# UPC HOLDING B.V.

**Consolidated Financial Statements**
**December 31, 2014**

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

**UPC HOLDING B.V.**

**INDEX**

## Independent Auditors' Report

The Board of Directors
UPC Holding B.V.:

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of UPC Holding B.V. (a B.V. registered in the Netherlands) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, owners' deficit, and cash flows for the years ended December 31, 2014, 2013 and 2012, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of UPC Holding B.V. and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years ended December 31, 2014, 2013 and 2012, in accordance with U.S. generally accepted accounting principles.

***Emphasis of Matter***

As disclosed in note 1 and note 4, the consolidated balance sheet as of December 31, 2013, the consolidated statements of operations, comprehensive loss, owners' deficit and cash flow for the years ended December 31, 2013, and 2012 and the related notes to the consolidated financial statements have been adjusted to give retrospective effect to a transaction accounted for as a common control transfer. Our conclusion is not modified with respect to this matter.

Amstelveen, the Netherlands
March 20, 2015

KPMG Accountants N.V.

# UPC HOLDING B.V.

## CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|---|---|---|
| | 2014 | 2013 (a) |
| | in millions | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | € 59.6 | € 466.2 |
| Trade receivables, net | 335.8 | 341.8 |
| Related-party receivables (note 12) | 167.2 | 239.7 |
| Derivative instruments (note 5) | 311.8 | 147.2 |
| Prepaid expenses | 17.0 | 15.9 |
| Deferred income taxes (note 9) | 10.8 | 17.3 |
| Other current assets | 82.6 | 40.0 |
| Total current assets | 984.8 | 1,268.1 |
| Property and equipment, net (note 7) | 3,802.5 | 3,744.8 |
| Goodwill (note 7) | 5,139.0 | 5,118.5 |
| Intangible assets subject to amortization, net (note 7) | 164.8 | 222.2 |
| Other assets, net (notes 5, 9 and 12) | 483.1 | 666.4 |
| Total assets | € 10,574.2 | € 11,020.0 |

(a) As retrospectively revised – see note 4.

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

**UPC HOLDING B.V.**

**CONSOLIDATED BALANCE SHEETS — (Continued)**

| | December 31, | |
|---|---|---|
| | 2014 | 2013 (a) |
| | in millions | |
| **LIABILITIES AND OWNERS' DEFICIT** | | |
| Current liabilities: | | |
| Accounts payable (note 12) | € 291.1 | € 280.3 |
| Deferred revenue and advance payments from subscribers and others | 412.1 | 407.2 |
| Derivative instruments (note 5) | 663.0 | 367.9 |
| Current portion of debt and capital lease obligations (note 8) | 362.3 | 311.7 |
| Accrued interest | 166.2 | 179.1 |
| Other accrued and current liabilities (notes 9 and 12) | 760.2 | 986.5 |
| Total current liabilities | 2,654.9 | 2,532.7 |
| Long-term debt and capital lease obligations (note 8): | | |
| Third-party | 7,938.3 | 9,442.4 |
| Related-party (note 12) | 9,858.6 | 9,770.1 |
| Derivative instruments (note 5) | 844.0 | 1,157.1 |
| Other long-term liabilities (notes 9 and 12) | 267.0 | 215.1 |
| Total liabilities | 21,562.8 | 23,117.4 |
| Commitments and contingencies (notes 5, 8, 9 and 14) | | |
| Owners' deficit (notes 10 and 13): | | |
| Parent's deficit: | | |
| Distributions and accumulated losses in excess of contributions | (11,537.5) | (12,627.2) |
| Accumulated other comprehensive earnings, net of taxes | 527.1 | 508.9 |
| Total parent's deficit | (11,010.4) | (12,118.3) |
| Noncontrolling interests | 21.8 | 20.9 |
| Total owners' deficit | (10,988.6) | (12,097.4) |
| Total liabilities and owners' deficit | € 10,574.2 | € 11,020.0 |

(a) As retrospectively revised – see note 4.

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

## UPC HOLDING B.V.

## CONSOLIDATED STATEMENTS OF OPERATIONS

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 (a) | 2012 (a) |
| | | in millions | |
| Revenue (notes 12 and 15) | € 3,614.2 | € 3,574.5 | € 3,553.4 |
| Operating costs and expenses: | | | |
| Operating (other than depreciation and amortization) (including share-based compensation) (notes 11 and 12) | 1,232.5 | 1,242.5 | 1,219.5 |
| Selling, general and administrative (SG&A) (including share-based compensation) (notes 11 and 12) | 665.3 | 623.3 | 592.6 |
| Related-party fees and allocations, net (note 12) | (27.3) | 3.3 | (2.4) |
| Depreciation and amortization | 885.0 | 864.0 | 896.8 |
| Impairment, restructuring and other operating items, net | 6.0 | 2.4 | 7.0 |
| | 2,761.5 | 2,735.5 | 2,713.5 |
| Operating income | 852.7 | 839.0 | 839.9 |
| Non-operating income (expense): | | | |
| Interest expense: | | | |
| Third-party | (511.1) | (593.0) | (593.7) |
| Related-party (note 12) | (884.3) | (863.6) | (848.5) |
| Interest income (note 12) | 1.0 | 10.0 | 13.2 |
| Realized and unrealized gains (losses) on derivative instruments, net (note 5) | 103.1 | (62.4) | (515.9) |
| Foreign currency transaction gains (losses), net | (456.5) | 78.4 | 166.1 |
| Losses on debt modification and extinguishment, net (note 8) | (42.0) | (75.3) | (12.7) |
| Other income, net | 2.4 | 9.8 | 2.1 |
| | (1,787.4) | (1,496.1) | (1,789.4) |
| Loss before income taxes | (934.7) | (657.1) | (949.5) |
| Income tax expense (note 9) | (89.8) | (69.5) | (73.0) |
| Net loss | (1,024.5) | (726.6) | (1,022.5) |
| Net earnings attributable to noncontrolling interests | (9.5) | (9.3) | (9.4) |
| Net loss attributable to parent | € (1,034.0) | € (735.9) | € (1,031.9) |

(a) As retrospectively revised – see note 4.

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

**UPC HOLDING B.V.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 (a) | 2012 (a) |
| | | in millions | |
| Net loss | € (1,024.5) | € (726.6) | € (1,022.5) |
| Other comprehensive earnings (loss), net of taxes (note 13): | | | |
| Foreign currency translation adjustments | 43.8 | (27.6) | 9.4 |
| Other | (25.2) | 10.2 | 9.0 |
| Other comprehensive earnings (loss) | 18.6 | (17.4) | 18.4 |
| Comprehensive loss | (1,005.9) | (744.0) | (1,004.1) |
| Comprehensive earnings attributable to noncontrolling interests | (9.9) | (9.0) | (9.4) |
| Comprehensive loss attributable to parent | € (1,015.8) | € (753.0) | € (1,013.5) |

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(a) As retrospectively revised – see note 4.

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

## UPC HOLDING B.V.

## CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT

| | Parent's deficit | | | | |
|---|---|---|---|---|---|
| | Distributions and accumulated losses in excess of contributions | Accumulated other comprehensive earnings, net of taxes | Total parent's deficit | Non-controlling interests | Total owners' deficit |
| | | | in millions | | |
| Balance at January 1, 2012 (a) | € (10,510.1) | € 507.6 | € (10,002.5) | € 20.1 | € (9,982.4) |
| Net loss | (1,031.9) | — | (1,031.9) | 9.4 | (1,022.5) |
| Other comprehensive earnings, net of taxes (note 13) | — | 18.4 | 18.4 | — | 18.4 |
| Deemed contribution from another subsidiary of Liberty Global (note 10) | 69.9 | — | 69.9 | — | 69.9 |
| Capital charge in connection with exercise of share-based incentive awards (notes 11 and 12) | (25.7) | — | (25.7) | — | (25.7) |
| Share-based compensation (note 11) | 15.2 | — | 15.2 | — | 15.2 |
| Property and equipment contributed by parent company (notes 7 and 12) | 10.2 | — | 10.2 | — | 10.2 |
| Distributions by subsidiaries to noncontrolling interest owners | — | — | — | (8.7) | (8.7) |
| Other, net | 6.7 | — | 6.7 | — | 6.7 |
| Balance at December 31, 2012 (a) | € (11,465.7) | € 526.0 | € (10,939.7) | € 20.8 | € (10,918.9) |

(a) As retrospectively revised – see note 4.

