



UPC HOLDING B.V.

**Condensed Consolidated Financial Statements
September 30, 2014**

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

UPC HOLDING B.V.

INDEX

	<u>Page Number</u>
Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013 (unaudited).....	I-1
Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2014 and 2013 (unaudited)	I-3
Condensed Consolidated Statements of Comprehensive Loss for the Three and Nine Months Ended September 30, 2014 and 2013 (unaudited).....	I-4
Condensed Consolidated Statement of Owners' Deficit for the Nine Months Ended September 30, 2014 (unaudited)	I-5
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013 (unaudited)	I-6
Notes to Condensed Consolidated Financial Statements (unaudited)	I-8
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	II-1

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

	September 30, 2014		December 31, 2013 (a)	
	in millions			
ASSETS				
Current assets:				
Cash and cash equivalents	€	31.8	€	466.2
Trade receivables, net		212.4		341.8
Related-party receivables (note 10)		152.1		239.7
Deferred income taxes		15.3		17.3
Derivative instruments (note 4)		318.6		147.2
Prepaid expenses		34.3		15.9
Other current assets		35.6		40.0
Total current assets		800.1		1,268.1
Investments (including €28.3 million and €26.0 million, respectively, measured at fair value)		34.7		32.2
Property and equipment, net (note 6)		3,738.8		3,744.8
Goodwill (note 6)		5,145.0		5,118.5
Intangible assets subject to amortization, net (note 6)		165.5		222.2
Other assets, net (notes 4 and 10)		341.8		634.2
Total assets	€	10,225.9	€	11,020.0

(a) As retrospectively revised – see note 3.

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

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

	September 30, 2014	December 31, 2013 (a)
	in millions	
LIABILITIES AND OWNERS' DEFICIT		
Current liabilities:		
Accounts payable (note 10)	€ 300.0	€ 280.3
Accrued and other liabilities (note 10)	698.5	986.5
Deferred revenue and advance payments from subscribers and others.....	254.0	407.2
Accrued interest.....	90.3	179.1
Derivative instruments (note 4).....	659.8	367.9
Current portion of debt and capital lease obligations (note 7)	329.7	311.7
Total current liabilities	2,332.3	2,532.7
Long-term debt and capital lease obligations (note 7):		
Third-party.....	7,805.9	9,442.4
Related-party (note 10).....	9,062.9	9,770.1
Derivative instruments (note 4)	822.5	1,157.1
Other long-term liabilities (note 10)	893.1	215.1
Total liabilities	20,916.7	23,117.4
Commitments and contingencies (notes 4, 7 and 11)		
Owners' deficit:		
Parent's deficit:		
Distributions and accumulated losses in excess of contributions	(11,248.9)	(12,627.2)
Accumulated other comprehensive earnings, net of taxes.....	537.7	508.9
Total parent's deficit	(10,711.2)	(12,118.3)
Noncontrolling interests	20.4	20.9
Total owners' deficit.....	(10,690.8)	(12,097.4)
Total liabilities and owners' deficit.....	€ 10,225.9	€ 11,020.0

(a) As retrospectively revised – see note 3.

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 September 30,		Nine months ended September 30,	
	2014	2013 (a)	2014	2013 (a)
	in millions			
Revenue (notes 10 and 12).....	€ 899.5	€ 885.6	€ 2,698.5	€ 2,670.7
Operating costs and expenses:				
Operating (other than depreciation and amortization) (including share-based compensation) (notes 9 and 10).....	305.0	307.6	920.5	936.3
Selling, general and administrative (SG&A) (including share- based compensation) (notes 9 and 10).....	164.1	145.2	490.0	459.4
Related-party fees and allocations, net (note 10)	(16.1)	(1.0)	(54.7)	(10.9)
Depreciation and amortization	222.5	214.2	656.2	656.5
Impairment, restructuring and other operating items, net	(0.7)	(1.4)	1.8	(2.5)
	<u>674.8</u>	<u>664.6</u>	<u>2,013.8</u>	<u>2,038.8</u>
Operating income.....	<u>224.7</u>	<u>221.0</u>	<u>684.7</u>	<u>631.9</u>
Non-operating income (expense):				
Interest expense:				
Third-party	(123.8)	(149.5)	(385.1)	(446.4)
Related-party (note 10).....	(226.0)	(219.2)	(659.7)	(647.6)
Interest income (note 10).....	0.2	2.4	0.9	7.8
Realized and unrealized gains (losses) on derivative instruments, net (note 4).....	147.6	(195.0)	(15.0)	1.1
Foreign currency transaction gains (losses), net.....	(256.7)	160.4	(277.4)	16.7
Realized and unrealized gains due to changes in fair values of certain investments, net (note 5)	1.1	2.7	1.9	7.7
Losses on debt modification and extinguishment, net (note 7)	—	—	(42.0)	(75.3)
Other income (expense), net.....	0.2	(0.2)	0.4	(0.3)
	<u>(457.4)</u>	<u>(398.4)</u>	<u>(1,376.0)</u>	<u>(1,136.3)</u>
Loss before income taxes	<u>(232.7)</u>	<u>(177.4)</u>	<u>(691.3)</u>	<u>(504.4)</u>
Income tax expense (note 8)	(16.9)	(20.0)	(61.4)	(45.5)
Net loss	<u>(249.6)</u>	<u>(197.4)</u>	<u>(752.7)</u>	<u>(549.9)</u>
Net earnings attributable to noncontrolling interests	(2.4)	(2.3)	(7.0)	(6.9)
Net loss attributable to parent	<u>€ (252.0)</u>	<u>€ (199.7)</u>	<u>€ (759.7)</u>	<u>€ (556.8)</u>

(a) As retrospectively revised – see note 3.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013 (a)	2014	2013 (a)
	in millions			
Net loss.....	€ (249.6)	€ (197.4)	€ (752.7)	€ (549.9)
Other comprehensive earnings (loss) - foreign currency translation adjustments.....	17.6	11.8	29.1	(14.5)
Comprehensive loss.....	(232.0)	(185.6)	(723.6)	(564.4)
Comprehensive earnings attributable to noncontrolling interests.....	(2.5)	(2.4)	(7.3)	(6.6)
Comprehensive loss attributable to parent	€ (234.5)	€ (188.0)	€ (730.9)	€ (571.0)

(a) As retrospectively revised – see note 3.

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

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

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings, net of taxes	Total parent's deficit	Non-controlling interests	Total owners' deficit
	in millions				
Balance at January 1, 2014 (a).....	€ (12,627.2)	€ 508.9	€ (12,118.3)	€ 20.9	€ (12,097.4)
Net loss	(759.7)	—	(759.7)	7.0	(752.7)
Other comprehensive earnings	—	28.8	28.8	0.3	29.1
Consideration received in connection with the VTR Extraction (note 3)	2,450.0	—	2,450.0	—	2,450.0
Deemed distribution to another subsidiary of Liberty Global (note 10)	(325.6)	—	(325.6)	—	(325.6)
Share-based compensation (note 9).....	20.4	—	20.4	—	20.4
Property and equipment contributed by parent company (note 6)	14.7	—	14.7	—	14.7
Capital charge in connection with the exercise of share-based incentive awards (notes 9 and 10)	(20.7)	—	(20.7)	—	(20.7)
Distributions by subsidiaries to noncontrolling interest owners	—	—	—	(7.8)	(7.8)
Other	(0.8)	—	(0.8)	—	(0.8)
Balance at September 30, 2014.....	<u>€ (11,248.9)</u>	<u>€ 537.7</u>	<u>€ (10,711.2)</u>	<u>€ 20.4</u>	<u>€ (10,690.8)</u>

(a) As retrospectively revised – see note 3.

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

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

	Nine months ended September 30,	
	2014	2013 (a)
	in millions	
Cash flows from operating activities:		
Net loss	€ (752.7)	€ (549.9)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation expense	20.9	14.3
Related-party fees and allocations, net.....	(54.7)	(10.9)
Depreciation and amortization	656.2	656.5
Impairment, restructuring and other operating items, net	1.8	(2.5)
Non-cash interest on related-party loans	659.7	647.6
Amortization of deferred financing costs and non-cash interest accretion	9.6	13.2
Realized and unrealized losses (gains) on derivative instruments, net	15.0	(1.1)
Foreign currency transaction losses (gains), net	277.4	(16.7)
Realized and unrealized gains due to changes in fair values of certain investments, net	(1.9)	(7.7)
Losses on debt modification and extinguishment, net	42.0	75.3
Deferred income tax expense (benefit)	2.0	(8.6)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	(324.3)	(298.3)
Net cash provided by operating activities.....	<u>551.0</u>	<u>511.2</u>
Cash flows from investing activities:		
Capital expenditures	(328.9)	(521.2)
Sale of related-party receivable	323.3	—
Cash paid in connection with acquisitions, net of cash acquired	(13.7)	(3.1)
Other investing activities, net	2.8	17.7
Net cash used by investing activities	<u>€ (16.5)</u>	<u>€ (506.6)</u>

(a) As retrospectively revised – see note 3.

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

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

	Nine months ended September 30,	
	2014	2013 (a)
	in millions	
Cash flows from financing activities:		
Repayments and repurchases of third-party debt and capital lease obligations.....	€ (1,186.0)	€ (291.9)
Borrowings of third-party debt	160.6	342.1
Borrowings (repayments) of related-party debt, net	744.3	(24.4)
Deemed contributions from (deemed distributions to) other Liberty Global subsidiaries.....	(325.6)	62.6
Repayment of an advance from a related party.....	(315.2)	—
Net cash paid related to derivative instruments	(40.2)	(3.1)
Payment of financing costs and debt premiums.....	(15.3)	(60.8)
Distributions by subsidiaries to noncontrolling interest owners	(8.9)	(8.9)
Other financing activities, net	16.4	(11.1)
Net cash provided (used) by financing activities	(969.9)	4.5
Effect of exchange rate changes on cash.....	1.0	(1.3)
Net increase (decrease) in cash and cash equivalents	(434.4)	7.8
Cash and cash equivalents:		
Beginning of period	466.2	31.6
End of period	€ 31.8	€ 39.4
Cash paid for interest.....	€ 462.3	€ 478.3
Net cash paid for taxes	€ 10.0	€ 13.7

(a) As retrospectively revised – see note 3.

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

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements
September 30, 2014
(unaudited)

(1) Basis of Presentation

UPC Holding B.V. (UPC Holding) is a wholly-owned subsidiary of Liberty Global plc (Liberty Global), the successor to Liberty Global, Inc. 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 September 30, 2014, we provided (i) video, broadband internet and fixed-line telephony services in nine 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”.

On January 26, 2014, Liberty Global’s board of directors approved a share split in the form of a share dividend (the 2014 Share Dividend), which constitutes a bonus issue under Liberty Global’s articles of association and English law, of one Liberty Global Class C ordinary share on each outstanding Liberty Global Class A, Class B and Class C ordinary share as of the February 14, 2014 record date. The distribution date for the 2014 Share Dividend was March 3, 2014. All Liberty Global share and per share amounts presented herein have been retroactively adjusted to give effect to the 2014 Share Dividend.

During the first quarter of 2014, Liberty Global created a new credit pool consisting of both its Chilean distribution (VTR GlobalCom) and mobile assets. As a result, VTR GlobalCom, certain of its parent entities and all of its subsidiary entities (collectively, the VTR Entities) were extracted from UPC Holding in January 2014 (the VTR Extraction). We have accounted for the VTR Extraction as a common control transfer at carryover basis and, accordingly, our condensed consolidated financial statements have been retrospectively revised to give effect to this transaction for all periods presented. As such, all of the financial and operating data included in this report exclude the VTR Entities for all periods presented.

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 2013 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 September 30, 2014.

Certain prior period amounts have been reclassified to conform to the current year presentation.

These condensed consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through November 21, 2014, the date of issuance.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

(2) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 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 will replace existing revenue recognition guidance in U.S. GAAP when it becomes effective on January 1, 2017. Early application is not permitted. This new standard permits the use of either the retrospective or cumulative effect transition method. 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.

(3) Common Control Transfer

As further described in note 1, we completed the VTR Extraction in January 2014. We have accounted for this common control transfer at carryover basis and the applicable prior period information has been retrospectively revised to give effect to this transaction for all periods presented.

Consideration received for the transfer of all outstanding shares of the VTR Entities to Liberty Global Holding BV, a subsidiary of Liberty Global that is outside of UPC Holding, was €2,450.0 million. This amount, which was settled through the Shareholder Loan (as defined and described in note 7), was recorded as a capital transaction during the first quarter of 2014.

The following table sets forth the retrospective effects of this common control transfer on our December 31, 2013 condensed consolidated balance sheet:

	<u>As previously reported</u>	<u>Common control adjustments</u> in millions	<u>As retrospectively revised</u>
Current assets.....	€ 1,389.9	€ (121.8)	€ 1,268.1
Property and equipment, net.....	€ 4,170.8	€ (426.0)	€ 3,744.8
Goodwill	€ 5,487.1	€ (368.6)	€ 5,118.5
Total assets.....	€ 11,744.4	€ (724.4)	€ 11,020.0
Current liabilities	€ 2,277.1	€ 255.6	€ 2,532.7
Long-term debt and capital lease obligations.....	€ 19,212.9	€ (0.4)	€ 19,212.5
Total liabilities.....	€ 22,866.0	€ 251.4	€ 23,117.4
Parent's deficit.....	€ (11,280.4)	€ (837.9)	€ (12,118.3)
Owners' deficit	€ (11,121.6)	€ (975.8)	€ (12,097.4)
Total liabilities and owners' deficit.....	€ 11,744.4	€ (724.4)	€ 11,020.0

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

The following table sets forth the retrospective effects of this common control transfer on our operating results for the three and nine months ended September 30, 2013:

	Three months ended September 30, 2013			Nine months ended September 30, 2013		
	As previously reported	Common control adjustments	As retrospectively revised	As previously reported	Common control adjustments	As retrospectively revised
	in millions					
Revenue.....	€ 1,064.6	€ (179.0)	€ 885.6	€ 3,220.3	€ (549.6)	€ 2,670.7
Operating expenses	€ 379.4	€ (71.8)	€ 307.6	€ 1,159.4	€ (223.1)	€ 936.3
SG&A expenses	€ 172.2	€ (27.0)	€ 145.2	€ 544.5	€ (85.1)	€ 459.4
Depreciation and amortization expense	€ 245.1	€ (30.9)	€ 214.2	€ 756.2	€ (99.7)	€ 656.5
Non-operating expense, net.....	€ (406.8)	€ 8.4	€ (398.4)	€ (1,161.7)	€ 25.4	€ (1,136.3)
Income tax expense	€ (26.3)	€ 6.3	€ (20.0)	€ (66.1)	€ 20.6	€ (45.5)
Net loss.....	€ (167.6)	€ (29.8)	€ (197.4)	€ (458.4)	€ (91.5)	€ (549.9)
Net loss attributable to parent	€ (176.2)	€ (23.5)	€ (199.7)	€ (482.9)	€ (73.9)	€ (556.8)

(4) 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 U.S. dollar (\$), the British pound sterling (£), the Swiss franc (CHF), the Chilean peso (CLP), the Czech koruna (CZK), the Hungarian forint (HUF), the Polish zloty (PLN) and the Romanian lei (RON). We generally do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of most of our derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments, net, in our condensed consolidated statements of operations.

