2016, our request for suspension of payment was denied. We are currently considering whether to appeal this decision. We may be required to make a payment equal to the assessed amount on or about June 8, 2016. No portion of this exposure has been accrued by us as the likelihood of loss is not considered to be probable.

Other Regulatory Issues. Video distribution, broadband internet, fixed-line telephony, mobile 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 property and equipment additions. 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) issues involving VAT and wage, property and other tax issues and (iii) disputes over interconnection, programming, copyright and channel carriage fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any 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, cash flows or financial position 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.

(10) Segment Reporting

We generally identify our reportable segments as those consolidated subsidiaries that represent 10% or more of our revenue, Segment OCF (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 Segment OCF. In addition, we review non-financial measures such as subscriber growth, as appropriate.

Segment OCF is the primary measure used by our chief operating decision maker to evaluate segment operating performance. Segment OCF 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, “**Segment OCF**” is defined as operating income before depreciation and amortization, share-based compensation, related-party fees and allocations, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items. Other operating items include (a) gains and losses on the disposition of long-lived assets, (b) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, and (c) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Our internal decision makers believe Segment OCF 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 (1) readily view operating trends, (2) perform analytical comparisons and benchmarking between segments and (3) identify strategies to improve operating performance in the different countries in which we operate. We believe our Segment OCF 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. Segment OCF should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings or loss, cash flow from operating activities and other U.S. GAAP measures of income or cash flows. A reconciliation of total Segment OCF to our loss before income taxes is presented below.

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As of March 31, 2016, our reportable segments are as follows:

- Switzerland/Austria
- Central and Eastern Europe

Our reportable segments derive their revenue primarily from broadband communications services, including video, broadband internet and fixed-line telephony services. Each of our reportable segments also provides B2B and mobile services. At March 31, 2016, we provided broadband communications services in seven European countries and DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia through UPC DTH. In addition to UPC DTH, our Central and Eastern Europe segment includes our broadband communications operations in the Czech Republic, Hungary, Poland, Romania and Slovakia.

Performance Measures of Our Reportable Segments

	Revenue			
	Three months ended March 31,			
	2016			2015
	in millions			
Switzerland/Austria	€ 392.8	€		390.1
Central and Eastern Europe	241.1			238.0
Total	€ 633.9	€		628.1

	Segment OCF			
	Three months ended March 31,			
	2016			2015
	in millions			
Switzerland/Austria	€ 233.9	€		220.9
Central and Eastern Europe	100.4			104.9
Other	(0.4)			—
Total	€ 333.9	€		325.8

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The following table provides a reconciliation of total Segment OCF to loss before income taxes:

	Three months ended	
	March 31,	
	2016	2015
	in millions	
Total Segment OCF	€ 333.9	€ 325.8
Share-based compensation expense	(3.6)	(1.8)
Related-party fees and allocations, net	(80.8)	(65.4)
Depreciation and amortization	(135.9)	(143.6)
Impairment, restructuring and other operating items, net	(0.1)	(10.0)
Operating income	<u>113.5</u>	<u>105.0</u>
Interest expense:		
Third-party	(83.7)	(112.1)
Related-party	(144.1)	(221.0)
Interest income	0.7	8.0
Realized and unrealized losses on derivative instruments, net	(196.2)	(198.0)
Foreign currency transaction gains (losses), net	172.6	(194.1)
Losses on debt modification and extinguishment, net	—	(128.5)
Other income, net	0.1	0.3
Loss before income taxes	<u>€ (137.1)</u>	<u>€ (740.4)</u>

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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 condensed consolidated statements of cash flows. For additional information concerning capital additions financed under vendor financing and capital lease arrangements, see note 6.

	Three months ended March 31,	
	2016	2015
	in millions	
Switzerland/Austria.....	€ 52.9	€ 50.4
Central and Eastern Europe	54.3	43.3
Total segment property and equipment additions.....	<u>107.2</u>	<u>93.7</u>
Other (a).....	9.1	2.0
Total property and equipment additions.....	<u>116.3</u>	<u>95.7</u>
Assets acquired under capital-related vendor financing arrangements.....	(160.6)	(122.3)
Assets contributed by parent company	(2.3)	(4.4)
Assets acquired under capital leases	(2.6)	(0.4)
Changes in current liabilities related to capital expenditures (including related-party amounts)....	118.6	56.5
Capital expenditures.....	<u>€ 69.4</u>	<u>€ 25.1</u>

- (a) Primarily relates to inventory build-up of centrally-procured customer premises equipment. This equipment is ultimately transferred to certain of Liberty Global's European operating subsidiaries, including subsidiaries within UPC Holding. See note 8.

Revenue by Major Category

Our revenue by major category is set forth below:

	Three months ended March 31,	
	2016	2015
	in millions	
Subscription revenue (a):		
Video.....	€ 298.3	€ 298.1
Broadband internet.....	186.7	181.1
Fixed-line telephony	56.2	60.7
Cable subscription revenue	<u>541.2</u>	<u>539.9</u>
Mobile (b)	5.5	1.6
Total subscription revenue.....	<u>546.7</u>	<u>541.5</u>
B2B revenue (c)	55.0	56.0
Other revenue (d)	32.2	30.6
Total.....	<u>€ 633.9</u>	<u>€ 628.1</u>

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- (a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees and late fees. 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. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.
- (b) Mobile subscription revenue excludes mobile interconnect revenue of €0.8 million and €0.2 million during the three months ended March 31, 2016 and 2015, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.
- (c) B2B revenue includes revenue from business broadband internet, video, voice, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to certain small or home office (SOHO) subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. Revenue from SOHO subscribers, which is included in cable subscription revenue, aggregated €11.5 million and €10.2 million during the three months ended March 31, 2016 and 2015, respectively.
- (d) Other revenue includes, among other items, installation, channel carriage fee, late fee, mobile handset sales, and interconnect revenue.