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

## UPC HOLDING B.V.

## CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT - (Continued)

| | Parent's deficit | | | | |
|---|---|---|---|---|---|
| | Distributions and accumulated losses in excess of contributions | Accumulated other comprehensive earnings, net of taxes | Total parent's deficit | Non-controlling interests | Total owners' deficit |
| | | | in millions | | |
| Balance at January 1, 2013 (a) | € (11,465.7) | € 526.0 | € (10,939.7) | € 20.8 | € (10,918.9) |
| Net loss | (735.9) | — | (735.9) | 9.3 | (726.6) |
| Other comprehensive loss, net of taxes (note 13) | — | (17.1) | (17.1) | (0.3) | (17.4) |
| Deemed distribution to another subsidiary of Liberty Global (note 10) | (525.0) | — | (525.0) | — | (525.0) |
| Deemed contribution from another subsidiary of Liberty Global (note 10) | 96.7 | — | 96.7 | — | 96.7 |
| Capital charge in connection with exercise of share-based incentive awards (notes 11 and 12) | (35.8) | — | (35.8) | — | (35.8) |
| Property and equipment contributed by parent company (notes 7 and 12) | 22.6 | — | 22.6 | — | 22.6 |
| Share-based compensation (note 11) | 21.7 | — | 21.7 | — | 21.7 |
| Distributions by subsidiaries to noncontrolling interest owners | — | — | — | (8.9) | (8.9) |
| Other, net | (5.8) | — | (5.8) | — | (5.8) |
| Balance at December 31, 2013 (a) | € (12,627.2) | € 508.9 | € (12,118.3) | € 20.9 | € (12,097.4) |

(a) As retrospectively revised – see note 4.

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

## UPC HOLDING B.V.

## CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT - (Continued)

| | Parent's deficit | | | | |
|---|---|---|---|---|---|
| | **Distributions and accumulated losses in excess of contributions** | **Accumulated other comprehensive earnings, 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 | (1,034.0) | — | (1,034.0) | 9.5 | (1,024.5) |
| Other comprehensive earnings, net of taxes (note 13) | — | 18.2 | 18.2 | 0.4 | 18.6 |
| Consideration received in connection with the VTR Extraction (note 4) | 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 11) | 27.6 | — | 27.6 | — | 27.6 |
| Capital charge in connection with the exercise of share-based incentive awards (notes 11 and 12) | (27.6) | — | (27.6) | — | (27.6) |
| Deemed distribution of technology-related services (note 12) | (24.4) | — | (24.4) | — | (24.4) |
| Property and equipment contributed by parent company (notes 7 and 12) | 18.6 | — | 18.6 | — | 18.6 |
| Distributions by subsidiaries to noncontrolling interest owners | — | — | — | (9.0) | (9.0) |
| Other, net | 5.1 | — | 5.1 | — | 5.1 |
| Balance at December 31, 2014 | € (11,537.5) | € 527.1 | € (11,010.4) | € 21.8 | € (10,988.6) |

(a) As retrospectively revised – see note 4.

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

## UPC HOLDING B.V.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 (a) | 2012 (a) |
| | | in millions | |
| Cash flows from operating activities: | | | |
| Net loss | €(1,024.5) | € (726.6) | €(1,022.5) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | |
| Share-based compensation expense | 28.0 | 23.9 | 16.6 |
| Related-party fees and allocations, net | (27.3) | 3.3 | (2.4) |
| Depreciation and amortization | 885.0 | 864.0 | 896.8 |
| Impairment, restructuring and other operating items, net | 6.0 | 2.4 | 7.0 |
| Non-cash interest on related-party loans | 884.3 | 863.6 | 848.5 |
| Amortization of deferred financing costs and non-cash interest accretion | 12.9 | 17.3 | 21.0 |
| Realized and unrealized losses (gains) on derivative instruments, net | (103.1) | 62.4 | 515.9 |
| Foreign currency transaction losses (gains), net | 456.5 | (78.4) | (166.1) |
| Losses on debt modification and extinguishment, net | 42.0 | 75.3 | 12.7 |
| Deferred income tax expense | 4.1 | 4.8 | 55.1 |
| Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions: | | | |
| Receivables and other operating assets | 662.0 | 696.5 | 618.1 |
| Payables and accruals | (810.1) | (861.4) | (802.5) |
| Net cash provided by operating activities | 1,015.8 | 947.1 | 998.2 |
| Cash flows from investing activities: | | | |
| Capital expenditures | (464.4) | (667.8) | (571.6) |
| Sale of related-party receivable | 323.3 | — | — |
| Cash paid in connection with acquisitions, net of cash acquired | (58.0) | (5.8) | (41.6) |
| Other investing activities, net | 2.4 | 11.8 | (1.4) |
| Net cash used by investing activities | € (196.7) | € (661.8) | € (614.6) |

(a) As retrospectively revised – see note 4.

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

## UPC HOLDING B.V.

## CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 (a) | 2012 (a) |
| | | in millions | |
| Cash flows from financing activities: | | | |
| Repayments and repurchases of third-party debt and capital lease obligations | €(1,381.2) | € (301.1) | € (913.9) |
| Borrowings of third-party debt | 290.7 | 345.3 | 1,413.7 |
| Borrowings (repayments) of related-party debt, net | 691.3 | 185.5 | (992.4) |
| Deemed contributions from (deemed distributions to) other Liberty Global subsidiaries, net | (325.6) | (428.3) | 69.9 |
| Cash received (repaid) related to an advance from a related-party | (418.4) | 436.0 | — |
| Payments of financing costs and debt premiums | (16.5) | (60.9) | (17.7) |
| Net cash paid related to derivative instruments | (19.2) | (3.0) | (54.6) |
| Distributions by subsidiaries to noncontrolling interest owners | (9.0) | (8.9) | (9.0) |
| Change in cash collateral | (51.3) | — | 49.6 |
| Other financing activities, net | 12.2 | (14.9) | (9.0) |
| Net cash provided (used) by financing activities | (1,227.0) | 149.7 | (463.4) |
| Effect of exchange rate changes on cash | 1.3 | (0.4) | 5.7 |
| Net increase (decrease) in cash and cash equivalents | (406.6) | 434.6 | (74.1) |
| Cash and cash equivalents: | | | |
| Beginning of year | 466.2 | 31.6 | 105.7 |
| End of year | € 59.6 | € 466.2 | € 31.6 |
| Cash paid for interest | € 506.6 | € 548.5 | € 552.6 |
| Net cash paid for taxes | € 13.8 | € 18.2 | € 12.9 |

(a) As retrospectively revised – see note 4.

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

## (1) Basis of Presentation

UPC Holding B.V. (UPC Holding) is a wholly-owned subsidiary of Liberty Global 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 December 31, 2014, we provided (i) video, broadband internet and fixed-line telephony services in nine European countries and (ii) mobile services in five 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".