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

	September 30, 2014			December 31, 2013		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (b).....	€ 317.7	€ 243.4	€ 561.1	€ 145.1	€ 206.3	€ 351.4
Foreign currency forward contracts	0.4	—	0.4	1.3	—	1.3
Other	0.5	0.6	1.1	0.8	0.7	1.5
Total.....	€ 318.6	€ 244.0	€ 562.6	€ 147.2	€ 207.0	€ 354.2
Liabilities:						
Cross-currency and interest rate derivative contracts (b).....	€ 658.9	€ 822.4	€ 1,481.3	€ 364.9	€ 1,148.0	€ 1,512.9
Foreign currency forward contracts	0.8	—	0.8	2.9	8.7	11.6
Other	0.1	0.1	0.2	0.1	0.4	0.5
Total.....	€ 659.8	€ 822.5	€ 1,482.3	€ 367.9	€ 1,157.1	€ 1,525.0

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

- (a) Our long-term derivative assets are included in other assets, net, in our condensed consolidated balance sheets.
- (b) We consider credit risk in our fair value assessments. As of September 30, 2014 and December 31, 2013, (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 €4.2 million and €3.3 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 €49.5 million and €77.1 million, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market and market quotations for certain of our subsidiaries' debt instruments, as applicable. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains (losses) of (€8.2 million) and €15.8 million during the three months ended September 30, 2014 and 2013, respectively, and (€28.5 million) and (€1.1 million) during the nine months ended September 30, 2014 and 2013, respectively. These amounts are included in realized and unrealized gains (losses) on derivative instruments, net, in our condensed consolidated statements of operations. For further information concerning our fair value measurements, see note 5.

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	in millions			
Cross-currency and interest rate derivative contracts.....	€ 142.6	€ (180.8)	€ (25.8)	€ 5.0
Foreign currency forward contracts.....	5.6	(15.1)	11.0	(4.7)
Other.....	(0.6)	0.9	(0.2)	0.8
Total.....	<u>€ 147.6</u>	<u>€ (195.0)</u>	<u>€ (15.0)</u>	<u>€ 1.1</u>

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 cash outflows are as follows:

	Nine months ended September 30,	
	2014	2013
	in millions	
Operating activities.....	€ (226.1)	€ (223.6)
Financing activities.....	(40.2)	(3.1)
Total.....	<u>€ (266.3)</u>	<u>€ (226.7)</u>

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

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

counterparty base of banks and financial institutions. We and our counterparties generally do not post collateral or other security, nor have we entered into master netting arrangements with any of our counterparties. At September 30, 2014, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €371.2 million.

Details of our Derivative Instruments

In the following tables, we present the details of the various categories of our subsidiaries' derivative instruments. For each subsidiary, the notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. In addition, for derivative instruments that were in effect as of September 30, 2014, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to September 30, 2014, we present a range of dates that represents the period covered by the applicable derivative instruments.

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at September 30, 2014, which are held by our subsidiary, UPC Broadband Holding B.V. (UPC Broadband Holding), 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 counterparty
	in millions					
July 2018	\$	525.0	€	396.3	6 mo. LIBOR + 1.99%	6.25%
December 2014	\$	340.0	€	244.6	6 mo. LIBOR	6 mo. EURIBOR
January 2020	\$	327.5	€	249.5	6 mo. LIBOR + 4.92%	7.52%
January 2015 - July 2021 ...	\$	312.0	€	240.0	6 mo. LIBOR + 2.50%	6 mo. EURIBOR + 2.87%
January 2015	\$	300.0	€	226.5	6 mo. LIBOR + 1.75%	5.78%
October 2020	\$	300.0	€	219.1	6 mo. LIBOR + 3.00%	6 mo. EURIBOR + 3.04%
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%
December 2014 - July 2018	\$	200.0	€	151.0	6 mo. LIBOR + 3.00%	7.31%
January 2020	\$	197.5	€	150.5	6 mo. LIBOR + 4.92%	6 mo. EURIBOR + 4.91%
July 2021	\$	128.0	€	97.2	6 mo. LIBOR + 2.50%	6 mo. EURIBOR + 2.90%
January 2015 - July 2018 ...	\$	100.0	€	75.4	6 mo. LIBOR + 1.75%	5.77%
January 2015 - July 2021 ...	\$	405.9	CHF	373.1	6 mo. LIBOR + 2.50%	6 mo. CHF LIBOR + 2.63%
December 2016	\$	340.0	CHF	370.9	6 mo. LIBOR + 3.50%	6 mo. CHF LIBOR + 4.01%
January 2017 - July 2021 ...	\$	300.0	CHF	278.3	6 mo. LIBOR + 2.50%	6 mo. CHF LIBOR + 2.46%
November 2019	\$	250.0	CHF	226.8	7.25%	6 mo. CHF LIBOR + 5.01%
January 2020	\$	225.0	CHF	206.3	6 mo. LIBOR + 4.81%	5.44%
January 2015	\$	171.5	CHF	187.1	6 mo. LIBOR + 2.75%	6 mo. CHF LIBOR + 2.95%
December 2014	\$	340.0	CLP	181,322.0	6 mo. LIBOR + 1.75%	8.76%
July 2020	\$	201.5	RON	489.3	6 mo. LIBOR + 3.50%	11.34%
January 2015	€	898.4	CHF	1,466.0	6 mo. EURIBOR + 1.68%	6 mo. CHF LIBOR + 1.94%

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

Final maturity date	Notional amount due from counterparty		Notional amount due to counterparty		Interest rate due from counterparty	Interest rate due to counterparty
	in millions					
January 2015 - January 2021.....	€	720.8	CHF	877.0	6 mo. EURIBOR + 2.50%	6 mo. CHF LIBOR + 2.62%
January 2015 - September 2022.....	€	383.8	CHF	477.0	6 mo. EURIBOR + 2.00%	6 mo. CHF LIBOR + 2.22%
January 2015 - January 2017.....	€	360.4	CHF	589.0	6 mo. EURIBOR + 3.75%	6 mo. CHF LIBOR + 3.94%
April 2018.....	€	285.1	CHF	346.7	10.51%	9.87%
January 2020.....	€	175.0	CHF	258.6	7.63%	6.76%
July 2020.....	€	107.4	CHF	129.0	6 mo. EURIBOR + 3.00%	6 mo. CHF LIBOR + 3.28%
January 2017.....	€	75.0	CHF	110.9	7.63%	6.98%
December 2014.....	€	134.2	CLP	107,800.0	6 mo. EURIBOR + 2.00%	10.00%
December 2015.....	€	69.1	CLP	53,000.0	3.50%	5.75%
January 2015.....	€	365.8	CZK	10,521.8	5.48%	5.99%
January 2015 - January 2020.....	€	318.9	CZK	8,818.7	5.58%	5.44%
January 2015 - January 2017.....	€	60.0	CZK	1,703.1	5.50%	6.99%
July 2017.....	€	39.6	CZK	1,000.0	3.00%	3.75%
January 2015.....	€	260.0	HUF	75,570.0	5.50%	9.40%
January 2015 - January 2017.....	€	260.0	HUF	75,570.0	5.50%	10.56%
December 2016.....	€	150.0	HUF	43,367.5	5.50%	9.20%
July 2018.....	€	78.0	HUF	19,500.0	5.50%	9.15%
January 2015.....	€	400.5	PLN	1,605.6	5.50%	7.50%
January 2015 - January 2017.....	€	245.0	PLN	1,000.6	5.50%	9.03%
September 2016.....	€	200.0	PLN	892.7	6.00%	8.19%
January 2015 - January 2020.....	€	144.6	PLN	605.0	5.50%	7.98%
July 2017.....	€	82.0	PLN	318.0	3.00%	5.60%
December 2014.....	CLP	181,322.0	\$	340.0	8.76%	6 mo. LIBOR + 1.75%
December 2014.....	CLP	107,800.0	€	134.2	10.00%	6 mo. EURIBOR + 2.00%
December 2015.....	CLP	53,000.0	€	69.1	5.75%	3.50%

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at September 30, 2014, which are held by UPC Broadband Holding, are as follows:

Final maturity date	Notional amount	Interest rate due from counterparty	Interest rate due to counterparty
	in millions		
July 2020	\$ 1,000.0	6.63%	6 mo. LIBOR + 3.03%
January 2022.....	\$ 750.0	6.88%	6 mo. LIBOR + 4.89%
January 2015.....	€ 1,554.0	1 mo. EURIBOR + 3.75%	6 mo. EURIBOR + 3.56%
January 2015.....	€ 1,364.8	6 mo. EURIBOR	3.44%
July 2020	€ 750.0	6.38%	6 mo. EURIBOR + 3.16%
January 2015 - January 2021	€ 750.0	6 mo. EURIBOR	2.57%
January 2015 - December 2016.....	€ 500.0	6 mo. EURIBOR	4.32%
January 2015 - January 2023	€ 290.0	6 mo. EURIBOR	2.79%
December 2015.....	€ 263.3	6 mo. EURIBOR	3.97%
January 2023.....	€ 210.0	6 mo. EURIBOR	2.88%
January 2015 - January 2018.....	€ 175.0	6 mo. EURIBOR	3.74%
January 2015 - July 2020.....	€ 171.3	6 mo. EURIBOR	3.95%
July 2020	€ 171.3	6 mo. EURIBOR	4.32%
December 2014.....	€ 107.0	6 mo. EURIBOR	4.73%
January 2015 - November 2021	€ 107.0	6 mo. EURIBOR	2.89%
January 2015.....	CHF 2,380.0	6 mo. CHF LIBOR	2.81%
January 2015 - January 2022.....	CHF 711.5	6 mo. CHF LIBOR	1.89%
January 2015 - January 2021	CHF 500.0	6 mo. CHF LIBOR	1.65%
January 2015 - January 2018.....	CHF 400.0	6 mo. CHF LIBOR	2.51%
January 2015 - December 2016.....	CHF 370.9	6 mo. CHF LIBOR	3.82%
January 2015 - November 2019	CHF 226.8	6 mo. CHF LIBOR + 5.01%	6.88%

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

Interest Rate Cap

Our sold interest rate cap contract with respect to EURIBOR at September 30, 2014, which is held by UPC Broadband Holding, is detailed below:

<u>Final maturity date</u>	<u>Notional amount</u> in millions	<u>EURIBOR cap rate</u>
Interest rate cap sold (a):		
January 2015 - January 2020	€ 735.0	7.00%

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

Interest Rate Collars

Our interest rate collar contracts, which are held by UPC Broadband Holding, establish floor and cap rates with respect to EURIBOR on the indicated notional amounts at September 30, 2014, 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>
January 2015 - January 2020	€ 1,135.0	1.00%	3.54%

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

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

Foreign Currency Forwards

The following table summarizes our outstanding foreign currency forward contracts, which are held by UPC Broadband Holding, at September 30, 2014:

<u>Maturity dates</u>		<u>Currency purchased forward</u>		<u>Currency sold forward</u>
		<u>in millions</u>		
October 2014 - March 2015	\$	1.5	CZK	29.8
October 2014 - September 2015	€	30.6	CHF	37.3
October 2014 - March 2015	€	9.0	CZK	244.5
October 2014 - March 2015	€	8.2	HUF	2,550.0
October 2014 - March 2015	€	24.0	PLN	102.4
October 2014 - March 2015	£	2.1	€	2.5
October 2014	CHF	22.0	€	18.2
October 2014	CZK	300.0	€	10.9
October 2014	HUF	4,500.0	€	14.5
October 2014	PLN	55.0	€	13.2
October 2014	RON	33.5	€	7.6

(5) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of these derivative instruments as of September 30, 2014 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 in or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During the nine months ended September 30, 2014, 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.

As further described in note 4, we have entered into various derivative instruments to manage our interest rate and foreign currency exchange risk. The recurring fair value measurements of these derivative instruments are determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes applicable interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative instruments, we have determined that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 4.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of reporting units, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of private reporting units is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We did not perform significant nonrecurring fair value measurements during the nine months ended September 30, 2014 or 2013.

At September 30, 2014 and December 31, 2013, all of our derivative instruments fell under Level 2 of the fair value hierarchy.

(6) Long-lived Assets

Property and Equipment, Net

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

	September 30, 2014	December 31, 2013
	in millions	
Distribution systems	€ 5,171.3	€ 4,908.3
Customer premises equipment.....	1,674.0	1,592.3
Support equipment, buildings and land	902.7	841.2
	<u>7,748.0</u>	<u>7,341.8</u>
Accumulated depreciation	(4,009.2)	(3,597.0)
Total property and equipment, net.....	<u>€ 3,738.8</u>	<u>€ 3,744.8</u>

During the nine months ended September 30, 2014 and 2013, we recorded non-cash increases to our property and equipment related to (i) certain vendor financing arrangements of €241.4 million and €88.5 million, respectively, and (ii) assets acquired under capital leases of €0.7 million and €1.3 million, respectively. Furthermore, during the nine months ended September 30, 2014 and 2013, we recorded non-cash increases to our property and equipment of €14.7 million and €16.9 million, respectively, related 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 7 and 10.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

Goodwill

Changes in the carrying amount of our goodwill during the nine months ended September 30, 2014 are set forth below:

	January 1, 2014	Acquisitions and related adjustments	Foreign currency translation adjustments	September 30, 2014
	in millions			
The Netherlands.....	€ 914.3	€ —	€ —	€ 914.3
Switzerland	2,318.8	—	37.7	2,356.5
Other Western Europe.....	783.0	—	—	783.0
Total Western Europe.....	4,016.1	—	37.7	4,053.8
Central and Eastern Europe	1,102.4	3.6	(14.8)	1,091.2
Total	€ 5,118.5	€ 3.6	€ 22.9	€ 5,145.0

Intangible Assets Subject to Amortization, Net

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

	September 30, 2014			December 31, 2013		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	in millions					
Customer relationships	€ 795.3	€ (631.7)	€ 163.6	€ 887.8	€ (667.7)	€ 220.1
Other	3.8	(1.9)	1.9	19.1	(17.0)	2.1
Total.....	€ 799.1	€ (633.6)	€ 165.5	€ 906.9	€ (684.7)	€ 222.2

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

(7) Debt and Capital Lease Obligations

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

	September 30, 2014							
	Weighted average interest rate (a)	Unused borrowing capacity (b)	Estimated fair value (c)		Carrying value (d)			
			September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013		
			in millions					
Third-party debt:								
Parent - UPC Holding Senior Notes (e)	7.16%	€ —	€ 2,153.2	€ 2,391.3	€ 1,975.7	€ 2,247.5		
Subsidiaries:								
UPC Broadband Holding Bank Facility	3.57%	1,016.2	2,564.3	4,146.6	2,582.1	4,113.0		
UPCB SPE Notes.....	6.88%	—	3,422.6	3,289.9	3,226.9	3,060.0		
Vendor financing and other (f)....	3.58%	—	327.7	309.9	327.7	309.9		
Total third-party debt.....	5.76%	1,016.2	€ 8,467.8	€ 10,137.7	8,112.4	9,730.4		
Related-party debt (note 9):								
Shareholder Loan (g)	9.79%	—	(h)	(h)	8,963.4	9,695.4		
Other (i).....	7.50%	—	(h)	(h)	99.5	74.7		
Total related-party debt.....	9.76%	—			9,062.9	9,770.1		
Total debt.....	7.87%	€ 1,016.2			17,175.3	19,500.5		
Capital lease obligations.....					23.2	23.7		
Total debt and capital lease obligations.....					17,198.5	19,524.2		
Current maturities.....					(329.7)	(311.7)		
Long-term debt and capital lease obligations.....					€ 16,868.8	€ 19,212.5		

- (a) Represents the weighted average interest rate in effect at September 30, 2014 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates presented represent stated rates and do not include the impact of our interest rate derivative instruments, deferred financing costs, original issue discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue discounts and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our aggregate third-party variable- and fixed-rate indebtedness was 7.7% at September 30, 2014. For information concerning our derivative instruments, see note 4.
- (b) Unused borrowing capacity represents the maximum availability under the UPC Broadband Holding Bank Facility (as defined and described below) at September 30, 2014 without regard to covenant compliance calculations or other conditions precedent to borrowing. At September 30, 2014, our availability under the UPC Broadband Holding Bank Facility was limited to €951.6 million. When the relevant September 30, 2014 compliance reporting requirements have been completed and assuming no changes from September 30, 2014 borrowing levels, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €906.7 million.
- (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 concerning fair value hierarchies, see note 5.
- (d) Amounts include the impact of discounts, where applicable.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