Geographic Segments

The revenue of our geographic segments is set forth below:

	Three months ended March 31,	
	2016	2015
	in millions	
Switzerland.....	€ 307.5	€ 308.0
Poland.....	87.5	89.5
Austria.....	85.3	82.1
Hungary.....	60.2	58.8
The Czech Republic.....	40.5	39.8
Romania.....	37.5	34.6
Slovakia.....	13.4	13.6
Other.....	2.0	1.7
Total.....	<u>€ 633.9</u>	<u>€ 628.1</u>

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

The following discussion and analysis, which should be read in conjunction with our condensed consolidated financial statements and the discussion and analysis included in our 2015 annual report, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Forward-looking Statements.* This section provides a description of certain factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three months ended March 31, 2016 and 2015.
- *Material Changes in Financial Condition.* This section provides an analysis of our corporate and subsidiary liquidity, condensed consolidated statements of cash flows and contractual commitments.

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

Unless otherwise indicated, convenience translations into euros are calculated as of March 31, 2016.

Forward-looking Statements

Certain statements in this quarterly report constitute forward-looking statements. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding our business, product, foreign currency and finance strategies, our property and equipment additions, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of our markets, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in our revenue, costs or growth rates, our liquidity, credit risks, foreign currency risks, target leverage levels, our future projected contractual commitments and cash flows and other information and statements that are not historical fact. 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 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 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 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 cable television, broadband internet, fixed-line telephony, mobile and business 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 cable television, broadband internet, fixed-line 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;
- 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;
- 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 capital and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors (including our third-party wireless network providers under our MVNO arrangements) to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our digital video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements, including the costs and benefits associated with our network extension programs;
- 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 leakage of sensitive customer data;
- 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 and mobile service industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this quarterly report are subject to a significant degree of risk. These forward-looking statements and the above-described risks, uncertainties and other factors speak only as of the date of this quarterly report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

Overview

We are an international provider of (i) video, broadband internet and fixed-line telephony services in seven European countries and (ii) mobile services in four European countries. We also provide DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia through UPC DTH.

At March 31, 2016, we owned and operated networks that passed 12,866,500 homes and served 12,663,100 revenue generating units (RGUs), consisting of 5,983,700 video subscribers, 3,980,100 broadband internet subscribers and 2,699,300 fixed-line telephony subscribers. In addition, at March 31, 2016, we served 106,100 mobile subscribers.

Including the effect of acquisitions, we added a total of 32,000 RGUs during the three months ended March 31, 2016. Excluding the effect of acquisitions (RGUs added on the acquisition date), but including post-acquisition date changes in RGUs, we added 51,700 RGUs on an organic basis during the three months ended March 31, 2016, as compared to 22,700 RGUs added on an organic basis during the corresponding prior year period. The organic RGU growth during the three months ended March 31, 2016 is primarily attributable to the net effect of (i) a decrease of 52,300 basic video RGUs, (ii) an increase of 44,100 fixed-line telephony RGUs, (iii) an increase of 32,100 enhanced video RGUs, (iv) an increase of 31,500 broadband internet RGUs and (v) a decrease of 3,700 DTH RGUs. In addition, excluding the effect of acquisitions, we added 18,600 mobile subscribers during the three months ended March 31, 2016.

We are experiencing significant competition from incumbent telecommunications operators (particularly in Switzerland, where the incumbent telecommunications operator is overbuilding our network with fiber-to-the-home, -cabinet, -building, -node and advanced digital subscriber line technologies), DTH operators and/or other providers in all of our broadband communications markets. In certain of our markets, this significant competition, together with the maturation of these markets, has contributed to organic declines in revenue, RGUs and/or average monthly subscription revenue per average cable RGU or mobile subscriber, as applicable, (ARPU), the more notable of which include:

- (i) organic declines during the first quarter of 2016 in (a) video RGUs in the majority of our markets, as declines in our basic video RGUs generally exceeded additions to our enhanced video RGUs (including migrations from basic video) in these markets and (b) total RGUs in Switzerland/Austria; and
- (ii) organic declines in overall cable ARPU in most of our markets during the first quarter of 2016, as compared to the first quarter of 2015.

Material Changes in Results of Operations

The comparability of our operating results during 2016 and 2015 is somewhat affected by an acquisition. In the following discussion, we quantify the estimated impact of the acquisition on our operating results. The acquisition impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the acquisition impact on an acquired entity's operating results during the first three months following the acquisition date such that changes from those operating results in subsequent periods are considered to be organic changes. Accordingly, in the following discussion, variances attributed to an acquired entity during the first 12 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 most of our operating segments have functional currencies other than the euro. Our primary exposure to foreign currency translation effects (FX) risk during the three months ended March 31, 2016 was to the Swiss franc and other local currencies in Europe as 84.1% of our euro revenue during the three months ended March 31, 2016 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.