During the first quarter of 2015, Liberty Global undertook various financing transactions in connection with certain internal reorganizations of its broadband and wireless communications businesses in Europe. These internal reorganizations include (i) the UPC Ireland Transfer, (ii) the UPC NL Transfer and (iii) the Corporate Entities Transfer, each as defined and described in note 16. No effect has been given to these transactions in these consolidated financial statements. Beginning with our quarterly report for the three months ending March 31, 2015, we will account for the UPC Ireland Transfer, the UPC NL Transfer and the Corporate Entities Transfer as common control transfers at carryover basis and, accordingly, our consolidated financial statements will be retrospectively revised to give effect to these transactions for all reported periods.

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 and mobile assets. As a result, VTR GlobalCom SpA (VTR), 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 consolidated financial statements have been retrospectively revised to give effect to the VTR Extraction 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.

Unless otherwise indicated, ownership percentages and convenience translations into euros are calculated as of December 31, 2014.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 20, 2015, the date of issuance.

## (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 accounting principles generally accepted in the United States (U.S. GAAP) when it becomes effective, currently scheduled for 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) Summary of Significant Accounting Policies

***Estimates***

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.

***Reclassifications***

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

***Principles of Consolidation***

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

***Cash and Cash Equivalents and Restricted Cash***

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

Restricted cash consists of cash held in restricted accounts, including cash held as collateral for debt and other compensating balances. Restricted cash amounts that are required to be used to purchase long-term assets or repay long-term debt are classified as long-term assets. All other cash that is restricted to a specific use is classified as current or long-term based on the expected timing of the disbursement. Our restricted cash balances, which are included in other current assets in our consolidated balance sheets, aggregated €52.9 million and €0.2 million, at December 31, 2014 and 2013, respectively.

Our significant non-cash investing and financing activities are disclosed in our consolidated statements of owners' deficit and in notes 4, 7 and 8.

***Trade Receivables***

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €24.0 million and €29.5 million at December 31, 2014 and 2013, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

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

***Financial Instruments***

Due to the short maturities of cash and cash equivalents, restricted cash, short-term liquid investments, trade and other receivables, other current assets, accounts payable, accrued liabilities, subscriber advance payments and deposits and other current liabilities, their respective carrying values approximate their respective fair values. For information concerning the fair values of our derivatives and debt, see notes 5 and 8, respectively. For information concerning how we arrive at certain of our fair value measurements, see note 6.

***Derivative Instruments***

All derivative instruments, whether designated as hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative instrument is not designated as a hedge, changes in the fair value of the derivative instrument are recognized in earnings or loss. If the derivative instrument is designated as a fair value hedge, the changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognized in earnings or loss. If the derivative instrument is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative instrument are recorded in other comprehensive earnings or loss and subsequently reclassified into our consolidated statements of operations when the hedged forecasted transaction affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings or loss. We generally do not apply hedge accounting to our derivative instruments. For information regarding our derivative instruments, including our policy for classifying cash flows related to derivative instruments in our consolidated statements of cash flows, see note 5.

***Property and Equipment***

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

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

Depreciation is computed using the straight-line method over the estimated useful life of the underlying asset. Equipment under capital leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Useful lives used to depreciate our property and equipment are assessed periodically and are adjusted when warranted. The useful lives of cable distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed. For additional information regarding the useful lives of our property and equipment, see note 7.

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

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

As of December 31, 2014 and 2013, the recorded value of our asset retirement obligations was €14.9 million and €16.8 million, respectively.

***Intangible Assets***

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

Goodwill is not amortized, but instead is tested for impairment at least annually. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values, and reviewed for impairment.

For additional information regarding the useful lives of our intangible assets, see note 7.

***Impairment of Property and Equipment and Intangible Assets***

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

We evaluate goodwill for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amount of goodwill may not be recoverable. For impairment evaluations, we first make a qualitative assessment to determine if goodwill may be impaired. If it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). In most cases, our operating segments are deemed to be a reporting unit either because the operating segment is comprised of only a single component, or the components below the operating segment are aggregated as they have similar economic characteristics. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss.

***Income Taxes***

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. Net deferred tax assets are then reduced by a valuation allowance if we believe it is more-likely-than-not such net deferred tax assets will not be realized. Certain of our valuation allowances and tax uncertainties are associated with entities that we acquired in business combinations. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Deferred tax liabilities related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration are not recognized until it becomes apparent that such amounts will reverse in the foreseeable future. Interest and penalties related to income tax liabilities are included in income tax expense. UPC Holding and its Dutch subsidiaries are part of a Dutch tax fiscal unity with its ultimate Dutch parent company, Liberty Global Holding B.V. (Liberty Global Holding), and certain other non-UPC Holding subsidiaries. The Dutch fiscal unity combines individual tax paying Dutch entities and their ultimate Dutch parent company as one taxpayer for Dutch tax purposes. The income taxes of UPC Holding and its subsidiaries are presented in our consolidated financial statements on a separate return basis for each tax paying entity or group. For additional information on our income taxes, see note 9.

***Foreign Currency Translation and Transactions***

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

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

***Revenue Recognition***

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

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

*Mobile Revenue – General.* Arrangement consideration from mobile contracts is allocated to the airtime service element and the handset service element based on the relative standalone prices of each element. The amount of arrangement consideration allocated to the handset is limited to the amount that is not contingent upon the delivery of future airtime services. We offer handsets under a subsidized contract model, whereby upfront revenue recognition is limited to the upfront cash collected from the customer as the remaining fees to be received from the customer, including fees that may be associated with the handset, are contingent upon delivering future airtime services.

*Mobile Revenue – Airtime Services.* We recognize revenue from mobile services in the period the related services are provided.

*Mobile Revenue – Handset Revenue.* Arrangement consideration allocated to handsets is recognized as revenue when the goods have been delivered and title has passed.

*Business-to-Business (B2B) Revenue.* We defer upfront installation and certain nonrecurring fees received on B2B contracts where we maintain ownership of the installed equipment. The deferred fees are amortized into revenue on a straight-line basis over the term of the arrangement or the expected period of performance.

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

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

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

***Share-based Compensation***

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

We use the straight-line method to recognize share-based compensation expense for Liberty Global's outstanding share awards to employees of our subsidiaries that do not contain a performance condition and the accelerated expense attribution method for our outstanding share awards that contain a performance condition and vest on a graded basis.

Liberty Global has calculated the expected life of options and share appreciation rights (SARs) granted by Liberty Global to employees based on historical exercise trends. The expected volatility for Liberty Global options and SARs is generally based on a combination of (i) historical volatilities of Liberty Global ordinary shares for a period equal to the expected average life of the Liberty Global awards and (ii) volatilities implied from publicly traded Liberty Global options.

For additional information regarding our share-based compensation, see note 11.

***Litigation Costs***

Legal fees and related litigation costs are expensed as incurred.

## (4) 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, 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 8), 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 consolidated balance sheet:

| | As previously reported | Common control adjustments | As retrospectively revised |
|---|---|---|---|
| | | in millions | |
| 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 |

The following table sets forth the retrospective effects of this common control transfer on our operating results for the years ended December 31, 2013 and 2012.

| | Year ended December 31, 2013 | | | Year ended December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | As previously reported | Common control adjustments | As retrospectively revised | As previously reported | Common control adjustments | As retrospectively revised |
| | | | in millions | | | |
| Revenue | € 4,298.2 | € (723.7) | € 3,574.5 | € 4,271.6 | € (718.2) | € 3,553.4 |
| Operating expenses | € 1,534.9 | € (292.4) | € 1,242.5 | € 1,508.6 | € (289.1) | € 1,219.5 |
| SG&A expenses | € 734.8 | € (111.5) | € 623.3 | € 706.9 | € (114.3) | € 592.6 |
| Depreciation and amortization expense | € 994.1 | € (130.1) | € 864.0 | € 1,037.3 | € (140.5) | € 896.8 |
| Non-operating expense, net | € (1,530.8) | € 34.7 | € (1,496.1) | € (1,812.3) | € 22.9 | € (1,789.4) |
| Income tax expense | € (97.1) | € 27.6 | € (69.5) | € (86.2) | € 13.2 | € (73.0) |
| Net loss | € (602.5) | € (124.1) | € (726.6) | € (885.5) | € (137.0) | € (1,022.5) |
| Net loss attributable to parent | € (637.0) | € (98.9) | € (735.9) | € (922.4) | € (109.5) | € (1,031.9) |

## (5) Derivative Instruments

In general, we seek to enter into derivative instruments to protect against (i) increases in the interest rates on our variable-rate debt and (ii) foreign currency movements, particularly with respect to borrowings that are denominated in a currency other than the functional currency of the borrowing entity. In this regard, through our subsidiaries, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the euro (€), the United States (U.S.) dollar ($), the British pound sterling (£), the Swiss franc (CHF), the 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 consolidated statements of operations.