- (e) During April 2014, we used funds provided through the Shareholder Loan (as defined and described below) to fully redeem UPC Holding's \$400.0 million (€316.7 million) principal amount of 9.875% senior notes due 2018 (the UPC Holding 9.875% Senior Notes). In connection with this transaction, we recognized a loss on debt modification and extinguishment of €30.0 million, which includes (i) €14.3 million of redemption premium, (ii) the write-off of €12.5 million of unamortized discount and (iii) the write-off of €3.2 million of deferred financing costs.
- (f) Primarily represents amounts owed pursuant to interest-bearing vendor financing arrangements that are generally due within one year. At September 30, 2014 and December 31, 2013, the amounts owed pursuant to these arrangements include €8.0 million and €137.7 million, respectively, related to third-party 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 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 consolidated balance sheets. In addition, the September 30, 2014 and December 31, 2013 amounts include €24.2 million and €17.8 million, respectively, of value-added taxes (VAT) that were 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.
- (g) UPC Holding has an unsecured shareholder loan (the Shareholder Loan) with its immediate parent, Liberty Global Europe Financing BV (LGE Financing), which, as amended, is scheduled to be repaid in 2030 and is subordinated in right of payment to the prior payment in full of UPC Holding's senior notes in the event of (i) a total or partial liquidation, dissolution or winding up of UPC Holding, (ii) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (iii) an assignment for the benefit of creditors or (iv) any marshaling of UPC Holding's assets or liabilities. Accrued interest is included in other long-term liabilities until the end of each fiscal year and then it is transferred to the loan balance. The interest rate on the Shareholder Loan is a fixed rate of 9.79%. The net decrease in the balance of the Shareholder Loan during the first nine months of 2014 includes (a) cash borrowings of €3,271.4 million, (b) cash payments of €2,549.3 million, (c) a €2,450.0 million non-cash decrease related to the consideration received associated with the VTR Extraction, (d) a €1,005.3 million non-cash increase related to the repayment of outstanding indebtedness under Facilities R, S and AE (as described below) and (e) a €9.4 million non-cash decrease related to the settlement of related-party charges and allocations. During the nine months ended September 30, 2014 and 2013, none of the debt repayments were payments of interest.
- (h) The fair values are not subject to reasonable estimation due to the related-party nature of these loans.
- (i) Represents borrowings under (i) a loan agreement (the UPC Equipment Note) between a subsidiary of Liberty Global and our subsidiary, UPC Equipment B.V. (UPC Equipment), and (ii) a loan agreement (the UMI Loan) between Unitymedia Hessen GmbH & Co. KG (Unitymedia Hessen), a subsidiary of Liberty Global that is outside of UPC Holding, and Unitymedia International GmbH (UMI), which, as further described in note 10, is consolidated within UPC Holding. The UPC Equipment Note (€73.4 million principal balance at September 30, 2014) bears interest at 9.29% as of September 30, 2014 and matures in March 2032. The UMI Loan (€26.1 million principal balance at September 30, 2014) bears interest at 2.47% as of September 30, 2014 and matures in February 2016. Accrued and unpaid interest on these notes may, at the option of UPC Equipment or UMI, as applicable, (i) be payable on the last day of each month and on the date of each full or partial repayment of the outstanding principal, (ii) be added to the outstanding principal amount on January 1 of each year or (iii) be payable in any other manner as communicated and agreed by the respective parties. The net increase in the aggregate balance of the UPC Equipment Note and UMI Loan during the first nine months of 2014 includes (a) cash borrowings of €55.0 million, (b) cash payments of €32.8 million and (c) the non-cash transfer of €2.6 million in accrued interest to the loan balances.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

UPC Broadband Holding Bank Facility

The UPC Broadband Holding Bank Facility, as amended, is the senior secured credit facility of UPC Broadband Holding. The details of our borrowings under the UPC Broadband Holding Bank Facility as of September 30, 2014 are summarized in the following table:

<u>Facility</u>	<u>Final maturity date</u>	<u>Interest rate</u>	<u>Facility amount (in borrowing currency) (a)</u>	<u>Unused borrowing capacity (b)</u>	<u>Carrying value (c)</u>
in millions					
V (d)	January 15, 2020	7.625%	€ 500.0	€ —	€ 500.0
Y (d)	July 1, 2020	6.375%	€ 750.0	—	750.0
Z (d)	July 1, 2020	6.625%	\$ 1,000.0	—	791.8
AC (d)	November 15, 2021	7.250%	\$ 750.0	—	593.9
AD (d)	January 15, 2022	6.875%	\$ 750.0	—	593.9
AG	March 31, 2021	EURIBOR + 3.75%	€ 1,554.4	—	1,551.3
AH	June 30, 2021	LIBOR + 2.50% (e)	\$ 1,305.0	—	1,030.8
AI	April 30, 2019	EURIBOR + 3.25%	€ 1,016.2	1,016.2	—
Elimination of Facilities V, Y, Z, AC and AD in consolidation (d)				—	(3,229.6)
Total				<u>€ 1,016.2</u>	<u>€ 2,582.1</u>

- (a) Except as described in (d) below, amounts represent total third-party facility amounts at September 30, 2014 without giving effect to the impact of discounts.
- (b) At September 30, 2014, our availability under the UPC Broadband Holding Bank Facility was limited to €951.6 million. When the relevant September 30, 2014 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €906.7 million. Facility AI has a fee on unused commitments of 1.3% per year.
- (c) The carrying values of Facilities AG and AH include the impact of discounts.
- (d) Amounts are related to certain senior secured notes (the UPCB SPE Notes) issued by special purpose financing entities (the UPCB SPEs) that are consolidated by UPC Holding. The proceeds from the UPCB SPE Notes were used to fund additional Facilities V, Y, Z, AC and AD, with our wholly-owned subsidiary, UPC Financing Partnership, as the borrower. Accordingly, the amounts outstanding under Facilities V, Y, Z, AC and AD are eliminated in our condensed consolidated financial statements.
- (e) Facility AH has a LIBOR floor of 0.75%.

In January 2014, the parent of VTR GlobalCom issued \$1,400.0 million (€1,108.5 million) principal amount of senior secured notes in connection with the extraction of the VTR Entities from the UPC Holding credit pool. The net proceeds from such senior secured notes of €1,005.3 million, together with an additional €244.5 million of cash that was borrowed from another subsidiary of Liberty Global that is outside of UPC Holding and €9.3 million of cash associated with the settlement of related derivatives, were used to repay in full Facilities R, S and AE. In connection with this transaction, we recognized a loss on debt modification and extinguishment, net, of €5.3 million related to the write-off of deferred financing costs.

During the first quarter of 2014, the full amount outstanding under Facility AF was repaid with funds provided through the Shareholder Loan. In connection with this transaction, we recognized a loss on debt modification and extinguishment of €6.7 million, including (i) a €3.5 million write-off of an unamortized discount and (ii) a €3.2 million write-off of deferred financing costs.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

Maturities of Debt and Capital Lease Obligations

Maturities of our debt and capital lease obligations as of September 30, 2014 are presented below and such amounts represent euro equivalents based on September 30, 2014 exchange rates:

Debt:

	Third-party debt (a)	Shareholder Loan and related- party debt in millions	Total
Year ending December 31:			
2014 (remainder of year)	€ 76.9	€ —	€ 76.9
2015	250.8	—	250.8
2016	—	26.1	26.1
2017	—	—	—
2018	—	—	—
2019	—	—	—
Thereafter	7,797.6	9,036.8	16,834.4
Total debt maturities	8,125.3	9,062.9	17,188.2
Unamortized discount	(12.9)	—	(12.9)
Total debt	€ 8,112.4	€ 9,062.9	€ 17,175.3
Current portion	€ 327.7	€ —	€ 327.7
Noncurrent portion	€ 7,784.7	€ 9,062.9	€ 16,847.6

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

Capital lease obligations (in millions):

Year ending December 31:	
2014 (remainder of year)	€ 1.6
2015	3.5
2016	3.6
2017	3.5
2018	2.8
2019	2.2
Thereafter	18.0
Total principal and interest payments	35.2
Amounts representing interest	(12.0)
Present value of net minimum lease payments	€ 23.2
Current portion	€ 2.0
Noncurrent portion	€ 21.2

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

Non-cash Refinancing Transactions

During the nine months ended September 30, 2014 and 2013, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating €1,005.3 million and €3,020.9 million, respectively.

Subsequent Event

For information regarding a financing transaction completed subsequent to September 30, 2014, see note 13.

(8) 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:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	in millions			
Computed “expected” tax benefit	€ 58.1	€ 44.3	€ 172.8	€ 126.1
Non-deductible or non-taxable interest and other expenses.....	(69.8)	(61.7)	(179.9)	(169.9)
Change in valuation allowances	(5.1)	(1.2)	(51.7)	5.5
Other, net.....	(0.1)	(1.4)	(2.6)	(7.2)
Total income tax expense.....	<u>€ (16.9)</u>	<u>€ (20.0)</u>	<u>€ (61.4)</u>	<u>€ (45.5)</u>

(9) Share-based Compensation

Our share-based compensation primarily 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. Share-based compensation expense allocated to our company by Liberty Global is reflected as a decrease to parent’s deficit.

The following table summarizes our share-based compensation expense:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	in millions			
Liberty Global shares:				
Performance-based incentive awards (a)	€ 4.5	€ 4.0	€ 11.4	€ 7.4
Other share-based incentive awards.....	3.5	1.8	9.5	6.9
Total Liberty Global shares.....	<u>€ 8.0</u>	<u>€ 5.8</u>	<u>€ 20.9</u>	<u>€ 14.3</u>
Included in:				
Operating expense.....	€ 0.1	€ —	€ 0.1	€ —
SG&A expense.....	7.9	5.8	20.8	14.3
Total	<u>€ 8.0</u>	<u>€ 5.8</u>	<u>€ 20.9</u>	<u>€ 14.3</u>

- (a) Includes share-based compensation expense related to Liberty Global performance-based restricted share units (PSUs) and challenge performance awards (the Challenge Performance Awards) issued on June 24, 2013 for certain executive officers

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

and key employees of Liberty Global, including certain employees of our subsidiaries. The Challenge Performance Awards include performance-based share appreciation rights (PSARs) and PSUs.

The following table provides certain information related to share-based compensation not yet recognized for Liberty Global share-based incentive awards held by employees of our subsidiaries as of September 30, 2014:

	Liberty Global ordinary shares (a)	Liberty Global performance- based awards (b)
Total compensation expense not yet recognized (in millions).....	€ 30.5	€ 22.4
Weighted average period remaining for expense recognition (in years).....	<u>2.8</u>	<u>1.5</u>

(a) Amounts relate to awards granted or assumed by Liberty Global under (i) the Liberty Global 2014 Incentive Plan and (ii) the Liberty Global, Inc. 2005 Incentive Plan (as amended and restated effective June 7, 2013). On January 30, 2014, Liberty Global's shareholders approved the Liberty Global 2014 Incentive Plan and, accordingly, awards are now only granted under the Liberty Global 2014 Incentive Plan.

(b) Amounts relate to (i) the Challenge Performance Awards and (ii) PSUs.

The following table summarizes certain information related to Liberty Global share-based incentive awards granted to, and exercised by, employees of our subsidiaries:

	Nine months ended September 30,	
	2014	2013
	in millions	
Assumptions used to estimate fair value of options, share appreciation rights (SARs) and PSARs granted:		
Risk-free interest rate	0.99 - 1.31%	0.36 - 1.14%
Expected life	3.2 - 3.9 years	3.2 - 4.0 years
Expected volatility	26.2 - 26.5%	26.5 - 29.0%
Expected dividend yield.....	none	none
Weighted average grant-date fair value per share of awards granted:		
SARs.....	\$ 8.06	\$ 7.14
PSARs.....	\$ —	\$ 8.32
Restricted share units (RSUs).....	\$ 39.73	\$ 35.84
PSUs	\$ 39.99	\$ 35.16
Total intrinsic value of awards exercised (in millions):		
Options	€ 0.4	€ 2.3
SARs.....	€ 5.0	€ 9.4
Cash received by Liberty Global from exercise of options (in millions)	€ 0.3	€ 1.1

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

Share-Based Award Activity - Liberty Global Ordinary Shares

The following tables summarize the share-based award activity during the nine months ended September 30, 2014 with respect to Liberty Global ordinary shares held by employees of our subsidiaries:

<u>Options — Class A ordinary shares</u>	<u>Number of shares</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual term</u>	<u>Aggregate intrinsic value</u>
			<u>in years</u>	<u>in millions</u>
Outstanding at January 1, 2014	—	\$ —		
Transfers	45,881	\$ 19.51		
Exercised	(6,434)	\$ 18.94		
Outstanding at September 30, 2014 (a)	39,447	\$ 19.60	6.9	\$ 0.9
Exercisable at September 30, 2014	18,050	\$ 17.76	6.1	\$ 0.4

<u>Options — Class C ordinary shares</u>	<u>Number of shares</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual term</u>	<u>Aggregate intrinsic value</u>
			<u>in years</u>	<u>in millions</u>
Outstanding at January 1, 2014	—	\$ —		
Transfers	113,423	\$ 18.23		
Exercised	(16,836)	\$ 17.62		
Outstanding at September 30, 2014 (a)	96,587	\$ 18.33	7.0	\$ 2.2
Exercisable at September 30, 2014	23,350	\$ 16.61	6.2	\$ 0.6

(a) The euro equivalent amounts for the aggregate intrinsic value for outstanding Liberty Global Class A and Class C options are €0.7 million and €1.7 million, respectively.

<u>SARs — Class A ordinary shares</u>	<u>Number of shares</u>	<u>Weighted average base price</u>	<u>Weighted average remaining contractual term</u>	<u>Aggregate intrinsic value</u>
			<u>in years</u>	<u>in millions</u>
Outstanding at January 1, 2014	1,064,866	\$ 27.09		
Granted	629,632	\$ 40.94		
Forfeited	(39,579)	\$ 29.00		
Transfers	51,316	\$ 21.25		
Exercised	(101,125)	\$ 24.91		
Outstanding at September 30, 2014 (a)	1,605,110	\$ 32.36	5.2	\$ 16.3
Exercisable at September 30, 2014	507,706	\$ 22.23	3.6	\$ 10.3

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

<u>SARs — Class C ordinary shares</u>	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2014	3,169,178	\$ 26.08		
Granted.....	1,259,264	\$ 39.12		
Forfeited.....	(116,649)	\$ 29.91		
Transfers.....	153,948	\$ 20.79		
Exercised.....	(286,528)	\$ 23.96		
Outstanding at September 30, 2014 (a).....	4,179,213	\$ 29.85	5.0	\$ 46.7
Exercisable at September 30, 2014	1,514,549	\$ 21.67	3.7	\$ 29.3

- (a) The euro equivalent amounts for the aggregate intrinsic value for outstanding Liberty Global Class A and Class C SARs are €12.9 million and €37.0 million, respectively.