Discussion and Analysis of our Reportable Segments

General

Our reportable segments derive their revenue primarily from broadband communications services, including video, broadband internet and fixed-line telephony services. Each of our reportable segments also provides B2B and mobile services. For detailed information regarding the composition of our reportable segments, see note 10 to our condensed consolidated financial statements.

The tables presented below in this section provide a separate analysis of each of the line items that comprise Segment OCF, as further discussed in note 10 to our condensed consolidated financial statements, as well as an analysis of Segment OCF by reportable segment for the three months ended March 31, 2016 and 2015. These tables present (i) the amounts reported by each of our reportable segments for the current and 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 impact 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 Segment OCF margins of our reportable segments for the three months ended March 31, 2016 and 2015 at the end of this section.

The revenue of our reportable segments includes revenue earned from (i) subscribers to our broadband communications and mobile services and (ii) B2B services, interconnect fees, mobile handset sales, channel carriage fees, installation fees, late fees and advertising revenue. Consistent with the presentation of our revenue categories in note 10 to our condensed consolidated financial statements, we use the term “subscription revenue” in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees and late fees. In the following tables, mobile subscription revenue excludes the related interconnect revenue.

All of our revenue is derived from jurisdictions that administer VAT 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 Segment OCF and Segment OCF margins to the extent of any such tax increases.

We pay interconnection fees to other telephony providers when calls or text messages from our subscribers terminate on another network, and we receive similar fees from such providers when calls or text messages from their customers terminate on our networks or networks that we access through MVNO or other arrangements. The amounts we charge and incur with respect to fixed-line telephony and mobile interconnection fees are subject to regulatory oversight in many of our markets. To the extent that regulatory authorities introduce fixed-line or mobile termination rate changes we would experience prospective changes in our interconnect revenue and/or costs. The ultimate impact of any such changes in termination rates on our Segment OCF would be dependent on the call or text messaging patterns that are subject to the changed termination rates.

Revenue of our Reportable Segments

	Three months ended March 31,		Increase		Organic increase
	2016	2015	€	%	%
	in millions				
Switzerland/Austria	€ 392.8	€ 390.1	€ 2.7	0.7	2.3
Central and Eastern Europe	241.1	238.0	3.1	1.3	2.6
Total	€ 633.9	€ 628.1	€ 5.8	0.9	2.4

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.

Variances in the subscription revenue that we receive from our customers are a function of (i) changes in the number of RGUs or mobile subscribers outstanding during the period and (ii) changes in ARPU. Changes in ARPU can be attributable to (a) price increases, (b) changes in bundling or promotional discounts, (c) changes in the tier of services selected, (d) variances in subscriber usage patterns and (e) the overall mix of cable and mobile products within a segment during the period. In the following discussion, we provide the net impact of the above factors on the ARPU that is derived from our video, broadband internet, fixed-line telephony and mobile products.

Switzerland/Austria. The increase in Switzerland/Austria's revenue during the three months ended March 31, 2016, as compared to the corresponding period in 2015, includes (i) an organic increase of €9.1 million or 2.3% and (ii) the impact of FX, as set forth below:

	<u>Subscription revenue</u>	<u>Non- subscription revenue</u>	<u>Total</u>
		<u>in millions</u>	
Increase (decrease) in cable subscription revenue due to change in:			
Average number of RGUs (a)	€ (0.1)	€ —	€ (0.1)
ARPU (b)	4.4	—	4.4
Total increase in cable subscription revenue	4.3	—	4.3
Increase in mobile subscription revenue (c)	3.2	—	3.2
Total increase in subscription revenue	7.5	—	7.5
Increase in B2B revenue (d)	—	0.1	0.1
Increase in other revenue (e)	—	1.5	1.5
Total organic increase	7.5	1.6	9.1
Impact of FX	(5.3)	(1.1)	(6.4)
Total	<u>€ 2.2</u>	<u>€ 0.5</u>	<u>€ 2.7</u>

- (a) The decrease in cable subscription revenue related to a change in the average number of RGUs is attributable to a decline in the average numbers of basic and enhanced video RGUs that was mostly offset by an increase in the average numbers of fixed-line telephony and broadband internet RGUs.
- (b) The increase in cable subscription revenue related to a change in ARPU is attributable to (i) a net increase due to (a) higher ARPU from video and broadband internet services and (b) lower ARPU from fixed-line telephony services and (ii) an improvement in RGU mix in Switzerland that was largely offset by an adverse change in RGU mix in Austria.
- (c) The increase in mobile subscription revenue is primarily due to an increase in the average number of mobile subscribers.
- (d) The increase in B2B revenue is primarily due to the net effect of (i) higher revenue from data services and (ii) lower revenue from broadband internet services.
- (e) The increase in other revenue is due to a net increase resulting from individually insignificant changes in other non-subscription categories.