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

| | December 31, 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) | € 310.2 | € 356.2 | € 666.4 | € 145.1 | € 206.3 | € 351.4 |
| Foreign currency forward contracts | 1.2 | — | 1.2 | 1.3 | — | 1.3 |
| Other | 0.4 | 0.7 | 1.1 | 0.8 | 0.7 | 1.5 |
| Total | € 311.8 | € 356.9 | € 668.7 | € 147.2 | € 207.0 | € 354.2 |
| Liabilities: | | | | | | |
| Cross-currency and interest rate derivative contracts (b) | € 662.4 | € 844.0 | € 1,506.4 | € 364.9 | € 1,148.0 | € 1,512.9 |
| Foreign currency forward contracts | 0.4 | — | 0.4 | 2.9 | 8.7 | 11.6 |
| Other | 0.2 | — | 0.2 | 0.1 | 0.4 | 0.5 |
| Total | € 663.0 | € 844.0 | € 1,507.0 | € 367.9 | € 1,157.1 | € 1,525.0 |

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

(b) We consider credit risk in our fair value assessments. As of December 31, 2014 and 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 €7.6 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 €33.6 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 losses of €47.7 million, €19.2 million and €57.6 million during 2014, 2013 and 2012, respectively. These amounts are included in realized and unrealized gains (losses) on derivative instruments, net, in our consolidated statements of operations. For further information concerning our fair value measurements, see note 6.

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

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | in millions | | |
| Cross-currency and interest rate derivative contracts | € 92.6 | € (53.7) | € (518.4) |
| Foreign currency forward contracts | 10.5 | (9.7) | (0.3) |
| Other | — | 1.0 | 2.8 |
| Total | € 103.1 | € (62.4) | € (515.9) |

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

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | | in millions | |
| Operating activities | € (210.4) | € (197.5) | € (246.3) |
| Financing activities | (19.2) | (3.0) | (54.6) |
| Total | € (229.6) | € (200.5) | € (300.9) |

***Counterparty Credit Risk***

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under our derivative instruments. At December 31, 2014, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €427.9 million.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements under each of these master agreements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar arrangements.

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

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and/or compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

**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 December 31, 2014, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 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 December 31, 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% |
| 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% |
| 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% |
| 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 - July 2021 | $ | 200.0 | CHF | 186.0 | 6 mo. LIBOR + 2.50% | 6 mo. CHF LIBOR + 2.55% |
| January 2015 | $ | 171.5 | CHF | 187.1 | 6 mo. LIBOR + 2.75% | 6 mo. CHF LIBOR + 2.95% |
| 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% |
| 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% |
| January 2015 - July 2021 | € | 161.4 | CHF | 187.1 | 6 mo. EURIBOR + 2.35% | 6 mo. CHF LIBOR + 2.76% |
| July 2020 | € | 107.4 | CHF | 129.0 | 6 mo. EURIBOR + 3.00% | 6 mo. CHF LIBOR + 3.28% |

| 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 2017 | € | 75.0 | CHF | 110.9 | 7.63% | 6.98% |
| 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 2015 | CLP | 53,000.0 | € | 69.1 | 5.75% | 3.50% |

*Interest Rate Swaps:*

The terms of our outstanding interest rate swap contracts at December 31, 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 - January 2016 | € | 1,554.0 | 1 mo. EURIBOR + 3.75% | 6 mo. EURIBOR + 3.58% |
| 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% |
| 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% |

***Interest Rate Cap***

Our sold interest rate cap contract with respect to EURIBOR at December 31, 2014, which is held by UPC Broadband Holding, is detailed below:

| Final maturity date | Notional amount | | EURIBOR cap rate |
|---|---|---|---|
| | in millions | | |
| 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 amount at December 31, 2014, as detailed below:

| Final maturity date | | Notional amount | EURIBOR floor rate (a) | EURIBOR cap rate (b) |
|---|---|---|---|---|
| | in millions | | | |
| 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.

***Foreign Currency Forwards***

The following table summarizes our outstanding foreign currency forward contracts, which are held by UPC Broadband Holding, at December 31, 2014:

| Maturity Dates | Currency purchased forward | | Currency sold forward | |
|---|---|---|---|---|
| | in millions | | | |
| January 2015 - March 2015 | $ | 0.8 | CZK | 14.9 |
| January 2015 - December 2015 | € | 63.8 | CHF | 76.0 |
| January 2015 - March 2015 | € | 4.5 | CZK | 123.3 |
| January 2015 - March 2015 | € | 4.1 | HUF | 1,275.0 |
| January 2015 - March 2015 | € | 12.0 | PLN | 51.0 |
| January 2015 - March 2015 | £ | 1.2 | € | 1.4 |
| January 2015 | CHF | 67.0 | € | 55.7 |
| January 2015 | CZK | 300.0 | € | 10.9 |
| January 2015 | HUF | 7,400.0 | € | 23.6 |
| January 2015 | PLN | 90.0 | € | 20.9 |
| January 2015 | RON | 31.0 | € | 6.9 |

## (6) 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 December 31, 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 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 5, we have entered into various derivative instruments to manage our interest rate and foreign currency exchange risk. The recurring fair value measurements of these derivative instruments are determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes most interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads represent our most significant Level 3 inputs, and these inputs are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative instruments, we have determined that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 5.

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

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

## (7) Long-lived Assets

### *Property and Equipment, Net*

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

| | Estimated useful life at December 31, 2014 | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | in millions | |
| Distribution systems | 4 to 30 years | € 5,258.1 | € 4,908.3 |
| Customer premises equipment | 3 to 5 years | 1,631.8 | 1,592.3 |
| Support equipment, buildings and land | 3 to 50 years | 938.8 | 841.2 |
| | | 7,828.7 | 7,341.8 |
| Accumulated depreciation | | (4,026.2) | (3,597.0) |
| Total property and equipment, net | | € 3,802.5 | € 3,744.8 |

Depreciation expense related to our property and equipment was €800.4 million, €771.2 million and €785.7 million during 2014, 2013 and 2012, respectively.

At December 31, 2014 and 2013, the amount of property and equipment, net, recorded under capital leases was €36.2 million and €36.3 million, respectively. Most of these amounts relate to assets included in our distribution systems category. Depreciation of assets under capital leases is included in depreciation and amortization in our consolidated statements of operations.

During 2014, 2013 and 2012, we recorded non-cash increases to our property and equipment related to (i) certain vendor financing arrangements of €332.6 million, €177.0 million and €160.6 million, respectively, and (ii) assets acquired under capital leases of €0.9 million, €1.5 million and €1.9 million, respectively. Furthermore, during 2014, 2013 and 2012 we recorded non-cash increases to our property and equipment of €18.6 million, €22.6 million and €10.2 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 8 and 12.