<u>PSARs — Class A ordinary shares</u>	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2014	442,500	\$ 35.03		
Forfeited.....	(10,209)	\$ 35.03		
Transfers.....	25,000	\$ 35.03		
Outstanding at September 30, 2014 (a).....	457,291	\$ 35.03	5.7	\$ 3.4
Exercisable at September 30, 2014	7,291	\$ 35.03	2.0	\$ 0.1

<u>PSARs — Class C ordinary shares</u>	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2014	1,327,500	\$ 33.41		
Forfeited.....	(30,626)	\$ 33.41		
Transfers.....	75,000	\$ 33.41		
Outstanding at September 30, 2014 (a).....	1,371,874	\$ 33.42	5.7	\$ 10.4
Exercisable at September 30, 2014	21,874	\$ 33.86	2.0	\$ 0.2

- (a) The euro equivalent amounts for aggregate intrinsic value for outstanding Liberty Global Class A and Class C PSARs are €2.7 million and €8.2 million, respectively.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

<u>RSUs — Class A ordinary shares</u>	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term
			in years
Outstanding at January 1, 2014.....	95,705	\$ 29.59	
Granted	65,904	\$ 40.94	
Forfeited.....	(35,606)	\$ 26.84	
Released from restrictions	(6,309)	\$ 30.68	
Transfers	42,686	\$ 37.31	
Outstanding at September 30, 2014	<u>162,380</u>	<u>\$ 36.85</u>	<u>3.8</u>

<u>RSUs — Class C ordinary shares</u>	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term
			in years
Outstanding at January 1, 2014.....	287,115	\$ 27.77	
Granted	131,808	\$ 39.12	
Forfeited	(18,431)	\$ 28.66	
Released from restrictions	(120,457)	\$ 26.53	
Transfers	108,920	\$ 34.64	
Outstanding at September 30, 2014	<u>388,955</u>	<u>\$ 33.92</u>	<u>3.6</u>

<u>PSUs — Class A ordinary shares</u>	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term
			in years
Outstanding at January 1, 2014.....	247,933	\$ 31.65	
Granted	135,682	\$ 41.08	
Performance adjustment (a).....	(40,389)	\$ 26.12	
Forfeited.....	(7,479)	\$ 37.32	
Transfers	16,277	\$ 35.93	
Released from restrictions	(80,416)	\$ 26.22	
Outstanding at September 30, 2014	<u>271,608</u>	<u>\$ 39.00</u>	<u>1.6</u>

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

<u>PSUs — Class C ordinary shares</u>	<u>Number of shares</u>	<u>Weighted average grant-date fair value per share</u>	<u>Weighted average remaining contractual term</u> <u>in years</u>
Outstanding at January 1, 2014.....	743,799	\$ 29.72	
Granted	271,364	\$ 39.44	
Performance adjustment (a).....	(121,167)	\$ 24.69	
Forfeited.....	(22,437)	\$ 34.74	
Transfers	43,341	\$ 33.61	
Released from restrictions	(241,248)	\$ 24.77	
Outstanding at September 30, 2014	<u>673,652</u>	<u>\$ 36.44</u>	<u>1.5</u>

- (a) Represents the reduction in PSUs associated with the first quarter 2014 determination that 66.3% of the PSUs that were granted in 2012 (the 2012 PSUs) had been earned. As of September 30, 2014, all of the earned 2012 PSUs have been released from restrictions.

(10) Related-party Transactions

Our related-party transactions are as follows:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>in millions</u>			
Revenue.....	€ 2.7	€ 2.9	€ 7.3	€ 8.6
Operating expenses	(5.3)	(13.3)	(19.1)	(36.9)
SG&A expenses	(0.5)	(0.2)	4.1	(5.1)
Allocated share-based compensation expense	(8.0)	(5.8)	(20.9)	(14.3)
Fees and allocations, net	<u>16.1</u>	<u>1.0</u>	<u>54.7</u>	<u>10.9</u>
Included in operating income	5.0	(15.4)	26.1	(36.8)
Interest expense.....	(226.0)	(219.2)	(659.7)	(647.6)
Interest income	<u>—</u>	<u>2.1</u>	<u>0.2</u>	<u>6.9</u>
Included in net loss	€ (221.0)	€ (232.5)	€ (633.4)	€ (677.5)
Property and equipment additions, net.....	<u>€ (20.0)</u>	<u>€ 17.3</u>	<u>€ (39.0)</u>	<u>€ 174.9</u>

General. UPC Holding charges fees and allocates costs and expenses to Liberty Global and certain other Liberty Global subsidiaries and Liberty Global and certain Liberty Global subsidiaries outside of UPC Holding 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. Through June 30, 2014, our related-party operating and SG&A expenses and our related-party fees and allocations generally were based on our company's estimated share of the applicable estimated costs (including personnel-related and other costs associated with the services provided) incurred by our company, Liberty Global and the other Liberty Global subsidiaries. The revisions to reflect the actual costs underlying our related-party fees and allocations for 2013 and 2012 amounted to increases of €15.3 million and €2.2 million, respectively, in our net billings to Liberty Global and certain other Liberty Global subsidiaries, which amounts were recorded during the first half of 2014 and 2013, respectively. The revisions to reflect actual costs for our related-party operating and SG&A expenses for 2013 and 2012 were not material. During the third quarter of 2014, Liberty Global and its subsidiaries began basing the fees charged and amounts allocated among Liberty Global and its subsidiaries

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

on actual costs incurred. As a result, during the third quarter of 2014, we recorded a €4.3 million increase to the net fees and allocations charged by our company to Liberty Global and certain other Liberty Global subsidiaries to reflect the impact of this change in methodology for the full nine-month period ended September 30, 2014. The impact of this change in methodology on our related-party operating and SG&A expenses was not material. 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 consolidated statements of operations are reflective of the costs that we would incur on a standalone basis. Except as noted below, our related-party transactions are generally cash settled.

Revenue. Amounts consist primarily of backbone capacity provided to Unitymedia KabelBW GmbH (Unitymedia KabelBW), interconnect and other network access charges to Virgin Media Inc. (Virgin Media), construction and programming services provided to certain non-consolidated affiliates, and programming services provided to Chellomedia B.V. (Chellomedia) until the sale of substantially all of Chellomedia's assets by Liberty Global on January 31, 2014. Unitymedia KabelBW and Virgin Media are each subsidiaries of Liberty Global that are outside of UPC Holding.

Operating expenses. Amounts consist of (i) programming and digital interactive services provided by Chellomedia until the sale of substantially all of Chellomedia's assets by Liberty Global on January 31, 2014 and programming services provided by another subsidiary of Liberty Global that is outside of UPC Holding, in the aggregate amounts of €3.8 million and €13.5 million for the three months ended September 30, 2014 and 2013, respectively, and €14.9 million and €40.7 million for the nine months ended September 30, 2014 and 2013, respectively, and (ii) programming and interconnect fees charged by certain of Liberty Global's affiliates of €1.5 million and €4.4 million for the three months ended September 30, 2014 and 2013, respectively, and €5.4 million and €5.7 million for the nine months ended September 30, 2014 and 2013, respectively. In addition, amounts reflect (a) €2.5 million and €3.1 million for the three months ended September 30, 2014 and 2013, respectively, and €8.4 million and €7.5 million for the nine months ended September 30, 2014 and 2013, respectively, of encryption and other operating expenses charged to Unitymedia KabelBW, (b) €1.9 million and €0.1 million for the three months ended September 30, 2014 and 2013, respectively, and €5.8 million and €0.1 million for the nine months ended September 30, 2014 and 2013, respectively, of information technology-related expenses charged by Virgin Media and (c) aggregate recharges of network-related and other items to (from) LG B.V. and Liberty Global Europe Ltd. (LGE Ltd.), a subsidiary of Liberty Global that is outside of UPC Holding, of (€0.6 million) and €1.6 million for the three months ended September 30, 2014 and 2013, respectively, and (€1.4 million) and €2.1 million for the nine months ended September 30, 2014 and 2013, respectively.

SG&A expenses. Amounts consist primarily of net cash settled administrative and information technology-related expenses, primarily between our company, LG B.V., Virgin Media, LGE Ltd., Unitymedia KabelBW and other subsidiaries of Liberty Global that are outside of UPC Holding that resulted in net charges (credits) of €0.5 million and €0.2 million for the three months ended September 30, 2014 and 2013, respectively, and (€4.1 million) and €5.1 million for the nine months ended September 30, 2014 and 2013, respectively.

Allocated share-based compensation expense. As further described in note 9, Liberty Global allocates share-based compensation to our company.

Fees and allocations, net. These amounts represent the aggregate net effect of charges between subsidiaries of UPC Holding and various Liberty Global subsidiaries that are outside of UPC Holding, including (i) charges to Unitymedia KabelBW of €30.9 million and €17.7 million for the three months ended September 30, 2014 and 2013, respectively, and €79.8 million and €54.1 million for the nine months ended September 30, 2014 and 2013, respectively, which were partially loan settled, (ii) charges (credits) to VTR Finance B.V. of (€1.5 million) and nil for the three months ended September 30, 2014 and 2013, respectively, and €2.0 million and nil for the nine months ended September 30, 2014 and 2013, respectively, (iii) net loan-settled charges from Liberty Global and certain other Liberty Global subsidiaries of €13.2 million and €1.9 million for the three months ended September 30, 2014 and 2013, respectively, and €13.5 million and €5.2 million for the nine months ended September 30, 2014 and 2013, respectively, (iv) aggregate net charges from LG B.V. and LGE Ltd. of €0.1 million and €14.8 million for the three months ended September 30, 2014 and 2013, respectively, and €13.6 million and €38.0 million for the nine months ended September 30, 2014 and 2013, respectively. These charges generally relate to management, finance, legal, technology and other corporate and administrative services provided to or by our subsidiaries and, in the case of charges to Unitymedia KabelBW, also include charges related to marketing and other services that support Unitymedia KabelBW's broadband communications operations, including the use of the UPC trademark.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

Interest expense. Amounts primarily include interest accrued on the Shareholder Loan. Interest expense is accrued and included in other long-term liabilities during the year and then added to the Shareholder Loan balance at the end of the year. For additional information, see note 7.

Interest income. Amounts represent interest income related to (i) the UPC Broadband France Loan Receivable, as defined and described below, and (ii) during the 2013 nine-month period, our loan receivable from Unitymedia Hessen, which was repaid during the second quarter of 2013.

Property and equipment additions, net. These amounts primarily represent customer premises and network-related equipment acquired from other Liberty Global subsidiaries, including LG B.V., net of amounts transferred to other Liberty Global subsidiaries outside of UPC Holding.

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

	September 30, 2014	December 31, 2013
	in millions	
Related-party receivables (a).....	€ 152.1	€ 239.7
Other noncurrent assets (b)	€ —	€ 319.0
Accounts payable	€ 99.0	€ 92.4
Accrued liabilities (c).....	137.7	479.1
Shareholder Loan (note 7).....	8,963.4	9,695.4
Other related-party debt (note 7).....	99.5	74.7
Other long-term liabilities (d)	661.5	2.6
Total	€ 9,961.1	€ 10,344.2

- (a) Primarily includes various non-interest bearing related-party receivables, including certain amounts associated with the settlement of our co-obligor vendor financing obligations with LG B.V., as further described in note 7. With the exception of amounts related to our co-obligor vendor financing obligations with LG B.V., these receivables are typically cash settled on a monthly basis.
- (b) The December 31, 2013 amount represents the noncurrent portion of a loan receivable (the UPC Broadband France Loan Receivable) from VTR GlobalCom to our subsidiary, UPC Broadband France SAS (UPC Broadband France). In January 2014, we made a capital contribution of €325.6 million to the parent of VTR GlobalCom, which was used to acquire the UPC Broadband France Loan Receivable from UPC Broadband France and pay related accrued interest. As a result of the change in reporting entities associated with the VTR Extraction, as further described in note 3, we have accounted for this transaction as a deemed distribution to the parent of VTR GlobalCom in our condensed consolidated statements of cash flow and owner's deficit.
- (c) Includes a non-interest bearing advance from another subsidiary of Liberty Global that is outside of UPC Holding, payable on demand. During the first quarter of 2014, a significant portion of this advance was repaid.
- (d) Primarily includes accrued interest on the Shareholder Loan. For additional information see note 7.

During the nine months ended September 30, 2014 and 2013, we recorded aggregate capital charges of €20.7 million and €24.5 million, respectively, in our condensed consolidated statements of owners' deficit in connection with the exercise of Liberty Global SARs and options and the vesting of Liberty Global restricted share awards held by employees of our subsidiaries. These capital charges, which generally are loan settled, are based on the fair value of the underlying Liberty Global shares on the exercise or vesting date, as applicable.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

LG B.V. leases certain property and equipment on our behalf, which is then contributed by LG B.V. to our company. During the nine months ended September 30, 2014, LG B.V.'s carrying values in such property and equipment of €14.7 million have been reflected as a decrease to parent's deficit in our condensed consolidated statement of owners' deficit.

During the nine months ended September 30, 2013, VTR GlobalCom made aggregate cash distributions to our company of €62.6 million. As a result of the change in reporting entities associated with the VTR Extraction, as further described in note 3, we have accounted for these transactions as deemed contributions from VTR GlobalCom to our company in our condensed consolidated statement of cash flows.

(11) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancelable operating leases, purchases of customer premises and other equipment, network and connectivity commitments, programming contracts and other items. The euro equivalents of such commitments as of September 30, 2014 are presented below:

		Payments due during:								
	Remainder of 2014	2015	2016	2017	2018	2019	Thereafter	Total		
				in millions						
Operating leases	€ 16.1	€ 47.2	€ 37.8	€ 30.5	€ 25.5	€ 22.4	€ 112.5	€ 292.0		
Purchase commitments	104.4	39.8	18.1	4.3	—	—	—	166.6		
Network and connectivity commitments	19.7	42.0	30.5	21.5	7.8	8.7	11.4	141.6		
Programming commitments	13.8	35.3	23.6	12.4	4.7	—	—	89.8		
Other commitments	44.2	57.1	48.1	41.7	31.4	7.5	22.1	252.1		
Total (a)	<u>€ 198.2</u>	<u>€ 221.4</u>	<u>€ 158.1</u>	<u>€ 110.4</u>	<u>€ 69.4</u>	<u>€ 38.6</u>	<u>€ 146.0</u>	<u>€ 942.1</u>		

(a) The commitments reflected in this table do not reflect any liabilities that are included in our September 30, 2014 condensed consolidated balance sheet.

Purchase commitments include unconditional purchase obligations associated with commitments to purchase customer premises and other equipment that are enforceable and legally binding on us, including €9.6 million associated with related-party purchase obligations.

Network and connectivity commitments include commitments associated with (i) satellite carriage services provided to our company and (ii) commitments associated with our mobile virtual network operator (MVNO) agreements.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments. 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. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during the nine months ended September 30, 2014 and 2013, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €314.0 million and €311.0 million, respectively.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

Other commitments relate primarily to (i) obligations associated with information technology and other service agreements and (ii) certain fixed minimum contractual commitments associated with our agreements with municipal authorities. Commitments arising from acquisition agreements are not reflected in the above table.

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods. For information concerning our derivative instruments, including the net cash paid or received in connection with these instruments during the nine months ended September 30, 2014 and 2013, see note 4.

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 indemnifications to our lenders, our vendors and certain other parties and performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

Legal and Regulatory Proceedings and Other Contingencies

Netherlands Regulatory Developments. In December 2011, the Autoriteit Consument & Markt (ACM), formerly Onafhankelijke Post en Telecommunicatie Autoriteit, completed a market assessment of the television market in the Netherlands, concluding that there were no grounds for regulation of that market. On December 22, 2011, referring to its final assessment of the television market, ACM rejected previously filed requests from a number of providers to perform a new market analysis of the television market. This decision by ACM was appealed by such providers to the Dutch Supreme Administrative Court. On November 5, 2012, the Dutch Supreme Administrative Court rejected the appeals against ACM's decision.

In May 2012, the Dutch Senate adopted laws that provide, among other matters, the power to ACM to impose an obligation for the mandatory resale of television services and to the Commissariaat voor de Media to supervise the resale obligation introduced by these new laws. These laws became effective on January 1, 2013 notwithstanding the above-described November 5, 2012 decision of the Dutch Supreme Administrative Court. In January 2014, a Dutch civil court, in a proceeding initiated by UPC Netherlands B.V., declared the resale obligation laws non-binding because they infringe European Union (EU) law. The Dutch Government did not appeal the January 2014 decision, and the Dutch Minister of Economic Affairs has proposed a draft law seeking to withdraw the resale obligation laws. This law was adopted by the Dutch parliament on November 6, 2014 and is now under review by the Dutch Senate.