Central and Eastern Europe. The increase in Central and Eastern Europe's revenue during the three months ended March 31, 2016, as compared to the corresponding period in 2015, includes (i) an organic increase of €6.2 million or 2.6%, (ii) the impact of an acquisition and (iii) the impact of FX, as set forth below:

	Subscription revenue	Non- subscription revenue	Total
		in millions	
Increase (decrease) in cable subscription revenue due to change in:			
Average number of RGUs (a)	€ 9.4	€ —	€ 9.4
ARPU (b)	(4.4)	—	(4.4)
Total increase in cable subscription revenue	5.0	—	5.0
Increase in mobile subscription revenue	0.9	—	0.9
Total increase in subscription revenue	5.9	—	5.9
Decrease in B2B revenue	—	(0.2)	(0.2)
Increase in other revenue	—	0.5	0.5
Total organic increase	5.9	0.3	6.2
Impact of an acquisition	0.7	0.1	0.8
Impact of FX	(3.6)	(0.3)	(3.9)
Total	<u>€ 3.0</u>	<u>€ 0.1</u>	<u>€ 3.1</u>

(a) The increase in cable subscription revenue related to a change in the average number of RGUs is attributable to the net effect of (i) an increase in the average numbers of fixed-line telephony, broadband internet and enhanced video RGUs in Romania, Hungary, Poland and Slovakia, (ii) a decline in the average number of basic video RGUs in Hungary, Poland, Romania and Slovakia, (iii) an increase in the average number of DTH RGUs, (iv) an increase in the average numbers of basic video and broadband internet RGUs in the Czech Republic and (v) a decline in the average numbers of enhanced video and fixed-line telephony RGUs in the Czech Republic.

(b) The decrease in cable subscription revenue related to a change in ARPU is primarily attributable to a net decrease due to (i) lower ARPU from fixed-line telephony and broadband internet services and (ii) higher ARPU from video services, primarily in Poland.

Operating Expenses of our Reportable Segments

	Three months ended March 31,		Increase (decrease)		Organic increase (decrease)
	2016	2015	€	%	%
	in millions				
Switzerland/Austria.....	€ 107.1	€ 110.9	€ (3.8)	(3.4)	(2.0)
Central and Eastern Europe.....	101.0	97.4	3.6	3.7	4.8
Other.....	0.1	(0.2)	0.3	N.M.	N.M.
Total.....	€ 208.2	€ 208.1	€ 0.1	—	1.3

N.M. — Not Meaningful.

Operating expenses include programming and copyright, network operations, mobile access and interconnect, customer operations, customer care and other costs related to our operations. Programming and copyright costs, which represent a significant portion of our operating costs, are expected to rise in future periods as a result of (i) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, (ii) rate increases and (iii) growth in the number of our enhanced video subscribers. 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 rate increases would result in increased pressure on our operating margins.

Our operating expenses increased €0.1 million during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This increase includes €0.4 million attributable to the impact of an acquisition. Excluding the effects of the acquisition and FX, our operating expenses increased €2.7 million or 1.3%. This increase includes the following factors:

- An increase in programming and copyright costs of €2.4 million or 3.4%, primarily due to growth in the number of enhanced video subscribers, primarily in Hungary and Romania. The increase in programming and copyright also includes the adverse impact of a €1.9 million nonrecurring adjustment related to the settlement or reassessment of operational contingencies that was recorded in Switzerland/Austria during the first quarter of 2015;
- A decrease in personnel costs of €0.9 million or 2.4%, primarily due to decreased staffing levels in Hungary related to the outsourcing of a maintenance contract;
- An increase in mobile access and interconnect costs of €0.8 million or 4.8%, primarily due to mobile subscriber growth in Switzerland/Austria; and
- Network-related expenses remained relatively unchanged due to the net effect of (i) a decrease in network maintenance costs in Switzerland/Austria and (ii) an increase in network maintenance costs, primarily in Hungary.

SG&A Expenses of our Reportable Segments

	Three months ended March 31,		Increase (decrease)		Organic increase (decrease)
	2016	2015	€	%	%
	in millions				
Switzerland/Austria	€ 51.8	€ 58.3	€ (6.5)	(11.1)	(9.7)
Central and Eastern Europe	39.7	35.7	4.0	11.2	12.8
Other	0.3	0.2	0.1	50.0	50.0
Total SG&A expenses excluding share-based compensation expense	91.8	94.2	(2.4)	(2.5)	(1.0)
Share-based compensation expense	3.6	1.8	1.8	100.0	
Total	€ 95.4	€ 96.0	€ (0.6)	(0.6)	

SG&A expenses include human resources, information technology, general services, management, finance, legal and sales and marketing costs, share-based compensation and other general expenses. We do not include share-based compensation in the following discussion and analysis of the SG&A expenses of our reportable segments as share-based compensation expense is not included in the performance measures of our reportable segments. Share-based compensation expense is discussed under *Discussion and Analysis of our Consolidated Operating Results* below. As noted under *Operating Expenses of our Reportable Segments* 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.

Our SG&A expenses (exclusive of share-based compensation expense) decreased €2.4 million or 2.5% during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This decrease includes €0.1 million attributable to the impact of an acquisition. Excluding the effects of the acquisition and FX, our SG&A expenses decreased €1.0 million or 1.0%. This decrease includes the following factors:

- A decrease in sales and marketing costs of €1.2 million or 4.4%, due to the net effect of (i) a decrease in costs associated with advertising campaigns in Switzerland/Austria and (ii) an increase in costs associated with new build activities in the Czech Republic, Hungary and Romania; and
- Personnel costs remained relatively unchanged due to the net effect of (i) decreased staffing levels in Switzerland/Austria and (ii) increased staffing levels, primarily in Poland and Romania.

Segment OCF of our Reportable Segments

Segment OCF is the primary measure used by our chief operating decision maker to evaluate segment operating performance. For the definition of this performance measure and for a reconciliation of total Segment OCF to our loss before income taxes, see note 10 to our condensed consolidated financial statements.