### *Goodwill*

Changes in the carrying amount of our goodwill during 2014 are set forth below:

| | January 1, 2014 | Acquisitions and related adjustments | Foreign currency translation adjustments | December 31, 2014 |
|---|---|---|---|---|
| | | in millions | | |
| Switzerland/Austria | € 2,923.3 | € 1.0 | € 44.1 | € 2,968.4 |
| The Netherlands | 914.3 | — | — | 914.3 |
| Ireland | 178.5 | 1.7 | — | 180.2 |
| Total Western Europe | 4,016.1 | 2.7 | 44.1 | 4,062.9 |
| Central and Eastern Europe | 1,102.4 | 6.3 | (32.6) | 1,076.1 |
| Total | € 5,118.5 | € 9.0 | € 11.5 | € 5,139.0 |

If, among other factors, (i) our enterprise value or Liberty Global's equity value were to decline significantly, or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

At December 31, 2014 and 2013 and based on exchange rates as of those dates, our accumulated goodwill impairments were €173.3 million and €173.8 million, respectively. These amounts represent accumulated impairments related to our broadband communications operations in Romania, which operations are included within our Central and Eastern Europe segment.

Changes in the carrying amount of our goodwill during 2013 are set forth below:

| | January 1, 2013 | Acquisitions and related adjustments | Foreign currency translation adjustments | December 31, 2013 |
|---|---|---|---|---|
| | | in millions | | |
| Switzerland/Austria | € 2,957.9 | € 0.4 | € (35.0) | € 2,923.3 |
| The Netherlands | 914.3 | — | — | 914.3 |
| Ireland | 178.5 | — | — | 178.5 |
| Total Western Europe | 4,050.7 | 0.4 | (35.0) | 4,016.1 |
| Central and Eastern Europe | 1,143.9 | — | (41.5) | 1,102.4 |
| Total | € 5,194.6 | € 0.4 | € (76.5) | € 5,118.5 |

***Intangible Assets Subject to Amortization, Net***

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

| | Estimated useful life at December 31, 2014 | December 31, 2014 | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | Accumulated amortization | Net carrying amount | Gross carrying amount | Accumulated amortization | Net carrying amount |
| | | in millions | | | | | |
| Customer relationships | 4 to 10 years | € 805.6 | € (643.7) | € 161.9 | € 887.8 | € (667.7) | € 220.1 |
| Other | 3 years | 5.0 | (2.1) | 2.9 | 19.1 | (17.0) | 2.1 |
| Total | | € 810.6 | € (645.8) | € 164.8 | € 906.9 | € (684.7) | € 222.2 |

Amortization of intangible assets with finite useful lives was €84.6 million, €92.8 million and €111.1 million during 2014, 2013 and 2012, respectively. Based on our amortizable intangible asset balances at December 31, 2014, we expect that amortization expense will be as follows for the next five years and thereafter. The euro equivalents of such amortization expense amounts as of December 31, 2014 are presented below (in millions):

| | |
|---|---|
| 2015 | € 61.4 |
| 2016 | 29.7 |
| 2017 | 27.8 |
| 2018 | 24.4 |
| 2019 | 6.4 |
| Thereafter | 15.1 |
| Total | € 164.8 |

## (8) Debt and Capital Lease Obligations

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

| | December 31, 2014 | | Estimated fair value (c) | | Carrying value (d) | |
|---|---|---|---|---|---|---|
| | Weighted average interest rate (a) | Unused borrowing capacity (b) | December 31, | | December 31, | |
| | | | 2014 | 2013 | 2014 | 2013 |
| | | | in millions | | | |
| Third-party debt: | | | | | | |
| Parent - UPC Holding Senior Notes | 7.16% | € — | € 2,151.7 | € 2,391.3 | € 1,976.6 | € 2,247.5 |
| Subsidiaries: | | | | | | |
| UPC Broadband Holding Bank Facility | 3.56% | 1,046.2 | 2,608.6 | 4,146.6 | 2,627.4 | 4,113.0 |
| UPCB SPE Notes | 6.88% | — | 3,536.3 | 3,289.9 | 3,313.5 | 3,060.0 |
| Vendor financing and other (e) | 3.50% | — | 360.3 | 309.9 | 360.3 | 309.9 |
| Total third-party debt | 5.75% | 1,046.2 | € 8,656.9 | € 10,137.7 | 8,277.8 | 9,730.4 |
| Related-party debt (note 12): | | | | | | |
| Shareholder Loan (f) | 9.79% | — | (g) | (g) | 9,752.7 | 9,695.4 |
| Other (h) | 7.52% | — | (g) | (g) | 105.9 | 74.7 |
| Total related-party debt | 9.77% | — | | | 9,858.6 | 9,770.1 |
| Total debt | 7.93% | € 1,046.2 | | | 18,136.4 | 19,500.5 |
| Capital lease obligations | | | | | 22.8 | 23.7 |
| Total debt and capital lease obligations | | | | | 18,159.2 | 19,524.2 |
| Current maturities | | | | | (362.3) | (311.7) |
| Long-term debt and capital lease obligations | | | | | € 17,796.9 | € 19,212.5 |

(a) Represents the weighted average interest rate in effect at December 31, 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 derivative instruments, deferred financing costs, original issue premiums or discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our aggregate third-party variable- and fixed-rate indebtedness was 7.8% at December 31, 2014. For information concerning our derivative instruments, see note 5.

(b) Unused borrowing capacity represents the maximum availability under the UPC Broadband Holding Bank Facility (as defined and described below) at December 31, 2014 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2014, our availability under the UPC Broadband Holding Bank Facility was limited to €906.7 million. When the relevant December 31, 2014 compliance reporting requirements have been completed and assuming no changes from December 31, 2014 borrowing levels, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €889.1 million. For information concerning transactions completed subsequent to December 31, 2014 that could have an impact on unused borrowing capacity, see note 16.

(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 6.

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

(e) Primarily represents amounts owed pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property and equipment additions. These obligations are generally due within one year. At December 31, 2014 and 2013, the amounts owed pursuant to these arrangements include €4.6 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 December 31, 2014 and 2013 amounts include €30.3 million and €17.8 million, respectively, of VAT that was paid on our behalf by the vendor. Repayments of vendor financing obligations other than the co-obligor obligations are included in repayments and repurchases of debt and capital lease obligations in our consolidated statements of cash flows.

(f) 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 the UPC Holding Senior Notes in the event of (i) a total or partial liquidation, dissolution or winding up of UPC Holding, (ii) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (iii) an assignment for the benefit of creditors or (iv) any marshaling of UPC Holding's assets or liabilities. Accrued interest is included in other long-term liabilities until the end of each fiscal year and then it is transferred to the loan balance. The interest rate on the Shareholder Loan is a fixed rate of 9.79%. The net increase in the Shareholder Loan balance during 2014 includes (a) cash borrowings of €4,185.0 million, (b) cash payments of €3,522.4 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), (e) additions of €878.2 million in non-cash accrued interest and (f) a €38.8 million non-cash decrease related to the settlement of related-party charges and allocations. The net increase in the Shareholder Loan balance during 2013 includes (1) cash borrowings of €2,435.9 million, (2) cash payments of €2,309.3 million, (3) additions of €861.0 million in non-cash accrued interest, (4) a €40.0 million non-cash decrease related to the settlement of related-party charges and allocations and (5) an increase of €35.5 million in non-cash settlement of related-party capital additions. The net increase in the Shareholder Loan balance during 2012 includes (I) cash payments of €2,272.6 million, (II) cash borrowings of €1,265.0 million, (III) additions of €847.8 million in non-cash accrued interest, (IV) an increase of €110.3 million in non-cash settlement of related-party capital additions and (V) a €68.0 million non-cash increase related to the settlement of related-party charges and allocations. During the three-year period ended December 31, 2014, none of the debt repayments were payments of interest. For information concerning transactions completed subsequent to December 31, 2014 that impacted the Shareholder Loan, see note 16.