In addition, on October 24, 2012, the European Commission opened formal infringement proceedings against the Dutch government on the basis that the new laws pertaining to resale breach EU law. The Dutch government responded to the infringement proceedings on June 25, 2013, and the European Commission is reviewing the response. If such response is deemed to be unsatisfactory to the European Commission, it may refer the matter to the European Court of Justice. The infringement proceeding at the European Commission against the Dutch government is still pending. It is unclear how the Dutch civil court ruling and the draft law seeking to withdraw the resale obligation laws will impact the European Commission proceedings. We cannot predict the effect on our results of operations, cash flows or financial position from any implementation of a resale regime.

Financial Transactions Tax. Eleven countries in the EU, including Austria and Slovakia, are participating in an enhanced cooperation procedure to introduce a financial transactions tax (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 eleven participating countries. Although ongoing debate in the relevant countries

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

demonstrates continued momentum around the FTT, uncertainty remains as to when the FTT would be implemented and the breadth of its application. Based on current information, the FTT will likely not be effective until at least 2016. 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.

Other Regulatory Issues. Broadband communications and mobile 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 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.

(12) Segment Reporting

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

Operating cash flow is the primary measure used by our chief operating decision maker to evaluate segment operating performance. Operating cash flow is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources to segments and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding share-based compensation, related-party fees and allocations, depreciation and amortization 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 operating cash flow is a meaningful measure and is superior to available U.S. GAAP measures because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to (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 operating cash flow measure is useful to investors because it is one of the bases for comparing our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other companies. Operating cash flow should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings or loss, cash flow from operating activities and other U.S. GAAP measures of income or cash flows. A reconciliation of total segment operating cash flow to our loss before income taxes is presented below.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

We have identified the following consolidated operating segments as our reportable segments:

- The Netherlands
- Switzerland
- Other Western Europe
- Central and Eastern Europe

All of the reportable segments set forth above derive their revenue primarily from broadband communications services, including video, broadband internet and fixed-line telephony services. All of our reportable segments also provide business-to-business (B2B) services and certain of our reportable segments provide mobile services. At September 30, 2014, we provided broadband communications services in nine European countries and DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia through UPC DTH. Our Other Western Europe segment includes our broadband communications operating segments in Austria and Ireland. Our Central and Eastern Europe segment includes our broadband communications operating segments in the Czech Republic, Hungary, Poland, Romania and Slovakia. Our central and other category includes (i) the UPC DTH operating segment, (ii) costs associated with certain centralized functions, including billing systems, network operations, technology, marketing, facilities, finance and other administrative functions and (iii) intersegment eliminations.

Performance Measures of Our Reportable Segments

	Revenue			
	Three months ended September 30,		Nine months ended September 30,	
	2014	2013 (a)	2014	2013 (a)
	in millions			
The Netherlands	€ 227.6	€ 230.4	€ 690.4	€ 700.9
Switzerland	266.6	250.6	790.4	745.4
Other Western Europe	168.9	168.7	507.4	505.4
Total Western Europe	663.1	649.7	1,988.2	1,951.7
Central and Eastern Europe	211.1	210.6	634.1	644.0
Central and other	25.3	25.3	76.2	75.0
Total	€ 899.5	€ 885.6	€ 2,698.5	€ 2,670.7

(a) As retrospectively revised – see note 3.

	Operating cash flow			
	Three months ended September 30,		Nine months ended September 30,	
	2014	2013 (a)	2014	2013 (a)
	in millions			
The Netherlands	€ 132.1	€ 133.0	€ 400.9	€ 403.9
Switzerland	160.8	151.4	471.6	434.2
Other Western Europe	87.0	85.9	253.3	246.1
Total Western Europe	379.9	370.3	1,125.8	1,084.2
Central and Eastern Europe	101.8	99.7	308.9	309.5
Central and other	(43.3)	(31.4)	(125.8)	(104.4)
Total	€ 438.4	€ 438.6	€ 1,308.9	€ 1,289.3

(a) As retrospectively revised – see note 3.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013 (a)	2014	2013 (a)
	in millions			
Total segment operating cash flow	€ 438.4	€ 438.6	€ 1,308.9	€ 1,289.3
Share-based compensation expense	(8.0)	(5.8)	(20.9)	(14.3)
Related-party fees and allocations, net	16.1	1.0	54.7	10.9
Depreciation and amortization	(222.5)	(214.2)	(656.2)	(656.5)
Impairment, restructuring and other operating items, net	0.7	1.4	(1.8)	2.5
Operating income	224.7	221.0	684.7	631.9
Interest expense:				
Third-party	(123.8)	(149.5)	(385.1)	(446.4)
Related-party	(226.0)	(219.2)	(659.7)	(647.6)
Interest income	0.2	2.4	0.9	7.8
Realized and unrealized gains (losses) on derivative instruments, net	147.6	(195.0)	(15.0)	1.1
Foreign currency transaction gains (losses), net	(256.7)	160.4	(277.4)	16.7
Realized and unrealized gains due to changes in fair values of certain investments, net	1.1	2.7	1.9	7.7
Losses on debt modification and extinguishment, net	—	—	(42.0)	(75.3)
Other income (expense), net	0.2	(0.2)	0.4	(0.3)
Loss before income taxes	€ (232.7)	€ (177.4)	€ (691.3)	€ (504.4)

(a) As retrospectively revised – see note 3.

Revenue by Major Category

Our revenue by major category is set forth below:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013 (a)	2014	2013 (a)
	in millions			
Subscription revenue (b):				
Video	€ 437.0	€ 428.2	€ 1,308.4	€ 1,293.3
Broadband internet	244.5	239.8	733.1	712.3
Fixed-line telephony	116.6	114.9	353.7	348.3
Cable subscription revenue	798.1	782.9	2,395.2	2,353.9
Mobile subscription revenue	0.5	0.3	1.2	1.0
Total subscription revenue	798.6	783.2	2,396.4	2,354.9
B2B revenue (c)	63.5	62.2	188.6	189.3
Other revenue (d)	37.4	40.2	113.5	126.5
Total revenue	€ 899.5	€ 885.6	€ 2,698.5	€ 2,670.7

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

-
- (a) As retrospectively revised – see note 3.
- (b) 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.
- (c) B2B revenue includes revenue from business broadband internet, video, voice, wireless and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to certain small office and home office (SOHO) subscribers. SOHO subscribers pay a premium price to receive enhanced 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 aggregated €20.0 million and €15.2 million during the three months ended September 30, 2014 and 2013, respectively, and €56.2 million and €41.9 million during the nine months ended September 30, 2014 and 2013, respectively, is included in cable subscription revenue.
- (d) Other revenue includes, among other items, installation, late fee, carriage fee and interconnect revenue.

Geographic Segments

The revenue of our geographic segments is set forth below:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013 (a)	2014	2013 (a)
	in millions			
Switzerland.....	€ 266.6	€ 250.6	€ 790.4	€ 745.4
The Netherlands	227.6	230.4	690.4	700.9
Poland.....	88.2	83.8	264.5	258.6
Ireland	87.8	87.0	264.1	259.6
Austria.....	81.1	81.7	243.3	245.8
Hungary.....	46.9	48.1	141.3	144.9
The Czech Republic	35.8	40.7	110.2	126.1
Romania	28.5	26.1	82.6	78.6
Slovakia.....	11.7	11.9	35.5	35.8
Other (b).....	25.3	25.3	76.2	75.0
Total.....	€ 899.5	€ 885.6	€ 2,698.5	€ 2,670.7

-
- (a) As retrospectively revised – see note 3.
- (b) Primarily represents revenue of UPC DTH from customers located in the Czech Republic, Hungary, Romania and Slovakia.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2014
(unaudited)

(13) Subsequent Event

Extension of UPC Broadband Holding Bank Facility. On November 19, 2014 (the Effective Date), UPC Broadband Holding entered into a new additional facility accession agreement (the Additional Facility AI2 Accession Agreement) under the UPC Broadband Holding Bank Facility. Pursuant to the Additional Facility AI2 Accession Agreement, the existing redrawable term loan Facility AI was increased by €30.0 million by a new lender. The final maturity date for Facility AI2 is April 30, 2019. Facility AI2 bears interest at a rate of EURIBOR plus 3.25% and has a fee on unused commitments of 1.3% per year. Facility AI and AI2 constitute one single additional facility for the purposes of the UPC Broadband Holding. Facility AI may be further increased by entering into one or more additional facility accession agreements.

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 2013 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 and nine months ended September 30, 2014 and 2013.
- *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, and operational data (including subscriber statistics) are presented, as of September 30, 2014.

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* 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 maturity of our markets, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated revenue decreases or cost increases, liquidity, credit risks, foreign currency risks and target leverage levels. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the risks and uncertainties in the following list of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the countries in which we operate;
- the competitive environment in the 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 digital video, 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 digital video, 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;
- our ability to maintain our revenue from channel carriage arrangements;
- 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 credit and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors to timely deliver quality products, equipment, software and services;
- the availability of attractive programming for our digital video services 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;
- 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;
- 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 services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this quarterly report are subject to a significant degree of risk. These forward-looking statements and the above-described risks, uncertainties and other factors speak only as of the date of this quarterly report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. 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 nine 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.

As further described in note 1 to our condensed consolidated financial statements, we completed the VTR Extraction in January 2014. We have accounted for this common control transfer at carryover basis and the applicable prior period information has been retrospectively revised to give effect to this transaction for all periods presented.

We have completed a number of transactions that somewhat impact the comparability of our 2014 and 2013 results of operations.

At September 30, 2014, we owned and operated networks that passed 15,693,000 homes and served 16,874,800 revenue generating units (RGUs), consisting of 8,006,800 video subscribers, 5,131,100 broadband internet subscribers and 3,736,900 fixed-line telephony subscribers.

Including the effects of acquisitions, we added a total of 89,400 and 290,200 RGUs, respectively, during the three and nine months ended September 30, 2014. Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition date RGU additions, we added 85,300 and 247,100 RGUs, respectively, on an organic basis during the three and nine months ended September 30, 2014, as compared to 105,600 and 243,400 RGUs, respectively, that we added on an organic basis during the corresponding periods in 2013. The organic RGU growth during the three and nine months ended September 30, 2014 is primarily attributable to the net effect of (i) decreases of 103,300 and 322,300 analog cable RGUs, respectively, (ii) increases of 76,400 and 232,500 broadband internet services RGUs, respectively, (iii) increases of 68,300 and 211,800 digital cable services RGUs, respectively, and (iv) increases of 41,800 and 161,300 fixed-line telephony services RGUs, respectively.

We are experiencing significant competition from incumbent telecommunications operators (particularly in the Netherlands and, to a lesser extent, Switzerland, where the incumbent telecommunications operators are overbuilding our networks with fiber-to-the-home, -cabinet, -building or -node (referred to herein as FTTx) and advanced digital subscriber line (DSL) technologies), DTH operators and/or other providers in all of our broadband communications markets. This significant competition, together with the maturation of certain of our markets, has contributed to organic declines in certain of our markets in revenue, RGUs and/or average monthly subscription revenue per average RGU (ARPU), the more notable of which include:

- (i) organic declines in overall revenue in the Netherlands during the third quarter of 2014, as compared to the third quarter of 2013 and the second quarter of 2014;
- (ii) an organic decline in overall revenue in Switzerland during the third quarter of 2014, as compared to the second quarter of 2014;
- (iii) organic declines during the third quarter of 2014 in (a) video RGUs in the majority of our markets, as net declines in our analog cable RGUs generally exceeded net additions to our digital cable RGUs (including migrations from analog cable) in these markets, and (b) total RGUs in the Netherlands; and
- (iv) organic declines in overall ARPU in the Netherlands and many of our other markets during the third quarter of 2014, as compared to the third quarter of 2013.

Material Changes in Results of Operations

As noted under *Overview* above, the comparability of our operating results during 2014 and 2013 is affected by acquisitions. In the following discussion, we quantify the estimated impact of acquisitions on our operating results. The acquisition impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the acquisition impact on an acquired entity's operating results during the first three months following the acquisition date such that changes from those operating results in subsequent periods are considered to be organic changes. Accordingly, in the following discussion, variances attributed to an acquired entity during the first twelve months following the acquisition date represent differences between the estimated acquisition impact and the actual results.

Changes in foreign currency exchange rates have a significant impact on our reported operating results as certain of our operating segments have functional currencies other than the euro. Our primary exposure to foreign currency translation effects (FX) risk during the three months ended September 30, 2014 was to the Swiss franc and other local currencies in Europe. In this regard, 51.8% of our euro revenue during the three months ended September 30, 2014 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

All of the reportable segments set forth below derive their revenue primarily from broadband communications services, including video, broadband internet and fixed-line telephony services. All of our reportable segments also provide B2B services, and certain of our reportable segments provide mobile services. For detailed information regarding the composition of our reportable segments, see note 12 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 operating cash flow (revenue, operating expenses and SG&A expenses, excluding share-based compensation expense, as further discussed in note 12 to our condensed consolidated financial statements) as well as an analysis of operating cash flow by reportable segment for the three and nine months ended September 30, 2014 and 2013. These tables present (i) the amounts reported by each of our reportable segments for the comparative periods, (ii) the euro change and percentage change from period to period and (iii) the organic percentage change from period to period (percentage change after removing FX and the estimated impacts of acquisitions). The comparisons that exclude FX assume that exchange rates remained constant at the prior year rate during the comparative periods that are included in each table. We also provide a table showing the operating cash flow margins of our reportable segments for the three and nine months ended September 30, 2014 and 2013 at the end of this section.

The revenue of our reportable segments includes revenue earned from (i) subscribers for broadband communications and mobile services and (ii) B2B services, interconnect fees, installation fees, channel carriage fees, late fees and advertising revenue. Consistent with the presentation of our revenue categories in note 12 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.

Most of our revenue is derived from jurisdictions that administer value-added or similar revenue-based taxes. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases on to our customers. In the case of revenue-based taxes for which we are the ultimate taxpayer, we will also experience increases in our operating expenses and corresponding declines in our operating cash flow and operating cash flow margins to the extent of any such tax increases. In this regard, VAT rates have increased in certain of the countries in which we operate over the past few years. In addition, the VAT rates applicable to certain components of the operations of UPC DTH in the Czech Republic, Hungary and Slovakia are scheduled to increase significantly effective January 1, 2015. As compared to 2014 levels, these proposed rate increases are expected to result in increases in annual VAT payments ranging from approximately €12 million to €14 million for UPC DTH.