	Three months ended March 31,		Increase (decrease)		Organic increase (decrease)
	2016	2015	€	%	%
	in millions				
Switzerland/Austria.....	€ 233.9	€ 220.9	€ 13.0	5.9	7.7
Central and Eastern Europe	100.4	104.9	(4.5)	(4.3)	(2.8)
Other	(0.4)	—	(0.4)	N.M.	N.M.
Total.....	€ 333.9	€ 325.8	€ 8.1	2.5	4.2

N.M. — Not Meaningful.

Segment OCF Margin

The following table sets forth the Segment OCF margins (Segment OCF divided by revenue) of each of our reportable segments:

	Three months ended March 31,	
	2016	2015
	%	
Switzerland/Austria.....	59.6	56.6
Central and Eastern Europe	41.7	44.0
Total, including other	52.7	51.9

For discussion of the factors contributing to the changes in the Segment OCF margins of our reportable segments, see the above analyses of the revenue, operating expenses and SG&A expenses 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, including the impacts of nonrecurring items, see the *Discussion and Analysis of our Reportable Segments* above.

Revenue

Our revenue by major category is set forth below:

	Three months ended March 31,		Increase (decrease)		Organic increase (decrease)
	2016	2015	€	%	%
	in millions				
Subscription revenue (a):					
Video.....	€ 298.3	€ 298.1	€ 0.2	0.1	1.6
Broadband internet	186.7	181.1	5.6	3.1	4.4
Fixed-line telephony	56.2	60.7	(4.5)	(7.4)	(5.6)
Cable subscription revenue.....	541.2	539.9	1.3	0.2	1.7
Mobile (b).....	5.5	1.6	3.9	243.8	244.0
Total subscription revenue.....	546.7	541.5	5.2	1.0	2.5
B2B revenue (c).....	55.0	56.0	(1.0)	(1.8)	(0.2)
Other revenue (b) (d)	32.2	30.6	1.6	5.2	6.4
Total.....	€ 633.9	€ 628.1	€ 5.8	0.9	2.4

- (a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees and late fees. 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. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.
- (b) Mobile subscription revenue excludes mobile interconnect revenue of €0.8 million and €0.2 million during the three months ended March 31, 2016 and 2015, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.
- (c) B2B revenue includes revenue from business broadband internet, video, voice, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to certain SOHO subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. Revenue from SOHO subscribers, which is included in cable subscription revenue, aggregated €11.5 million and €10.2 million during the three months ended March 31, 2016 and 2015, respectively. On an organic basis, our total B2B revenue, including revenue from SOHO subscribers, increased 2.1% for the three months ended March 31, 2016, as compared to the corresponding prior-year period. A portion of the increase in our SOHO revenue is attributable to the conversion of our residential subscribers to SOHO subscribers.
- (d) Other revenue includes, among other items, installation, channel carriage fee, late fee, mobile handset sales and interconnect revenue.

Total revenue. Our consolidated revenue increased €5.8 million during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This increase includes €0.8 million attributable to the impact of an acquisition. Excluding the effects of the acquisition and FX, our consolidated revenue increased €15.3 million or 2.4%.

Subscription revenue. The details of the change in our consolidated subscription revenue for the three months ended March 31, 2016, as compared to the corresponding period in 2015, are as follows (in millions):

Increase in cable subscription revenue due to change in:	
Average number of RGUs.....	€ 9.3
ARPU	—
Total increase in cable subscription revenue.....	9.3
Increase in mobile subscription revenue	4.1
Total organic increase in subscription revenue.....	13.4
Impact of an acquisition	0.7
Impact of FX.....	(8.9)
Total.....	€ 5.2

Excluding the effects of an acquisition and FX, our consolidated cable subscription revenue increased €9.3 million or 1.7% during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This increase is attributable to the net effect of (i) an increase from broadband internet services of €7.9 million or 4.4%, attributable to an increase in the average number of broadband internet RGUs and higher ARPU from broadband internet services, (ii) an increase from video services of €4.8 million or 1.6%, attributable to the net effect of (a) higher ARPU from video services and (b) a decline in the average number of video RGUs, and (iii) a decrease from fixed-line telephony services of €3.4 million or 5.6%, attributable to the net effect of (1) lower ARPU from fixed-line telephony services and (2) an increase in the average number of fixed-line telephony RGUs.

Excluding the effects of an acquisition and FX, our consolidated mobile subscription revenue increased €4.1 million or 244.0% during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This increase is primarily due to increases in Switzerland and Hungary.

B2B revenue. Excluding the effects of an acquisition and FX, our consolidated B2B revenue decreased €0.1 million or 0.2% during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This decrease is due to a net decrease resulting from individually insignificant changes in B2B categories.

Other revenue. Excluding the effects of an acquisition and FX, our consolidated other revenue increased €2.0 million or 6.4% during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This increase is due to a net increase resulting from individually insignificant changes in other non-subscription categories.

For additional information concerning the changes in our subscription, B2B and other revenue, see *Discussion and Analysis of Reportable Segments* above. For information regarding the competitive environment in certain of our markets, see *Overview and Discussion and Analysis of our Reportable Segments* above.

Operating expenses

Our operating expenses increased €0.1 million during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This increase includes €0.4 million attributable to the impact of an acquisition. Excluding the effects of the acquisition and FX, our operating expenses increased €2.7 million or 1.3% during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This increase is primarily attributable to the net effect of (i) an increase in programming and copyright costs, (ii) a decrease in personnel costs and (iii) an increase in mobile access and interconnect costs. For additional information regarding the changes in our operating expenses, see *Operating Expenses of our Reportable Segments* above.