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

(h) 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). UMI, UPC Equipment, and UPC International Operations B.V. (UPC International and together with UPC Equipment, the UPC Leasing Entities), UPC Equipment's immediate parent entity, were formed for the purpose of acquiring and legally owning certain customer premises equipment assets to be leased to our subsidiary, UPC Nederland B.V. (UPC Nederland), including certain assets that were the subject of sale and leaseback transactions that were initiated in December 2011. Although UPC Holding has no equity or voting interest in UMI, the transactions between (a) UMI and the UPC Leasing Entities and (b) UPC Nederland and, to a much lesser extent, certain of our other subsidiaries, create a variable interest in UMI for which we are the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Holding is required by the provisions of U.S. GAAP to consolidate UMI. The UPC Equipment Note (€78.4 million principal balance at December 31, 2014) bore interest at 9.29% as of December 31, 2014. The UMI Loan (€27.5 million principal balance at December 31, 2014) bore interest at 2.47% as of December 31, 2014. The net increase in the aggregate balance of the UPC Equipment Note and the UMI Loan during 2014 includes (1) cash borrowings of €67.3 million, (2) cash payments of €38.7 million and (3) the non-cash transfer of €2.6 million in accrued interest to the loan balance. The net increase in the aggregate balance of the UPC Equipment Note and the UMI Loan during 2013 includes (A) cash borrowings of €69.5 million, (B) cash payments of €10.6 million and (C) the non-cash transfer of €0.6 million in non-cash accrued interest to the loan balance.

Subsequent to December 31, 2014 and in connection with the UPC NL Transfer (as defined and described in note 16), the leasing transactions between UPC Nederland, UMI and the UPC Leasing Entities were unwound, which resulted in an early termination fee of €87.0 million payable by UPC Equipment. This early termination fee was funded through the UPC Equipment Note and paid to UMI and, in turn, UMI repaid in full the UMI Loan and loaned the remaining cash amount to Unitymedia Hessen.

***UPC Broadband Holding Bank Facility***

The UPC Broadband Holding Bank Facility, as amended from time to time, is the senior secured credit facility of UPC Broadband Holding. The security package for the UPC Broadband Holding Bank Facility includes a pledge over the shares of UPC Broadband Holding and the shares of certain of UPC Broadband Holding's majority-owned operating companies. The UPC Broadband Holding Bank Facility is also guaranteed by UPC Holding, the immediate parent of UPC Broadband Holding, and is senior to other long-term debt obligations of UPC Broadband Holding and UPC Holding. The agreement governing the UPC Broadband Holding Bank Facility contains covenants that limit, among other things, UPC Broadband Holding's ability to merge with or into another company, acquire other companies, incur additional debt, dispose of assets, make distributions or pay dividends, provide loans and guarantees and enter into hedging agreements. In addition to customary default provisions, including defaults on other indebtedness of UPC Broadband Holding and its subsidiaries, the UPC Broadband Holding Bank Facility provides that any event of default with respect to indebtedness of (i) €50.0 million or more in the aggregate of (a) Liberty Global Europe LLC (the indirect parent of Liberty Global Europe Holding BV, Liberty Global Europe), (b) any other company of which UPC Broadband Holding is a subsidiary and which is a subsidiary of Liberty Global Europe and (c) UPC Holding II BV (a subsidiary of UPC Holding) and (ii) €15.0 million or more in the aggregate of any member of the UPC Broadband Holding borrower group, is an event of default under the UPC Broadband Holding Bank Facility.

The UPC Broadband Holding Bank Facility permits UPC Broadband Holding to transfer funds to its parent company (and indirectly to Liberty Global) through loans, advances or dividends provided that UPC Broadband Holding maintains compliance with applicable covenants. If a change of control occurs, as specified in the UPC Broadband Holding Bank Facility, the facility agent may (if required by the majority lenders) cancel each facility and declare all outstanding amounts immediately due and payable. The UPC Broadband Holding Bank Facility requires compliance with various financial covenants such as: (i) senior debt (after deducting cash and cash equivalent investments) to annualized EBITDA, (ii) EBITDA to total cash interest, (iii) EBITDA to senior debt service, (iv) EBITDA to senior interest and (v) total debt (after deducting cash and cash equivalent investments) to annualized EBITDA, each term as specified in the UPC Broadband Holding Bank Facility.

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

The UPC Broadband Holding Bank Facility includes a mandatory prepayment requirement of four times annualized EBITDA of certain disposed assets. The prepayment amount may be allocated to one or more of the facilities at UPC Broadband Holding's discretion and then applied to the loans under the relevant facility on a pro rata basis, as specified in the UPC Broadband Holding Bank Facility. A prepayment may be waived by the majority lenders subject to the requirement to maintain pro forma covenant compliance. If the mandatory prepayment amount is less than €100.0 million, then no prepayment is required (subject to pro forma covenant compliance). No such prepayment is required to be made where an amount, equal to the amount that would otherwise be required to be prepaid, is deposited in a blocked account on terms that the principal amount deposited may only be released in order to make the relevant prepayment or to reinvest in assets in accordance with the terms of the UPC Broadband Holding Bank Facility, which expressly includes permitted acquisitions and capital expenditures. Any amounts deposited in the blocked account that have not been reinvested (or contracted to be so reinvested), within 12 months of the relevant permitted disposal, are required to be applied in prepayment in accordance with the terms of the UPC Broadband Holding Bank Facility.

The details of our borrowings under the UPC Broadband Holding Bank Facility as of December 31, 2014 are summarized in the following table:

| Facility | Maturity | Interest rate | Facility amount (in borrowing currency) (a) | | Unused borrowing capacity (b) | Carrying value (c) |
|---|---|---|---|---|---|---|
| | | | | | 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 | — | 826.4 |
| AC (d) | November 15, 2021 | 7.250% | $ | 750.0 | — | 619.8 |
| AD (d) | January 15, 2022 | 6.875% | $ | 750.0 | — | 619.8 |
| AG | March 31, 2021 | EURIBOR + 3.75% | € | 1,554.4 | — | 1,551.4 |
| AH | June 30, 2021 | LIBOR + 2.50% (e) | $ | 1,305.0 | — | 1,076.0 |
| AI (f) | April 30, 2019 | EURIBOR + 3.25% | € | 1,046.2 | 1,046.2 | — |
| Elimination of Facilities V, Y, Z, AC and AD in consolidation (d) | | | | | — | (3,316.0) |
| Total | | | | | € 1,046.2 | € 2,627.4 |

(a) Except as described in (d) below, amounts represent total third-party facility amounts at December 31, 2014 without giving effect to the impact of discounts.

(b) At December 31, 2014, our availability under the UPC Broadband Holding Bank Facility was limited to €906.7 million. When the relevant December 31, 2014 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €889.1 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) As further discussed in the below description of the UPCB SPE Notes, the amounts outstanding under Facilities V, Y, Z, AC and AD are eliminated in our consolidated financial statements.

(e) Facility AH has a LIBOR floor of 0.75%.

(f) On November 19, 2014, the existing redrawable term loan Facility AI was increased by €30.0 million by a new lender.

In January 2014, VTR Finance B.V. (VTR Finance), a subsidiary of Liberty Global that is outside of UPC Holding, issued $1,400.0 million (€1,157.0 million) principal amount of senior secured notes in connection with the VTR Extraction. 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 under the UPC Broadband Holding Bank Facility. In connection with this transaction, we recognized a loss on debt modification and extinguishment 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, which includes (i) a €3.5 million write-off of an unamortized discount and (ii) a €3.2 million write-off of deferred financing costs.