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 costs. The ultimate impact of any such changes in termination rates on our operating cash flow 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 September 30,		Increase (decrease)		Organic increase (decrease)
	2014	2013	€	%	%
	in millions				
The Netherlands	€ 227.6	€ 230.4	€ (2.8)	(1.2)	(1.2)
Switzerland	266.6	250.6	16.0	6.4	4.3
Other Western Europe	168.9	168.7	0.2	0.1	(0.1)
Total Western Europe	663.1	649.7	13.4	2.1	1.2
Central and Eastern Europe	211.1	210.6	0.5	0.2	1.7
Central and other	25.3	25.3	—	—	(0.3)
Total	€ 899.5	€ 885.6	€ 13.9	1.6	1.3

	Nine months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2014	2013	€	%	%
	in millions				
The Netherlands	€ 690.4	€ 700.9	€ (10.5)	(1.5)	(1.5)
Switzerland	790.4	745.4	45.0	6.0	4.7
Other Western Europe	507.4	505.4	2.0	0.4	0.1
Total Western Europe	1,988.2	1,951.7	36.5	1.9	1.3
Central and Eastern Europe	634.1	644.0	(9.9)	(1.5)	0.4
Central and other	76.2	75.0	1.2	1.6	1.8
Total	€ 2,698.5	€ 2,670.7	€ 27.8	1.0	1.1

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

The Netherlands. The decreases in the Netherlands' revenue during the three and nine months ended September 30, 2014, as compared to the corresponding periods in 2013 are set forth below:

	Three-month period			Nine-month period		
	Subscription revenue	Non- subscription revenue	Total	Subscription revenue	Non- subscription revenue	Total
	in millions					
Increase (decrease) in cable subscription revenue due to change in:						
Average number of RGUs (a)	€ 0.9	€ —	€ 0.9	€ 1.5	€ —	€ 1.5
ARPU (b)	(1.9)	—	(1.9)	(7.1)	—	(7.1)
Total decrease in cable subscription revenue	(1.0)	—	(1.0)	(5.6)	—	(5.6)
Decrease in B2B revenue	—	(0.5)	(0.5)	—	(1.5)	(1.5)
Decrease in other non-subscription revenue (c)	—	(1.3)	(1.3)	—	(3.4)	(3.4)
Total	€ (1.0)	€ (1.8)	€ (2.8)	€ (5.6)	€ (4.9)	€ (10.5)

- (a) The increases in the Netherlands' cable subscription revenue related to changes in the average numbers of RGUs are attributable to increases in the average numbers of broadband internet, fixed-line telephony and digital cable RGUs that were mostly offset by declines in the average numbers of analog cable RGUs.
- (b) The decreases in the Netherlands' cable subscription revenue related to changes in ARPU are due to the net effect of (i) net decreases resulting primarily from the following factors: (a) lower ARPU due to the impact of increases in the proportions of subscribers receiving lower-priced tiers of broadband internet and fixed-line telephony services in our bundles, (b) higher ARPU due to the impacts of lower bundling discounts, (c) higher ARPU from digital cable services and (d) lower ARPU due to decreases in fixed-line telephony call volumes and (ii) improvements in RGU mix.
- (c) The decreases in the Netherlands' other non-subscription revenue are primarily due to decreases in installation revenue.

For information concerning certain regulatory developments that could have an adverse impact on our revenue in the Netherlands, see note 11 to our condensed consolidated financial statements.

Switzerland. The increases in Switzerland's revenue during the three and nine months ended September 30, 2014, as compared to the corresponding periods in 2013, include (i) organic increases of €10.8 million or 4.3% and €35.3 million or 4.7%, respectively, (ii) the impact of acquisitions and (iii) the impact of FX, as set forth below:

	Three-month period			Nine-month period		
	Subscription revenue	Non-subscription revenue	Total	Subscription revenue	Non-subscription revenue	Total
	in millions					
Increase in cable subscription revenue due to change in:						
Average number of RGUs (a).....	€ 5.0	€ —	€ 5.0	€ 16.5	€ —	€ 16.5
ARPU (b).....	2.6	—	2.6	14.3	—	14.3
Total increase in cable subscription revenue.....	7.6	—	7.6	30.8	—	30.8
Increase in B2B revenue (c)	—	1.7	1.7	—	4.7	4.7
Increase (decrease) in other non-subscription revenue (d).....	—	1.5	1.5	—	(0.2)	(0.2)
Total organic increase.....	7.6	3.2	10.8	30.8	4.5	35.3
Impact of acquisitions.....	0.5	(0.2)	0.3	2.5	(1.3)	1.2
Impact of FX.....	4.1	0.8	4.9	7.5	1.0	8.5
Total.....	€ 12.2	€ 3.8	€ 16.0	€ 40.8	€ 4.2	€ 45.0

- (a) The increases in Switzerland's cable subscription revenue related to changes in the average numbers of RGUs are attributable to increases in the average numbers of broadband internet, digital cable and fixed-line telephony RGUs that were largely offset by declines in the average numbers of analog cable RGUs.
- (b) The increases in Switzerland's cable subscription revenue related to changes in ARPU are due to (i) improvements in RGU mix and (ii) a negative impact during the three-month period and a positive impact during the nine-month period from the net effect of: (a) higher ARPU due to the inclusion of higher-priced tiers of fixed-line telephony, broadband internet and video services in our bundles, including the impacts of price increases in April 2014 and January 2014, (b) lower ARPU due to decreases in fixed-line telephony call volumes, (c) lower ARPU due to the impacts of bundling discounts and (d) higher ARPU from incremental digital cable services.
- (c) The increases in Switzerland's B2B revenue are primarily due to increased volumes in voice, data and broadband internet services.

- (d) The changes in Switzerland's other non-subscription revenue are due to (i) a decrease during the nine-month period in installation revenue and (ii) net increases from individually insignificant changes in other non-subscription revenue categories.

Other Western Europe. The increases in Other Western Europe's revenue during the three and nine months ended September 30, 2014, as compared to the corresponding periods in 2013, include (i) an organic increase (decrease) of (€0.2 million) or (0.1%) and €0.7 million or 0.1%, respectively, and (ii) the impact of an acquisition, as set forth below:

	Three-month period			Nine-month period		
	Subscription revenue	Non-subscription revenue	Total	Subscription revenue	Non-subscription revenue	Total
	in millions					
Increase (decrease) in cable subscription revenue due to change in (a):						
Average number of RGUs (a).....	€ 7.0	€ —	€ 7.0	€ 21.7	€ —	€ 21.7
ARPU (b).....	(5.0)	—	(5.0)	(11.6)	—	(11.6)
Total increase in cable subscription revenue.....	2.0	—	2.0	10.1	—	10.1
Decrease in B2B revenue (c).....	—	—	—	—	(3.1)	(3.1)
Decrease in other non-subscription revenue (d).....	—	(2.2)	(2.2)	—	(6.3)	(6.3)
Total organic increase (decrease).....	2.0	(2.2)	(0.2)	10.1	(9.4)	0.7
Impact of acquisition.....	0.4	—	0.4	1.3	—	1.3
Total.....	€ 2.4	€ (2.2)	€ 0.2	€ 11.4	€ (9.4)	€ 2.0

- (a) The increases in Other Western Europe's cable subscription revenue related to changes in the average numbers of RGUs are attributable to increases in the average numbers of fixed-line telephony, broadband internet and, to a lesser extent, digital cable RGUs in each of Ireland and Austria that were only partially offset by declines in the average numbers of analog cable RGUs in each of Austria and Ireland and multi-channel multi-point (microwave) distribution system video RGUs in Ireland.
- (b) The decreases in Other Western Europe's cable subscription revenue related to changes in ARPU are attributable to decreases in ARPU in each of Ireland and Austria. Other Western Europe's overall ARPU was impacted by adverse changes in RGU mix in each of Ireland and Austria. In addition to the adverse impact of RGU mix, Ireland's ARPU was negatively impacted by the net effect of: (i) higher ARPU due to the inclusion of higher-priced tiers of broadband internet, video and fixed-line telephony services in our bundles, including the impact of a price increase in March 2014, (ii) lower ARPU due to the impacts of bundling discounts and (iii) lower ARPU due to decreases in fixed-line telephony call volumes. In addition to the adverse impact of RGU mix, Austria's ARPU was negatively impacted by the net effect of (a) a January 2014 price increase for video services, (b) lower ARPU due to the impacts of bundling discounts and (c) lower ARPU due to decreases in fixed-line telephony call volumes.
- (c) The decrease in Other Western Europe's B2B revenue during the nine-month period is primarily due to lower revenue from (i) voice services in each of Austria and Ireland and (ii) internet services in Austria.
- (d) The decreases in Other Western Europe's other non-subscription revenue are primarily due to (i) decreases in installation revenue in Ireland and (ii) decreases in revenue from Austria's non-cable subscriber base.

Central and Eastern Europe. The increases in Central and Eastern Europe's revenue during the three and nine months ended September 30, 2014, as compared to the corresponding periods in 2013, include (i) organic increases of €3.5 million or 1.7% and €2.6 million or 0.4%, respectively, and (ii) the impact of FX, as set forth below:

	Three-month period			Nine-month period		
	Subscription revenue	Non-subscription revenue	Total	Subscription revenue	Non-subscription revenue	Total
	in millions					
Increase (decrease) in cable subscription revenue due to change in:						
Average number of RGUs (a).....	€ 5.7	€ —	€ 5.7	€ 14.3	€ —	€ 14.3
ARPU (b).....	(1.3)	—	(1.3)	(9.7)	—	(9.7)
Total increase in cable subscription revenue.....	4.4	—	4.4	4.6	—	4.6
Increase in B2B revenue.....	—	0.9	0.9	—	2.6	2.6
Decrease in other non-subscription revenue (c).....	—	(1.8)	(1.8)	—	(4.6)	(4.6)
Total organic increase (decrease)	4.4	(0.9)	3.5	4.6	(2.0)	2.6
Impact of FX.....	(2.9)	(0.1)	(3.0)	(11.2)	(1.3)	(12.5)
Total.....	€ 1.5	€ (1.0)	€ 0.5	€ (6.6)	€ (3.3)	€ (9.9)

- (a) The increases in Central and Eastern Europe's cable subscription revenue related to changes in the average numbers of RGUs are primarily attributable to increases in the average numbers of digital cable, broadband internet and fixed-line telephony RGUs in Poland, Romania, Hungary and Slovakia that were largely offset by (i) declines in the average numbers of analog cable RGUs in Poland, Romania, Hungary and Slovakia and (ii) declines in the average numbers of digital cable and fixed-line telephony RGUs in the Czech Republic.
- (b) The decreases in Central and Eastern Europe's cable subscription revenue related to changes in ARPU are due to the net effect of (i) decreases resulting primarily from the following factors: (a) lower ARPU due to the impacts of higher bundling discounts, (b) lower ARPU from fixed-line telephony services, primarily due to (1) increases in the proportions of subscribers receiving lower-priced calling plans and (2) decreases in call volumes for customers on usage-based calling plans, and (c) higher ARPU due to the inclusion of higher-priced tiers of broadband internet and digital cable services in our bundles and (ii) improvements in RGU mix.
- (c) The decreases in Central and Eastern Europe's non-subscription revenue are due to (i) decreases in interconnect revenue, largely in Poland as a result of lower fixed-line telephony termination rates, and (ii) net decreases resulting from individually insignificant changes in other non-subscription revenue categories.

Operating Expenses of our Reportable Segments

	Three months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2014	2013	€	%	%
	in millions				
The Netherlands	€ 65.4	€ 71.8	€ (6.4)	(8.9)	(8.9)
Switzerland.....	71.2	67.9	3.3	4.9	2.9
Other Western Europe.....	59.3	60.7	(1.4)	(2.3)	(2.6)
Total Western Europe.....	195.9	200.4	(4.5)	(2.2)	(3.0)
Central and Eastern Europe.....	80.6	82.6	(2.0)	(2.4)	(1.4)
Central and other	28.4	24.6	3.8	15.4	15.6
Total operating expenses excluding share-based compensation expense.....	304.9	307.6	(2.7)	(0.9)	(1.1)
Share-based compensation expense	0.1	—	0.1	N.M.	
Total.....	€ 305.0	€ 307.6	€ (2.6)	(0.8)	

	Nine months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2014	2013	€	%	%
	in millions				
The Netherlands	€ 201.5	€ 216.0	€ (14.5)	(6.7)	(6.7)
Switzerland.....	214.7	206.2	8.5	4.1	3.0
Other Western Europe.....	185.3	190.4	(5.1)	(2.7)	(3.0)
Total Western Europe.....	601.5	612.6	(11.1)	(1.8)	(2.3)
Central and Eastern Europe.....	238.4	247.8	(9.4)	(3.8)	(2.0)
Central and other	80.5	75.9	4.6	6.1	6.3
Total operating expenses excluding share-based compensation expense.....	920.4	936.3	(15.9)	(1.7)	(1.5)
Share-based compensation expense	0.1	—	0.1	N.M.	
Total.....	€ 920.5	€ 936.3	€ (15.8)	(1.7)	

N.M. — Not Meaningful.

Operating expenses include programming and copyright, network operations, interconnect, customer operations, customer care, share-based compensation and other costs related to our operations. We do not include share-based compensation in the following discussion and analysis of the operating 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. 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) growth in the number of our digital video subscribers, (ii) 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, and (iii) rate increases. In addition, we are subject to inflationary pressures with respect to our labor and other costs and foreign currency exchange risk with respect to costs and expenses that are denominated in currencies other than the respective functional currencies of our operating segments (non-functional currency expenses). Any cost increases that we are not able to pass on to our subscribers through rate increases would result in increased pressure on our operating margins.

Our operating expenses (exclusive of share-based compensation expense) decreased €2.7 million or 0.9% and €15.9 million or 1.7%, during the three and nine months ended September 30, 2014, respectively, as compared to the corresponding periods in 2013. These decreases include €0.2 million and €0.6 million, respectively, attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, our operating expenses decreased €3.3 million or 1.1% and €14.2 million or 1.5%, respectively. These decreases include the following factors:

- Decreases in network-related expenses of €6.8 million or 11.1% and €11.8 million or 6.6%, respectively, primarily due to (i) lower outsourced labor costs associated with customer-facing activities, primarily in the Netherlands and, during the nine-month period, Switzerland, and (ii) decreased network and customer premises equipment maintenance costs, primarily in the Netherlands and Switzerland;
- Decreases in interconnect costs of €1.6 million or 5.8% and €11.7 million or 12.8%, respectively, primarily due to (i) decreased costs resulting from lower rates, primarily in the Netherlands and Romania, and (ii) lower call volumes, primarily in Ireland, the Netherlands and Austria;
- Increases in personnel costs of €4.6 million or 8.1% and €8.3 million or 4.7%, respectively, primarily due to the net effect of (i) increased staffing levels, primarily in our central operations, (ii) decreased costs due to changes in the proportion of capitalizable activities, primarily due to the net effect of (a) lower costs in our central operations and (b) higher costs in the Netherlands and (iii) annual wage increases;
- Decreases in outsourced labor and professional fees of €1.9 million or 12.7% and €6.3 million or 13.6%, respectively, primarily due to (i) lower call center costs, primarily due to the net effect of (a) lower costs in Switzerland and the Netherlands and (b) higher costs in Ireland, and (ii) lower consulting costs in our central operations;
- Decreases in bad debt and collection expenses of €1.8 million or 21.1% and €4.5 million or 17.9%, respectively, primarily due to the net impact of (i) decreases in the Netherlands, the Czech Republic, Romania and Hungary and (ii) increases in Poland;
- Decreases in programming and copyright costs of €0.8 million or 0.8% and €1.7 million or 0.6%, respectively, due in part to certain nonrecurring adjustments related to the settlement or reassessment of operational contingencies that resulted in net decreases in programming and copyright costs of €6.0 million and €8.1 million, respectively. During the 2014 periods, these nonrecurring adjustments decreased costs by (a) €5.3 million in Poland during the first quarter and (b) an aggregate of €3.7 million in Switzerland, Austria and the Netherlands during the third quarter. During the three- and nine-month periods in 2013, the aggregate impacts of similar reassessments and settlements in the Netherlands and Poland increased (decreased) costs by €2.3 million and (€0.9 million), respectively. The decreases in programming costs also include the net impact of (i) growth in digital video services, primarily in Poland, Romania and Switzerland and (ii) lower costs related to digital video services, primarily in the Netherlands and, during the nine-month period, Austria; and
- Net increases resulting from individually insignificant changes in other operating expense categories.