SG&A expenses

Our SG&A expenses decreased €0.6 million during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This decrease includes €0.1 million attributable to the impact of an acquisition. Our SG&A expenses include share-based compensation expense, which increased €1.8 million during the three months ended March 31, 2016. For additional information, see the discussion under *Share-based compensation expense* below. Excluding the effects of the acquisition, FX and share-based compensation expense, our SG&A expenses decreased €1.0 million or 1.0% during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This decrease is primarily attributable to a decrease in sales and marketing costs. For additional information regarding the changes in our SG&A expenses, see *SG&A Expenses of our Reportable Segments* above.

Share-based compensation expense (included in SG&A expenses)

Our share-based compensation expense, which is included in SG&A expenses, represents amounts allocated to our company by Liberty Global. The amounts allocated by Liberty Global to our company represent the share-based compensation associated with the Liberty Global share-based incentive awards held by certain employees of our subsidiaries. A summary of the aggregate share-based compensation expense is set forth below:

	Three months ended March 31,	
	2016	2015
	in millions	
Liberty Global shares:		
Performance-based incentive awards.....	€ 1.3	€ 1.0
Other share-based incentive awards.....	2.3	0.8
Total Liberty Global shares.....	<u>€ 3.6</u>	<u>€ 1.8</u>

Related-party fees and allocations, net

We recorded related-party fees and allocations, net, of €80.8 million and €65.4 million during the three months ended March 31, 2016 and 2015, respectively. These amounts represent fees charged to UPC Holding that originate with Liberty Global and certain other Liberty Global subsidiaries, and include charges for management, finance, legal, technology and other corporate and administrative services provided to our subsidiaries. For additional information, see note 8 to our condensed consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense decreased €7.7 million during the three months ended March 31, 2016, as compared to the corresponding period in 2015. Excluding the effects of FX, depreciation and amortization expense decreased €5.8 million or 4.0% primarily due to the net effect of (i) a decrease associated with certain assets becoming fully depreciated, primarily in Switzerland and (ii) 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.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €0.1 million and €10.0 million during the three months ended March 31, 2016 and 2015, respectively. The 2015 amount is primarily related to restructuring charges associated with reorganization and integration activities in Switzerland/Austria.

If, among other factors, (i) our enterprise value or Liberty Global'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.

Interest expense — third-party

Our third-party interest expense decreased €28.4 million during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This decrease is primarily attributable to a lower weighted average interest rate related to the completion of certain financing transactions that resulted in extended maturities and decreases to certain of our interest rates. For additional information regarding our outstanding indebtedness, see note 6 to our condensed consolidated financial statements.

It is possible that the interest rates on (i) any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) our variable-rate indebtedness could increase in future periods. As further discussed in note 3 to our condensed consolidated financial statements, we use derivative instruments to manage our interest rate risks.

Interest expense — related-party

Our related-party interest expense primarily relates to the interest expense on the Shareholder Loan. Our related-party interest expense decreased €76.9 million during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This decrease is primarily due to a decrease in the average outstanding balance of the Shareholder Loan, mainly related to the refinancing transactions completed during the first quarter of 2015. For additional information, see notes 6 and 8 to our condensed 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:

	Three months ended March 31,	
	2016	2015
	in millions	
Cross-currency and interest rate derivative contracts (a)	€ (194.4)	€ (196.4)
Foreign currency forward contracts	(1.6)	(2.8)
Other	(0.2)	1.2
Total	<u>€ (196.2)</u>	<u>€ (198.0)</u>

- (a) The loss during the 2016 period is primarily attributable to the net effect of (i) losses associated with a decrease in the value of the U.S. dollar relative to the euro, (ii) gains associated with decreases in the market interest rates in the U.S. dollar market, (iii) losses associated with a decrease in the value of the Swiss franc relative to the U.S. dollar and (iv) losses associated with decreases in the market interest rates in the Swiss franc market. In addition, the loss during the 2016 period includes a net gain of €9.3 million resulting from changes in our credit risk valuation adjustments. The loss during the 2015 period is primarily attributable to the net effect of (a) losses associated with increases in the values of the Swiss franc and Polish zloty relative to the euro, (b) gains associated with an increase in the value of the U.S. dollar

relative to the euro, (c) gains associated with decreases in market interest rates in the U.S. dollar and euro markets and (d) losses associated with decreases in market interest rates in the Swiss franc market. In addition, the loss during the 2015 period includes a net gain of €16.9 million resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see notes 3 and 4 to our condensed 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:

	Three months ended March 31,	
	2016	2015
	in millions	
Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a)	€ 133.9	€ (40.3)
U.S. dollar denominated debt issued by euro functional currency entities	30.4	(181.9)
Cash and restricted cash denominated in a currency other than the entity's functional currency	0.7	35.2
Other	7.6	(7.1)
Total	<u>€ 172.6</u>	<u>€ (194.1)</u>

- (a) Amounts primarily relate to (i) loans between certain of our non-operating and operating subsidiaries in Europe, which generally are denominated in the currency of the applicable operating subsidiary, and (ii) loans between certain of our non-operating subsidiaries in Europe.

Losses on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of nil and €128.5 million, during the three months ended March 31, 2016 and 2015, respectively. The loss during the three months ended March 31, 2015 is attributable to (i) the payment of €100.6 million of redemption premium, (ii) the write-off of €23.7 million of deferred financing costs and (iii) the write-off of €4.2 million of unamortized discount.