*Refinancing Transactions.* During 2014, 2013 and 2012, we completed a number of refinancing transactions that generally resulted in additional borrowings or extended maturities under the UPC Broadband Holding Bank Facility. In connection with these transactions, we recognized losses on debt modification and extinguishment, net, of €12.0 million, €9.0 million and €12.8 million during 2014, 2013 and 2012, respectively. These losses include (i) write-offs of deferred financing costs and unamortized discounts of €12.0 million, €3.2 million, and €11.3 million, respectively, and (ii) the payment of nil, €5.8 million and €1.5 million of third-party debt modification costs, respectively.

For information regarding certain financing transactions subsequent to December 31, 2014 that impact the UPC Broadband Holding Bank Facility, see note 16.

***UPC Holding Senior Notes***

*2014 Transactions.* During April 2014, we used funds provided through the Shareholder Loan to fully redeem UPC Holding's $400.0 million (€330.6 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) 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.

*2013 Transactions.* On March 26, 2013, UPC Holding issued (i) €450.0 million principal amount of 6.75% senior notes (the UPC Holding 6.75% Euro Senior Notes) and (ii) CHF 350.0 million (€285.6 million) principal amount of 6.75% senior notes (the UPC Holding 6.75% CHF Senior Notes and, together with the UPC Holding 6.75% Euro Senior Notes, the UPC Holding 6.75% Senior Notes).

On April 25, 2013, the net proceeds from the issuance of the UPC Holding 6.75% Senior Notes were used to redeem in full (a) UPC Holding's €300.0 million principal amount of 8.0% senior notes due 2016 (the UPC Holding 8.0% Senior Notes) and (b) UPC Holding's €400.0 million principal amount of 9.75% senior notes due 2018 (the UPC Holding 9.75% Senior Notes). Our obligations with respect to the UPC Holding 8.0% Senior Notes and the UPC Holding 9.75% Senior Notes were legally discharged with the trustee on March 26, 2013 and March 27, 2013, respectively, in connection with the issuance of the UPC Holding 6.75% Senior Notes. The trustee, in turn, paid all amounts due to the holders of the UPC Holding 8.0% Senior Notes and UPC Holding 9.75% Senior Notes on April 25, 2013. We incurred aggregate debt extinguishment losses of €65.9 million during the first quarter of 2013, which includes (i) €27.5 million of redemption premium related to the UPC Holding 8.0% Senior Notes and the UPC Holding 9.75% Senior Notes, (ii) the write-off of €18.9 million of unamortized discount related to the UPC Holding 9.75% Senior Notes, (iii) the write-off of €14.7 million of deferred financing costs associated with the UPC Holding 8.0% Senior Notes and the UPC Holding 9.75% Senior Notes and (iv) €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, as described above.

We collectively refer to the UPC Holding 6.75% Senior Notes, UPC Holding's €600.0 million principal amount of 6.375% senior notes due 2022 (the UPC Holding 6.375% Senior Notes) and UPC Holding's €640.0 million principal amount of 8.375% senior notes due 2020 (the UPC Holding 8.375% Senior Notes) as the "UPC Holding Senior Notes."

The details of the UPC Holding Senior Notes as of December 31, 2014 are summarized in the following table:

| UPC Holding Senior Notes | Maturity | Outstanding principal amount: Borrowing currency | | Outstanding principal amount: Euro equivalent | Estimated fair value | Carrying value (a) |
|---|---|---|---|---|---|---|
| | | | | in millions | | |
| UPC Holding 8.375% Senior Notes | August 15, 2020 | € | 640.0 | € 640.0 | € 688.8 | € 640.0 |
| UPC Holding 6.375% Senior Notes | September 15, 2022 | € | 600.0 | 600.0 | 650.2 | 595.5 |
| UPC Holding 6.75% Euro Senior Notes | March 15, 2023 | € | 450.0 | 450.0 | 493.6 | 450.0 |
| UPC Holding 6.75% CHF Senior Notes | March 15, 2023 | CHF | 350.0 | 291.1 | 319.1 | 291.1 |
| Total | | | | € 1,981.1 | € 2,151.7 | € 1,976.6 |

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

Each issue of the UPC Holding Senior Notes are senior obligations that rank equally with all of the existing and future senior debt and are senior to all existing and future subordinated debt of UPC Holding. The UPC Holding Senior Notes are secured (on a shared basis) by pledges of the shares of UPC Holding. The UPC Holding Senior Notes contain certain customary incurrence-based covenants. For example, the ability to raise certain additional debt and make certain distributions or loans to other subsidiaries of Liberty Global is subject to a consolidated leverage ratio test, as specified in the applicable indenture. In addition, the UPC Holding Senior Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €50.0 million or more in the aggregate of UPC Holding or its restricted subsidiaries (as specified in the applicable indenture), including UPC Broadband Holding, is an event of default under the UPC Holding Senior Notes.

At any time prior to August 15, 2015, in the case of the UPC Holding 8.375% Senior Notes, September 15, 2017, in the case of the UPC Holding 6.375% Senior Notes, and March 15, 2018, in the case of the UPC Holding 6.75% Senior Notes, UPC Holding may redeem some or all of such UPC Holding Senior Notes by paying a "make-whole" premium, which is the present value of all scheduled interest payments until August 15, 2015, September 15, 2017 or March 15, 2018 (as applicable) using the discount rate (as specified in the applicable indenture) as of the redemption date, plus 50 basis points.

UPC Holding may redeem some or all of the UPC Holding Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the applicable indenture), if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on August 15, in the case of the UPC Holding 8.375% Senior Notes, September 15, in the case of the UPC Holding 6.375% Senior Notes, and March 15, in the case of the UPC Holding 6.75% Senior Notes, of the years set forth below:

| | Redemption price | | |
|---|---|---|---|
| **Year** | **UPC Holding 8.375% Senior Notes** | **UPC Holding 6.375% Senior Notes** | **UPC Holding 6.75% Senior Notes** |
| 2015 | 104.188% | N.A. | N.A. |
| 2016 | 102.792% | N.A. | N.A. |
| 2017 | 101.396% | 103.188% | N.A. |
| 2018 | 100.000% | 102.125% | 103.375% |
| 2019 | 100.000% | 101.063% | 102.250% |
| 2020 | 100.000% | 100.000% | 101.125% |
| 2021 and thereafter | N.A. | 100.000% | 100.000% |

If all or substantially all of the assets of UPC Holding and certain of its subsidiaries are disposed of or any other change of control (as specified in the applicable indenture) is triggered, UPC Holding must offer to repurchase all of the relevant UPC Holding Senior Notes at a redemption price of 101% of the principal amount of such UPC Holding Senior Notes.

For information regarding certain financing transactions completed subsequent to December 31, 2014 that impact the UPC Holding Senior Notes, see note 16.

***UPCB SPE Notes***

UPCB Finance Limited (UPCB Finance I), UPCB Finance II Limited (UPCB Finance II), UPCB Finance III Limited (UPCB Finance III), UPCB Finance V Limited (UPCB Finance V) and UPCB Finance VI Limited (UPCB Finance VI and, together with UPCB Finance I, UPCB Finance II, UPCB Finance III and UPCB Finance V, the UPCB SPEs) are all special purpose financing entities that are owned 100% by charitable trusts. The UPCB SPEs were created for the primary purposes of facilitating the offerings of €500.0 million principal amount of 7.625% senior secured notes (the UPCB Finance I Notes), €750.0 million principal amount of 6.375% senior secured notes (the UPCB Finance II Notes), $1.0 billion (€826.5 million) principal amount of 6.625% senior secured notes (the UPCB Finance III Notes), $750.0 million (€619.8 million) principal amount of 7.25% senior secured notes (the UPCB Finance V Notes) and $750.0 million (€619.8 million) principal amount of 6.875% senior secured notes (the UPCB Finance VI Notes and, together with the UPCB Finance I Notes, the UPCB Finance II Notes, the UPCB Finance III Notes and the UPCB Finance V Notes, the UPCB SPE Notes), respectively. The UPCB Finance I Notes, the UPCB Finance II Notes, the UPCB Finance III Notes, the UPCB Finance V Notes and the UPCB Finance VI Notes were issued on January 20, 2010, January 31, 2011, February 16, 2011, November 16, 2011 and February 7, 2012, respectively.