SG&A Expenses of our Reportable Segments

	Three months ended September 30,		Increase		Organic increase
	2014	2013	€	%	%
	in millions				
The Netherlands	€ 30.1	€ 25.6	€ 4.5	17.6	17.6
Switzerland	34.6	31.3	3.3	10.5	8.5
Other Western Europe	22.6	22.1	0.5	2.3	1.8
Total Western Europe	87.3	79.0	8.3	10.5	9.6
Central and Eastern Europe	28.7	28.3	0.4	1.4	3.3
Central and other	40.2	32.1	8.1	25.2	24.8
Total SG&A expenses excluding share-based compensation expense	156.2	139.4	16.8	12.1	11.8
Share-based compensation expense	7.9	5.8	2.1	36.2	
Total	€ 164.1	€ 145.2	€ 18.9	13.0	

	Nine months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2014	2013	€	%	%
	in millions				
The Netherlands	€ 88.0	€ 81.0	€ 7.0	8.6	8.6
Switzerland	104.1	105.0	(0.9)	(0.9)	(1.9)
Other Western Europe	68.8	68.9	(0.1)	(0.1)	(0.6)
Total Western Europe	260.9	254.9	6.0	2.4	1.8
Central and Eastern Europe	86.8	86.7	0.1	0.1	2.2
Central and other	121.5	103.5	18.0	17.4	17.3
Total SG&A expenses excluding share-based compensation expense	469.2	445.1	24.1	5.4	5.5
Share-based compensation expense	20.8	14.3	6.5	45.5	
Total	€ 490.0	€ 459.4	€ 30.6	6.7	

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) increased €16.8 million or 12.1% and €24.1 million or 5.4% during the three and nine months ended September 30, 2014, respectively, as compared to the corresponding periods in 2013. These increases include €0.1 million and €0.3 million, respectively, attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, our SG&A expenses increased €16.5 million or 11.8% and €24.5 million or 5.5%, respectively. These increases include the following factors:

- Increases in personnel costs of €5.3 million or 6.5% and €12.9 million or 5.1%, respectively, primarily due to (i) increased staffing levels, primarily in our central operations and the Netherlands, (ii) higher incentive compensation costs in our central operations and the Netherlands and (iii) annual wage increases, mostly in the Netherlands and our central operations;

- Increases in information technology-related expenses of €0.9 million or 9.8% and €7.2 million or 24.4%, respectively, primarily due to higher software and other information technology-related maintenance costs, primarily in our central operations;
- Increases in sales and marketing costs of €7.4 million or 22.0% and €5.0 million or 4.4% , respectively, due primarily to the net effect of (i) higher marketing and advertising costs, predominantly in our central operations, the Netherlands and, during the three-month period, Switzerland, (ii) higher third-party sales commissions, predominantly in the Netherlands and Ireland, and (iii) lower third-party sales commissions, primarily in Switzerland and Poland;
- Increases in outsourced labor and professional fees of €4.3 million or 23.5% and €4.3 million or 8.8%, respectively, primarily due to increases in consulting costs related to information technology and finance initiatives in our central operations, partially offset by decreases in consulting costs in the Netherlands; and
- Net decreases resulting from individually insignificant changes in other operating expense categories.

Operating Cash Flow of our Reportable Segments

Operating cash flow is the primary measure used by our chief operating decision maker to evaluate segment operating performance. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding share-based compensation, related-party fees and allocations, depreciation and amortization and impairment, restructuring and other operating items). For additional information concerning this performance measure and for a reconciliation of total segment operating cash flow to our loss before income taxes, see note 12 to our condensed consolidated financial statements.

	Three months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2014	2013	€	%	%
	in millions				
The Netherlands.....	€ 132.1	€ 133.0	€ (0.9)	(0.7)	(0.7)
Switzerland	160.8	151.4	9.4	6.2	4.1
Other Western Europe.....	87.0	85.9	1.1	1.3	1.1
Total Western Europe.....	379.9	370.3	9.6	2.6	1.7
Central and Eastern Europe	101.8	99.7	2.1	2.1	3.7
Central and other.....	(43.3)	(31.4)	(11.9)	(37.9)	(37.8)
Total	€ 438.4	€ 438.6	€ (0.2)	—	(0.4)

	Nine months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2014	2013	€	%	%
	in millions				
The Netherlands.....	€ 400.9	€ 403.9	€ (3.0)	(0.7)	(0.7)
Switzerland	471.6	434.2	37.4	8.6	7.2
Other Western Europe.....	253.3	246.1	7.2	2.9	2.8
Total Western Europe.....	1,125.8	1,084.2	41.6	3.8	3.2
Central and Eastern Europe	308.9	309.5	(0.6)	(0.2)	1.8
Central and other.....	(125.8)	(104.4)	(21.4)	(20.5)	(20.5)
Total	€ 1,308.9	€ 1,289.3	€ 19.6	1.5	1.5

Operating Cash Flow Margin

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	%			
The Netherlands	58.1	57.7	58.1	57.6
Switzerland.....	60.4	60.4	59.7	58.3
Other Western Europe.....	51.6	50.9	49.9	48.7
Total Western Europe.....	57.3	57.0	56.6	55.6
Central and Eastern Europe.....	48.2	47.3	48.7	48.0
Total, including central and other	48.7	49.5	48.5	48.3

The operating cash flow margins of our reportable segments improved or remained largely consistent with the prior year periods. These results are attributable to (i) improved operational leverage, resulting from revenue growth that more than offset the accompanying changes in operating and SG&A expenses, and (ii) the net favorable impact of nonrecurring items, most notably in Poland as described in the operating expenses section of *Discussion and Analysis of our Reportable Segments*. As discussed above under *Overview*, the incumbent telecommunications operator is overbuilding our network in the Netherlands using FTTx and advanced DSL technologies. Notwithstanding the improvement in its operating cash flow margins as compared to the respective prior year periods, our operations in the Netherlands are experiencing significant competition from this telecommunications operator and we expect that these operations will be challenged to maintain their current operating cash flow margin in future periods. In addition, our overall operating cash flow margins during the 2014 periods were negatively impacted by increases in the operating cash flow deficit of our central and other category, primarily attributable to (a) an increase in outsourced labor and professional fees and (b) an increase in personnel costs.

For additional discussion of the factors contributing to the changes in the operating cash flow margins of our reportable segments, see the above analyses of the revenue, operating expenses and SG&A expenses of our reportable segments.

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 September 30,		Increase (decrease)		Organic increase (decrease)
	2014	2013	€	%	%
	in millions				
Subscription revenue (a):					
Video.....	€ 437.0	€ 428.2	€ 8.8	2.1	1.6
Broadband internet	244.5	239.8	4.7	2.0	2.1
Fixed-line telephony	116.6	114.9	1.7	1.5	1.3
Cable subscription revenue.....	798.1	782.9	15.2	1.9	1.7
Mobile subscription revenue	0.5	0.3	0.2	66.7	—
Total subscription revenue.....	798.6	783.2	15.4	2.0	1.7
B2B revenue (b).....	63.5	62.2	1.3	2.1	2.2
Other revenue (c)	37.4	40.2	(2.8)	(7.0)	(8.3)
Total revenue	€ 899.5	€ 885.6	€ 13.9	1.6	1.3

	Nine months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2014	2013	€	%	%
	in millions				
Subscription revenue (a):					
Video.....	€ 1,308.4	€ 1,293.3	€ 15.1	1.2	1.0
Broadband internet	733.1	712.3	20.8	2.9	3.3
Fixed-line telephony	353.7	348.3	5.4	1.6	1.6
Cable subscription revenue.....	2,395.2	2,353.9	41.3	1.8	1.8
Mobile subscription revenue	1.2	1.0	0.2	20.0	—
Total subscription revenue.....	2,396.4	2,354.9	41.5	1.8	1.8
B2B revenue (b).....	188.6	189.3	(0.7)	(0.4)	0.5
Other revenue (c)	113.5	126.5	(13.0)	(10.3)	(10.4)
Total revenue	€ 2,698.5	€ 2,670.7	€ 27.8	1.0	1.1

- (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) B2B revenue includes revenue from business broadband internet, video, voice, wireless 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 enhanced 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 aggregated €20.0 million and €15.2 million during the three months ended September 30, 2014 and 2013, respectively, and €56.2 million and €41.9 million during the nine months ended September 30, 2014 and 2013, respectively, is included in cable subscription revenue.
- (c) Other revenue includes, among other items, installation, late fee, carriage fee and interconnect revenue.

Total revenue. Our consolidated revenue increased €13.9 million and €27.8 million during the three and nine months ended September 30, 2014, as compared to the corresponding periods in 2013. These increases include €0.7 million and €2.5 million attributable to the impact of acquisitions, respectively. Excluding the effects of acquisitions and FX, total consolidated revenue increased €11.2 million or 1.3% and €29.5 million or 1.1%, respectively.

Subscription revenue. The details of the increases in our consolidated subscription revenue for the three and nine months ended September 30, 2014, as compared to the corresponding periods in 2013, are as follows:

	Three-month period		Nine-month period	
	in millions			
Increase (decrease) in cable subscription revenue due to change in:				
Average number of RGUs.....	€	18.7	€	56.5
ARPU		(5.6)		(14.9)
Total increase in cable subscription revenue		13.1		41.6
Impact of acquisitions		0.9		3.8
Impact of FX		1.4		(3.9)
Total	€	15.4	€	41.5

Excluding the effects of acquisitions and FX, our consolidated cable subscription revenue increased €13.1 million or 1.7% and €41.6 million or 1.8% during the three and nine months ended September 30, 2014, as compared to the corresponding periods in 2013. These increases are attributable to (i) increases in subscription revenue from broadband internet services of €5.0 million or 2.1% and €23.5 million or 3.3%, respectively, as the impact of increases in the average numbers of broadband internet RGUs was only partially offset by lower ARPU from broadband internet services, (ii) increases in subscription revenue from video services of €6.6 million or 1.6% and €12.7 million or 1.0%, respectively, as the impacts of higher ARPU from video services were only partially offset by declines in the average number of video RGUs, and (iii) increases in subscription revenue from fixed-line telephony services of €1.5 million or 1.3% and €5.4 million or 1.6%, respectively, as the impact of increases in the average numbers of fixed-line telephony RGUs was only partially offset by lower ARPU from fixed-line telephony services.

B2B revenue. Excluding the effects of acquisitions and FX, our consolidated B2B revenue increased €1.4 million or 2.2% and decreased €0.9 million or 0.5% during the three and nine months ended September 30, 2014, respectively, as compared to the corresponding periods in 2013. These changes are primarily attributable to the net effect of (i) increases in Switzerland and (ii) decreases in Austria.

Other revenue. Excluding the effects of acquisitions and FX, our consolidated other revenue decreased €3.3 million or 8.3% and €13.0 million or 10.4% during the three and nine months ended September 30, 2014, respectively, as compared to the

corresponding periods in 2013. These decreases are primarily attributable to decreases in (i) installation revenue and (ii) fixed-line interconnect revenue.

For additional information concerning the changes in our subscription 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 decreased €2.6 million and €15.8 million during the three and nine months ended September 30, 2014, as compared to the corresponding periods in 2013. These decreases include €0.2 million and €0.6 million, respectively, attributable to the impact of acquisitions. Our operating expenses include share-based compensation expense, which increased €0.1 million during each of the three and nine months ended September 30, 2014, respectively. For additional information, see the discussion under *Share-based compensation expense* below. Excluding the effects of acquisitions, FX and share-based compensation expense, our operating expenses decreased €3.3 million or 1.1% and €14.2 million or 1.5% during the three and nine months ended September 30, 2014, respectively, as compared to the corresponding periods in 2013. These decreases are primarily attributable to the net effect of (i) decreases in network-related expenses, (ii) decreases in interconnect costs, (iii) increases in personnel costs, (iv) decreases in outsourced labor and professional fees, (v) decreases in bad debt and collection expenses and (vi) decreases in programming and copyright 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 increased €18.9 million and €30.6 million during the three and nine months ended September 30, 2014, respectively, as compared to the corresponding periods in 2013. These increases include €0.1 million and €0.3 million, respectively, attributable to the impact of acquisitions. Our SG&A expenses include share-based compensation expense, which increased €2.1 million and €6.5 million during the three and nine months ended September 30, 2014, respectively. For additional information, see the discussion under *Share-based compensation expense* below. Excluding the effects of acquisitions, FX and share-based compensation expense, our SG&A expenses increased €16.5 million or 11.8% and €24.5 million or 5.5% during the three and nine months ended September 30, 2014, respectively, as compared to the corresponding periods in 2013. These increases are primarily attributable to (i) increases in personnel costs, (ii) increases in information technology-related expenses, (iii) increases in sales and marketing costs and (iv) increases in outsourced labor and professional fees. 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 operating and SG&A expenses)

Our share-based compensation expense includes 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 September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	in millions			
Liberty Global shares:				
Performance-based incentive awards (a)	€ 4.5	€ 4.0	€ 11.4	€ 7.4
Other share-based incentive awards.....	3.5	1.8	9.5	6.9
Total Liberty Global shares	€ 8.0	€ 5.8	€ 20.9	€ 14.3
Included in:				
Operating expense.....	€ 0.1	€ —	€ 0.1	€ —
SG&A expense.....	7.9	5.8	20.8	14.3
Total	€ 8.0	€ 5.8	€ 20.9	€ 14.3

- (a) Includes share-based compensation expense related to Liberty Global PSUs and the Challenge Performance Awards. The Challenge Performance Awards were issued on June 24, 2013.

For additional information concerning our share-based compensation, see note 9 to our condensed consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense increased (decreased) €8.3 million and (€0.3 million) during the three and nine months ended September 30, 2014, respectively, as compared to the corresponding periods in 2013. Excluding the effects of FX, depreciation and amortization expense increased €7.9 million or 3.7% and €0.7 million or 0.1%, respectively, primarily due to the net effect of (i) increases associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives, (ii) decreases associated with certain assets becoming fully depreciated, primarily in Switzerland, Poland, Ireland, the Czech Republic, Austria and Slovakia, (iii) decreases associated with changes in the useful lives of certain assets, primarily in Switzerland and Ireland, and (iv) decreases associated with fully amortized intangible assets, primarily in Poland and Romania.

Impairment, restructuring and other operating items, net

We recognized net charges (credits) related to our impairment, restructuring and other operating items of (€0.7 million) and (€1.4 million) during the three months ended September 30, 2014 and 2013, respectively, and €1.8 million and (€2.5 million) during the nine months ended September 30, 2014 and 2013, respectively.

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 €25.7 million and €61.3 million during the three and nine months ended September 30, 2014, respectively, as compared to the corresponding periods in 2013. These decreases are primarily attributable to lower average outstanding debt balances. For additional information regarding our outstanding indebtedness, see note 7 to our condensed consolidated financial statements.

It is possible that (i) the interest rates on any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) the interest rates on our variable-rate indebtedness could increase in future periods. As further discussed in note 4 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 total related-party interest expense increased €6.8 million and €12.1 million during the three and nine months ended September 30, 2014, respectively, as compared to the corresponding periods in 2013. These increases are primarily due to an increase in the average outstanding balance of the Shareholder Loan. For additional information, see notes 7 and 10 to our condensed consolidated financial statements.