Income tax expense

We recognized income tax expense of €10.2 million and €36.7 million during the three months ended March 31, 2016 and 2015, respectively.

The income tax expense during the three months ended March 31, 2016 and 2015 differs from the expected income tax benefit of €34.3 million and €185.1 million, respectively, (based on the Dutch 25.0% income tax rate) primarily due to the negative impact of (i) a net increase in valuation allowances and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items.

For additional information regarding our income taxes, see note 7 to our condensed consolidated financial statements.

Net loss

During the three months ended March 31, 2016 and 2015, we reported net losses of €147.3 million and €777.1 million, respectively, including (i) operating income of €113.5 million and €105.0 million, respectively, (ii) non-operating expense of €250.6 million and €845.4 million, respectively, and (iii) income tax expense of €10.2 million and €36.7 million, respectively.

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

Subject to the limitations included in our various debt instruments, we expect that Liberty Global will continue to cause our company to maintain our debt at current levels relative to our Covenant EBITDA. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information concerning our expectations with respect to trends that may affect certain aspects of our operating results in future periods, see the discussion under *Overview* above. For information concerning the reasons for changes in specific line items in our condensed consolidated statements of operations, see the discussion under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* above.

Net earnings attributable to noncontrolling interests

Our net earnings attributable to noncontrolling interests decreased €1.3 million during the three months ended March 31, 2016, as compared to the corresponding period in 2015. This decrease is primarily attributable to the results of operations of UMI.

Material Changes in Financial Condition

Sources and Uses of Cash

As a holding company, UPC Holding's primary assets are its investments in consolidated subsidiaries. UPC Holding's primary subsidiary is UPC Broadband Holding, which owns all of the operating subsidiaries that are consolidated by UPC Holding. Although our consolidated operating subsidiaries generate cash from operating activities, the terms of the instruments governing the indebtedness of UPC Broadband Holding may restrict our ability to access the liquidity of these subsidiaries. These subsidiaries accounted for substantially all of our €16.5 million of consolidated cash and cash equivalents at March 31, 2016. In addition, our ability to access the liquidity of these and other subsidiaries may be limited by tax and legal considerations, the presence of noncontrolling interests and other factors.

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

UPC Holding's corporate liquidity requirements include (i) corporate general and administrative expenses and (ii) interest payments on the UPC Holding Senior Notes. From time to time, UPC Holding may also require cash in connection with (a) the repayment of third-party and related-party debt (including the repurchase 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, as described in note 8 to our condensed consolidated financial statements), (b) the funding of loans or distributions to LGE Financing (and ultimately Liberty Global and other Liberty Global subsidiaries), (c) the satisfaction of contingent liabilities, (d) acquisitions, (e) other investment opportunities or (f) income tax payments.

Liquidity of Subsidiaries

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 March 31, 2016, see note 6 to our condensed consolidated financial statements. Our subsidiaries' liquidity generally is used to fund property and equipment additions, debt service requirements and payments required by UPC Holding's derivative instruments. From time to time, our subsidiaries may also require liquidity in connection with (i) acquisitions and other investment opportunities, (ii) loans to UPC Holding or other Liberty Global subsidiaries, (iii) capital distributions to UPC Holding or (iv) the satisfaction of contingencies. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

For additional information regarding our consolidated cash flows, see the discussion under *Condensed Consolidated Statements of Cash Flows* below.

Capitalization

At March 31, 2016, the outstanding principal amount of our consolidated third-party debt, together with our capital lease obligations, aggregated €5,908.8 million, including €581.4 million that is classified as current in our condensed consolidated balance sheet and €5,319.9 million that is not due until 2021 or thereafter. For additional information regarding our current debt maturities, see note 6 to our condensed consolidated financial statements.

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 3 to our condensed consolidated financial statements, we also use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in the credit agreements and indentures of UPC Holding and UPC Broadband Holding is dependent primarily on our ability to maintain or increase the Covenant EBITDA of our operating subsidiaries and to achieve adequate returns on our property and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in UPC Holding and UPC Broadband Holding's debt instruments. For example, if the Covenant EBITDA 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. At March 31, 2016, UPC Holding and UPC Broadband Holding were in compliance with their respective debt covenants. In addition, we do not anticipate any instances of non-compliance with respect to any of our debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

Notwithstanding our negative working capital position at March 31, 2016, 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 not possible to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

With the exception of the UPC Holding Senior Notes, all of our consolidated third-party debt and capital lease obligations had been borrowed or incurred by our subsidiaries at March 31, 2016.

For additional information regarding our debt and capital lease obligations, see note 6 to our condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

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

Summary. Our condensed consolidated statements of cash flows for the three months ended March 31, 2016 and 2015 are summarized as follows:

	Three months ended		Change
	March 31,		
	2016	2015	
	in millions		
Net cash provided (used) by operating activities.....	€ 150.0	€ (86.6)	€ 236.6
Net cash used by investing activities	(66.2)	(86.4)	20.2
Net cash provided (used) by financing activities.....	(207.1)	131.1	(338.2)
Effect of exchange rate changes on cash	0.8	35.4	(34.6)
Net decrease in cash and cash equivalents.....	<u>€ (122.5)</u>	<u>€ (6.5)</u>	<u>€ (116.0)</u>

Operating Activities. The change in net cash provided (used) by our operating activities is primarily attributable to the net effect of (i) an increase in cash due to lower cash payments for related-party interest, (ii) an increase in cash due to lower cash payments related to derivative instruments and (iii) a decrease in cash provided by our operating cash flow and related working capital changes.

Investing Activities. The decrease in net cash used by our investing activities is primarily attributable to the net effect of (i) a decrease in cash used of €65.3 million associated with net repayments from (advances to) related parties and (ii) an increase in cash used of €44.3 million associated with higher capital expenditures.

The capital expenditures that we report in our condensed consolidated statements of cash flows do not include (i) amounts that are financed under capital-related vendor financing or capital lease arrangements or (ii) purchased assets transferred to our company by another entity under the common control of Liberty Global in exchange for non-cash increases to the 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 capital-related vendor financing and capital lease arrangements and non-cash related-party capital additions that are settled through increases to the Shareholder Loan, as repayments of debt when the principal is repaid. In this discussion, we refer to (a) our capital expenditures as reported in our condensed consolidated statements of cash flows, which exclude non-cash related-party capital additions and amounts financed under capital-related vendor financing or capital lease arrangements, and (b) our total property and equipment additions, which include our capital expenditures on an accrual basis, non-cash related-party capital additions and amounts financed under capital-related vendor financing or capital lease arrangements. For additional information, see notes 5 and 6 to our condensed consolidated financial statements. For further details on property and equipment additions, including a reconciliation of our consolidated property and equipment additions to our consolidated capital expenditures as reported in our condensed consolidated statements of cash flows, see note 10 to our condensed consolidated financial statements.

Our property and equipment additions increased during the three months ended March 31, 2016 as compared to the corresponding period in 2015, primarily due to (i) an increase in expenditures for the purchase and installation of customer premises equipment and (ii) an increase in expenditures for new build and upgrade projects.

Financing Activities. The change in net cash provided (used) by our financing activities is primarily attributable to the net effect of (i) a decrease in cash of €3,055.4 million due to lower net borrowings of related-party debt, (ii) an increase in cash of €2,308.0 million due to lower net repayments of third-party debt and capital lease obligations, (iii) an increase in cash of €350.6 million due to lower cash payments related to derivative instruments, (iv) an increase in cash of €110.5 million due to lower payments for financing costs and debt premiums and (v) a decrease in cash of €51.5 million related to changes in cash collateral.

Contractual Commitments

The euro equivalents of our commitments as of March 31, 2016 are presented below:

	Payments due during:							Total
	Remainder of 2016	2017	2018	2019	2020	2021	Thereafter	
	in millions							
Debt (excluding interest):								
Third-party	€ 460.4	€ 118.7	€ —	€ —	€ —	€ 1,739.7	€ 3,565.6	€ 5,884.4
Related-party	—	—	—	—	—	—	5,537.5	5,537.5
Capital leases (excluding interest)	2.1	2.3	2.1	2.0	1.4	1.5	13.0	24.4
Purchase commitments	394.8	74.3	53.4	11.2	12.4	11.4	54.3	611.8
Operating leases	32.5	29.8	26.3	22.9	18.7	15.0	80.3	225.5
Network and connectivity commitments	60.3	29.0	8.9	6.3	4.7	2.1	9.2	120.5
Programming commitments	19.0	18.8	12.7	—	—	—	—	50.5
Other commitments	6.9	5.8	5.8	5.8	5.9	5.5	6.1	41.8
Total (a)	€ 976.0	€ 278.7	€ 109.2	€ 48.2	€ 43.1	€ 1,775.2	€ 9,266.0	€ 12,496.4
Projected cash interest payments on third-party debt and capital lease obligations (b)	€ 188.5	€ 306.5	€ 301.6	€ 301.4	€ 301.8	€ 301.5	€ 460.8	€ 2,162.1

- (a) The commitments included in this table do not reflect any liabilities that are included in our March 31, 2016 condensed consolidated balance sheet other than debt and capital lease obligations. Our liability for uncertain tax positions in the various jurisdictions in which we operate (€13.4 million at March 31, 2016) 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, commitment fees and contractual maturities in effect as of March 31, 2016. 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 contracts, deferred financing costs or original issue premiums or discounts. Amounts associated with related-party debt are excluded from the table.

For information concerning our debt and capital lease obligations, see note 6 to our condensed consolidated financial statements. For information concerning our commitments, see note 9 to our condensed consolidated financial statements.

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods. For information regarding projected cash flows associated with these derivative instruments, see *Projected Cash Flows Associated with Derivative Instruments* below. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the three months ended March 31, 2016 and 2015, see note 3 to our condensed consolidated financial statements.

Projected Cash Flows Associated with Derivative Instruments

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 March 31, 2016. 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, including our counterparty credit risk, see note 3 to our condensed consolidated financial statements.

	Payments (receipts) due during:							Total
	Remainder of 2016	2017	2018	2019	2020	2021	Thereafter	
in millions								
Projected derivative cash payments (receipts), net:								
Interest-related (a).....	€ (29.5)	€ 41.2	€ 13.6	€ 5.3	€ (6.8)	€ 1.4	€ (1.6)	€ 23.6
Principal-related (b) ...	51.5	162.2	(15.9)	(38.1)	(12.6)	(61.1)	76.0	162.0
Other	(0.1)	0.8	—	—	—	—	—	0.7
Total.....	€ 21.9	€ 204.2	€ (2.3)	€ (32.8)	€ (19.4)	€ (59.7)	€ 74.4	€ 186.3

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