Realized and unrealized gains (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 gains (losses) on derivative instruments, net, are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	in millions			
Cross-currency and interest rate derivative contracts (a).....	€ 142.6	€ (180.8)	€ (25.8)	€ 5.0
Foreign currency forward contracts	5.6	(15.1)	11.0	(4.7)
Other	(0.6)	0.9	(0.2)	0.8
Total.....	€ 147.6	€ (195.0)	€ (15.0)	€ 1.1

- (a) The gain during the 2014 three-month period is primarily attributable to the net effect of (i) gains associated with decreases in the values of the euro and the Swiss franc relative to the U.S. dollar, (ii) losses associated with increases in market interest rates in the U.S. dollar and Polish zloty markets and (iii) losses associated with decreases in the market interest rates in the euro and Swiss franc markets. The loss during the 2014 nine-month period is primarily attributable to the net effect of (i) gains associated with a decrease in the value of the euro and the Swiss franc relative to the U.S. dollar, (ii) losses associated with decreases in market interest rates in the euro, Swiss franc and Polish zloty markets and (iii) losses associated with increases in the market interest rates in the U.S. dollar and Hungarian forint markets. In addition, the gain (loss) during the 2014 periods includes net losses of €8.2 million and €28.5 million, respectively, resulting from changes in our credit risk valuation adjustments. The loss during the 2013 three-month period is primarily attributable to (i) losses associated with increases in the values of the euro and Swiss franc relative to the U.S. dollar, (ii) losses associated with increases in the values of the Polish zloty, Swiss franc and Czech koruna relative to the euro and (iii) losses associated with decreases in market interest rates in the Hungarian forint and Swiss franc markets. The gain during the 2013 nine-month period is primarily attributable to the net effect of (i) losses associated with decreases in market interest rates in the U.S. dollar and Hungarian forint markets, (ii) gains associated with increases in market interest rates in the euro and Polish zloty markets, (iii) gains associated with decreases in market interest rates in the Swiss franc market and (iv) gains associated with increases in the values of the Swiss franc, Polish zloty and Czech koruna relative to the euro. In addition, the gain (loss) during the 2013 periods includes a net gain (loss) of €15.8 million and (€1.1 million), respectively, resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see notes 4 and 5 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 September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	in millions			
Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a)	€ (173.6)	€ 94.6	€ (186.7)	€ (26.4)
U.S. dollar denominated debt issued by euro functional currency entities	(82.0)	63.6	(92.0)	41.7
Cash and restricted cash denominated in a currency other than the entity's functional currency.....	1.8	1.1	3.3	0.7
Other	(2.9)	1.1	(2.0)	0.7
Total.....	<u>€ (256.7)</u>	<u>€ 160.4</u>	<u>€ (277.4)</u>	<u>€ 16.7</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.

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

Our realized and unrealized gains or losses due to changes in fair values of certain investments, net, include unrealized gains or losses associated with changes in fair values that are non-cash in nature until such time as these gains or losses are realized through cash transactions. We recognized realized and unrealized gains due to changes in fair values of certain investments, net, of €1.1 million and €2.7 million during the three months ended September 30, 2014 and 2013, respectively, and €1.9 million and €7.7 million during the nine months ended September 30, 2014 and 2013, respectively.

Losses on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of nil and €42.0 million during the three and nine months ended September 30, 2014, respectively. The loss during the 2014 nine-month period includes the following:

- a €30.0 million loss during the second quarter related to the repayment of the UPC Holding 9.875% Senior Notes, including (i) the payment of €14.3 million of redemption premium, (ii) the write-off of €12.5 million of unamortized discount and (iii) the write-off of €3.2 million of deferred financing costs; and
- a €12.0 million loss during the first quarter related to the repayment of Facilities R, S, AE and AF under the UPC Broadband Holding Bank Facility, including (i) the write-off of €8.5 million of deferred financing costs and (ii) the write-off of €3.5 million of an unamortized discount.

We recognized losses on debt modification and extinguishment, net, of nil and €75.3 million, during the three and nine months ended September 30, 2013, respectively. The loss during the 2013 nine-month period includes the following:

- a €65.9 million loss during the first quarter, including (i) the payment of €27.5 million of aggregate redemption premium related to UPC Holding's then existing euro-denominated 8.0% senior notes (the UPC Holding 8.0% Senior Notes) and euro-denominated 9.75% senior notes (the UPC Holding 9.75% Senior Notes), (ii) the write-off of €18.9 million of an unamortized discount related to the UPC Holding 9.75% Senior Notes, (iii) the write-off of €14.7 million of aggregate deferred financing costs associated with the UPC Holding 8.0% Senior Notes and the UPC Holding 9.75% Senior Notes and (iv) the payment of €4.8 million of aggregate interest incurred on the UPC Holding 8.0% Senior Notes and the UPC Holding 9.75% Senior Notes between the respective dates that we and the trustee were legally discharged; and
- a €9.0 million loss during the second quarter related to the prepayment of amounts outstanding under Facilities R, S, T, U and X of the UPC Broadband Holding Bank Facility, including (i) €5.8 million of third-party costs and (ii) the €3.2 million write-off of deferred financing costs and an unamortized discount.

For additional information concerning our losses on debt modification and extinguishment, net, see note 7 to our condensed consolidated financial statements.

Income tax expense

We recognized income tax expense of €16.9 million and €20.0 million during the three months ended September 30, 2014 and 2013, respectively.

The income tax expense during the three months ended September 30, 2014 and 2013 differs from the expected income tax benefit of €58.1 million and €44.3 million, respectively (based on the Dutch 25.0% income tax rate), primarily due to (i) the negative impacts of certain permanent differences between the financial and tax accounting treatment of interest and other items and (ii) net increases in valuation allowances.

We recognized income tax expense of €61.4 million and €45.5 million during the nine months ended September 30, 2014 and 2013, respectively.

The income tax expense during the nine months ended September 30, 2014 differs from the expected income tax benefit of €172.8 million (based on the Dutch 25.0% income tax rate), primarily due to (i) the negative impact of certain permanent differences between the financial and tax accounting treatment of interest and other items and (ii) a net increase in valuation allowances.

The income tax expense during the nine months ended September 30, 2013 differs from the expected income tax benefit of €126.1 million (based on the Dutch 25.0% income tax rate), primarily due to the negative impact of certain permanent differences between the financial and tax accounting treatment of interest and other items. The negative impact of this item was partially offset by the positive impact of a net decrease in valuation allowances.

For additional information concerning our income taxes, see note 8 to our condensed consolidated financial statements.

Net loss

During the three months ended September 30, 2014 and 2013, we reported net losses of €249.6 million and €197.4 million, respectively, including (i) operating income of €224.7 million and €221.0 million, respectively, (ii) non-operating expense of €457.4 million and €398.4 million, respectively, and (iii) income tax expense of €16.9 million and €20.0 million, respectively.

During the nine months ended September 30, 2014 and 2013, we reported net losses of €752.7 million and €549.9 million, respectively, including (i) operating income of €684.7 million and €631.9 million, respectively, (ii) non-operating expense of €1,376.0 million and €1,136.3 million, respectively, and (iii) income tax expense of €61.4 million and €45.5 million, respectively.

Gains or losses associated with (i) changes in the fair values of derivative instruments, (ii) movements in foreign currency exchange rates and (iii) the disposition of assets and changes in ownership are subject to a high degree of volatility, and as such, any gains from these sources do not represent a reliable source of income. In the absence of significant gains in the future from these sources or from other non-operating items, our ability to achieve earnings from operations is largely dependent on our ability to increase our aggregate operating cash flow to a level that more than offsets the aggregate amount of our (a) share-

based compensation expense, (b) related-party fees and allocations, net, (c) depreciation and amortization, (d) impairment, restructuring and other operating items, net, (e) interest expense, (f) other net non-operating expenses and (g) income tax expenses.

Subject to the limitations included in our various debt instruments, we expect that Liberty Global will cause our company to maintain our debt at current levels relative to our consolidated operating cash flow for the foreseeable future. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information 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

Net earnings attributable to noncontrolling interests remained relatively unchanged during the three and nine months ended September 30, 2014, as compared to the corresponding prior year periods.

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 have generated cash from operating activities, the terms of the instruments governing the indebtedness of UPC Broadband Holding may restrict our ability to access the assets of these subsidiaries. These subsidiaries accounted for all of our €31.8 million of consolidated cash and cash equivalents at September 30, 2014. 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.

The ongoing cash needs of UPC Holding include (i) corporate general and administrative expenses, (ii) interest payments on UPC Holding's senior notes and (iii) payments required by UPC Holding's derivative instruments. From time to time, UPC Holding may also require cash in connection with (a) the repayment of outstanding 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), (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 September 30, 2014, see note 7 to our condensed consolidated financial statements. Our subsidiaries' liquidity generally is used to fund property and equipment additions and debt service requirements. For additional information regarding our consolidated cash flows, see the discussion under *Condensed Consolidated Statements of Cash Flows* below. From time to time, our subsidiaries may also require funding in connection with (i) acquisitions and other investment opportunities, (ii) loans to UPC Holding or other 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.

Capitalization

At September 30, 2014, our outstanding consolidated third-party debt and capital lease obligations aggregated €8,135.6 million, including €329.7 million that is classified as current in our condensed consolidated balance sheet and €7,799.1 million that is not due until 2019 or thereafter. For additional information concerning our current debt maturities, see note 7 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 4 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

operating cash flow 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 our and UPC Broadband Holding's debt instruments. For example, if the operating cash flow of UPC Broadband Holding were to decline, we could be required to partially repay or limit our borrowings under the UPC Broadband Holding Bank Facility in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment. The ability to access available borrowings under the UPC Broadband Holding Bank Facility and/or our ability to complete additional financing transactions can also be impacted by the interplay of average and spot foreign currency rates with respect to leverage calculations under the indentures for UPC Holding's senior notes.

At September 30, 2014, 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 September 30, 2014, 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 UPC Holding's senior notes, all of our consolidated third-party debt and capital lease obligations had been borrowed or incurred by our subsidiaries at September 30, 2014.

For additional information concerning our debt and capital lease obligations, see note 7 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. The condensed consolidated statements of cash flows for the nine months ended September 30, 2014 and 2013 are summarized as follows:

	Nine months ended September 30,			Change
	2014	2013		
	in millions			
Net cash provided by operating activities.....	€ 551.0	€ 511.2	€ 39.8	
Net cash used by investing activities	(16.5)	(506.6)	490.1	
Net cash provided (used) by financing activities	(969.9)	4.5	(974.4)	
Effect of exchange rate changes on cash	1.0	(1.3)	2.3	
Net increase (decrease) in cash and cash equivalents	€ (434.4)	€ 7.8	€ (442.2)	

Operating Activities. The increase in net cash provided by our operating activities is primarily attributable to the net effect of (i) an increase in the cash provided by our operating cash flow and related working capital changes, (ii) an increase in cash provided due to lower cash payments for interest and (iii) lower cash interest and dividends received.

Investing Activities. The decrease in net cash used by our investing activities is primarily due to (i) an increase in cash of €323.3 million associated with the sale of a loan receivable during the first quarter of 2014 and (ii) an increase in cash of €192.3 million associated with lower capital expenditures.

The capital expenditures that we report in our condensed consolidated statements of cash flows do not include (i) amounts that our company has financed under 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 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 the following discussion, we refer to (i) 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 vendor financing or capital lease arrangements, and (ii) 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 vendor financing or capital lease arrangements. For additional information, see notes 6 and 7 to our condensed consolidated financial statements.

A reconciliation of our consolidated property and equipment additions to our consolidated capital expenditures as reported in our condensed consolidated statements of cash flows is set forth below:

		Nine months ended	
		September 30,	
		2014	2013
		in millions	
Property and equipment additions	€	578.3	€ 645.1
Assets acquired under capital-related vendor financing arrangements		(241.4)	(88.5)
Assets acquired under capital leases		(0.7)	(1.3)
Assets contributed by parent company		(14.7)	(16.9)
Changes in current liabilities related to capital expenditures (including related-party amounts)		7.4	(17.2)
Capital expenditures	€	<u>328.9</u>	<u>€ 521.2</u>

The decrease in our property and equipment additions is primarily due to the net effect of (i) a decrease in expenditures for the purchase and installation of customer premises equipment, (ii) a decrease in expenditures for support capital and (iii) an increase in expenditures for new build and upgrade projects to expand services.

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 €1,075.6 million due to higher net repayments of third-party debt, (ii) an increase in cash of €768.7 million due to higher net borrowings of related-party debt, (iii) a decrease in cash of €388.2 million related to higher deemed distributions to related parties, (iv) a decrease in cash of €315.2 million related to a repayment of an advance to a subsidiary of Liberty Global during the 2014 period, (v) an increase in cash of €45.5 million due to lower payments for financing costs and debt premiums and (vi) a decrease in cash of €37.1 million due to higher cash payments related to derivative instruments.

Off Balance Sheet Arrangements

In the ordinary course of business, we may provide indemnifications to our lenders, our vendors and certain other parties and 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.

Contractual Commitments

The euro equivalents of our commitments as of September 30, 2014 are presented below:

	Payments due during:							Total
	Remainder of 2014	2015	2016	2017	2018	2019	Thereafter	
	in millions							
Debt (excluding interest):								
Third-party.....	€ 76.9	€ 250.8	€ —	€ —	€ —	€ —	€ 7,797.6	€ 8,125.3
Related-party	—	—	26.1	—	—	—	9,036.8	9,062.9
Capital leases (excluding interest).....	0.8	1.9	2.2	2.2	1.7	1.2	13.2	23.2
Operating leases	16.1	47.2	37.8	30.5	25.5	22.4	112.5	292.0
Purchase commitments	104.4	39.8	18.1	4.3	—	—	—	166.6
Network and connectivity commitments	19.7	42.0	30.5	21.5	7.8	8.7	11.4	141.6
Programming commitments	13.8	35.3	23.6	12.4	4.7	—	—	89.8
Other commitments.....	44.2	57.1	48.1	41.7	31.4	7.5	22.1	252.1
Total (a)	<u>€ 275.9</u>	<u>€ 474.1</u>	<u>€ 186.4</u>	<u>€ 112.6</u>	<u>€ 71.1</u>	<u>€ 39.8</u>	<u>€ 16,993.6</u>	<u>€ 18,153.5</u>
Projected cash interest payments on third-party debt and capital lease obligations (b)	<u>€ 43.1</u>	<u>€ 481.1</u>	<u>€ 473.0</u>	<u>€ 472.9</u>	<u>€ 472.6</u>	<u>€ 463.7</u>	<u>€ 819.2</u>	<u>€ 3,225.6</u>

- (a) The commitments reflected in this table do not reflect any liabilities that are included in our September 30, 2014 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 (€13.8 million at September 30, 2014) has been excluded from the table as the amount and timing of any related payments are not subject to reasonable estimation.
- (b) Amounts are based on interest rates, interest payment dates and contractual maturities in effect as of September 30, 2014. 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 discounts, all of which affect our overall cost of borrowing. Amounts associated with related-party debt are excluded from the table.

Purchase commitments include unconditional purchase obligations associated with commitments to purchase customer premises and other equipment that are enforceable and legally binding on us, including €9.6 million associated with related-party purchase obligations.

Network and connectivity commitments include commitments associated with (i) satellite carriage services provided to our company and (ii) commitments associated with MVNO agreements.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments. 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. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during the nine months ended September 30, 2014 and 2013, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €314.0 million and €311.0 million, respectively.

Other commitments relate primarily to (i) obligations associated with information technology and other service agreements and (ii) certain fixed minimum contractual commitments associated with our agreements with municipal authorities. Commitments arising from acquisition agreements are not reflected in the above table.

In addition to the commitments set forth in the table above, we have significant commitments under (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 concerning our derivative instruments, including the net cash paid or received in connection with these instruments during the nine months ended September 30, 2014 and 2013, see note 4 to our condensed consolidated financial statements.

We also have commitments pursuant to agreements with, and obligations imposed by, franchise authorities and municipalities, which may include obligations in certain markets to move aerial cable to underground ducts or to upgrade, rebuild or extend portions of our broadband communication systems. Such amounts are not included in the above table because they are not fixed or determinable.

Projected Cash Flows Associated with 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 September 30, 2014. 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 4 to our condensed consolidated financial statements.

		Payments (receipts) due during:								
		Remainder of 2014	2015	2016	2017	2018	2019	Thereafter	Total	
		in millions								
Projected derivative cash payments (receipts), net:										
Interest-related (a).....	€	(15.5)	€ 146.7	€ 124.8	€ 51.0	€ 26.2	€ (1.4)	€ 16.7	€	348.5
Principal-related (b) ...		(17.3)	204.3	41.4	135.4	(43.3)	(26.3)	(90.6)		203.6
Other		0.2	—	—	—	—	—	—		0.2
Total.....	€	(32.6)	€ 351.0	€ 166.2	€ 186.4	€ (17.1)	€ (27.7)	€ (73.9)	€	552.3

(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 contracts.