The UPCB Finance I Notes were issued at an original issue discount of 0.862%, resulting in cash proceeds before commissions and fees of €495.7 million. The UPCB Finance II Notes, UPCB Finance III Notes, UPCB Finance V Notes and UPCB Finance VI Notes were each issued at par. UPCB Finance I, UPCB Finance II, UPCB Finance III, UPCB Finance V and UPCB Finance VI used the proceeds from the (i) UPCB Finance I Notes and available cash, (ii) UPCB Finance II Notes, (iii) UPCB Finance III Notes, (iv) UPCB Finance V Notes and (v) UPCB Finance VI Notes to fund new additional Facilities V, Y, Z, AC and AD, respectively, (each, a UPCB SPE Funded Facility, and together, the Funded Facilities) under the UPC Broadband Holding Bank Facility, with UPC Financing Partnership (UPC Financing) as the borrower. The proceeds from the Funded Facilities generally were used to repay amounts outstanding under the UPC Broadband Holding Bank Facility.

Each UPCB SPE is dependent on payments from UPC Financing under the applicable UPCB SPE Funded Facility in order to service its payment obligations under each respective UPCB SPE Note. Although UPC Financing has no equity or voting interest in any of the UPCB SPEs, each of the UPCB SPE Funded Facility loans creates a variable interest in the respective UPCB SPE for which UPC Financing is the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Financing and its parent entities, including UPC Holding and Liberty Global, are required by the provisions of U.S. GAAP to consolidate the UPCB SPEs. As a result, the amounts outstanding under the Funded Facilities are eliminated in Liberty Global's and UPC Holding's consolidated financial statements.

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

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

The details of the UPCB SPE Notes as of December 31, 2014 are summarized in the following table:

| UPCB SPEs | Maturity | Interest rate | Outstanding principal amount: Borrowing currency | Outstanding principal amount: Euro equivalent | Estimated fair value | Carrying value (a) |
|---|---|---|---|---|---|---|
| | | | | in millions | | |
| UPCB Finance I Notes | January 15, 2020 | 7.625% | € 500.0 | € 500.0 | € 522.2 | € 497.4 |
| UPCB Finance II Notes | July 1, 2020 | 6.375% | € 750.0 | 750.0 | 788.4 | 750.0 |
| UPCB Finance III Notes | July 1, 2020 | 6.625% | $ 1,000.0 | 826.5 | 871.4 | 826.5 |
| UPCB Finance V Notes | November 15, 2021 | 7.250% | $ 750.0 | 619.8 | 679.1 | 619.8 |
| UPCB Finance VI Notes | January 15, 2022 | 6.875% | $ 750.0 | 619.8 | 675.2 | 619.8 |
| Total | | | | € 3,316.1 | € 3,536.3 | € 3,313.5 |

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

Subject to the circumstances described below, the UPCB Finance II Notes and the UPCB Finance III Notes are non-callable until July 1, 2015, the UPCB Finance V Notes are non-callable until November 15, 2016 and the UPCB Finance VI Notes are non-callable until January 15, 2017 (each a UPCB SPE Notes Call Date). If, however, at any time prior to the applicable UPCB SPE Notes Call Date, all or a portion of the loans under the related UPCB SPE Funded Facility are voluntarily prepaid (an Early Redemption Event), then the applicable UPCB SPE will be required to redeem an aggregate principal amount of its UPCB SPE Notes equal to the aggregate principal amount of loans so prepaid under the related UPCB SPE Funded Facility. In general, the redemption price payable will equal the sum of (i) 100% of the principal amount of the applicable UPCB SPE Notes to be redeemed, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price of such UPCB SPE Notes on the applicable UPCB SPE Notes Call Date, as determined in accordance with the table below, plus (2) all required remaining scheduled interest payments thereon due through the applicable UPCB SPE Notes Call Date (excluding accrued and unpaid interest to such redemption date), computed using the discount rate specified in the applicable UPCB SPE Indenture, over (b) the principal amount of such UPCB SPE Notes to be redeemed and (iii) accrued but unpaid interest thereon and additional amounts (as specified in the applicable UPCB SPE Indenture), if any, to the applicable redemption date (the Make-Whole Redemption Price). However, in the case of an Early Redemption Event with respect to Facility Z, AC or AD occurring prior to the applicable UPCB SPE Notes Call Date, the redemption price payable upon redemption of an aggregate principal amount of the relevant UPCB SPE Notes not exceeding 10% of the original aggregate principal amount of such UPCB SPE Notes during each twelve-month period commencing on February 16, 2011, in the case of Facility Z, November 16, 2011, in the case of Facility AC, or February 7, 2012, in the case of Facility AD, will equal 103% of the principal amount of the relevant UPCB SPE Notes redeemed plus accrued and unpaid interest thereon and additional amounts, if any, to the applicable redemption date. The redemption price payable for any principal amount of such UPCB SPE Notes redeemed in excess of the 10% limitation will be the Make-Whole Redemption Price.

Upon the occurrence of an Early Redemption Event on or after the applicable UPCB SPE Notes Call Date, the applicable UPCB SPE will redeem an aggregate principal amount of its UPCB SPE Notes equal to the principal amount of the related UPCB SPE Funded Facility prepaid at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest and additional amounts, (as specified in the applicable UPCB SPE Indenture), if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on January 15, in the case of the UPCB Finance I Notes and the UPCB Finance VI Notes, July 1, in the case of the UPCB Finance II Notes and the UPCB Finance III Notes, and November 15, in the case of the UPCB Finance V Notes, of the years set forth below:

| | Redemption Price | | | | |
|---|---|---|---|---|---|
| **Year** | **UPCB Finance I Notes** | **UPCB Finance II Notes** | **UPCB Finance III Notes** | **UPCB Finance V Notes** | **UPCB Finance VI Notes** |
| 2015 | 103.813% | 103.188% | 103.313% | N.A. | N.A. |
| 2016 | 102.542% | 102.125% | 102.208% | 103.625% | N.A. |
| 2017 | 101.271% | 101.063% | 101.104% | 102.417% | 103.438% |
| 2018 | 100.000% | 100.000% | 100.000% | 101.208% | 102.292% |
| 2019 | 100.000% | 100.000% | 100.000% | 100.000% | 101.146% |
| 2020 and thereafter | 100.000% | 100.000% | 100.000% | 100.000% | 100.000% |

For information regarding certain financing transactions completed subsequent to December 31, 2014 that impact the UPCB SPE Notes, see note 16.

***Maturities of Debt and Capital Lease Obligations***

Maturities of our debt and capital lease obligations as of December 31, 2014 are presented below and such amounts represent euro equivalents based on December 31, 2014 exchange rates:

*Debt:*

| | Third-party debt (a) | Shareholder Loan and related-party debt | Total |
|---|---|---|---|
| | | in millions | |
| Year ending December 31: | | | |
| 2015 | € 360.3 | € — | € 360.3 |
| 2016 | — | 27.5 | 27.5 |
| 2017 | — | — | — |
| 2018 | — | — | — |
| 2019 | — | — | — |
| Thereafter | 7,930.1 | 9,831.1 | 17,761.2 |
| Total debt maturities | 8,290.4 | 9,858.6 | 18,149.0 |
| Unamortized discount | (12.6) | — | (12.6) |
| Total debt | € 8,277.8 | € 9,858.6 | € 18,136.4 |
| Current portion | € 360.3 | € — | € 360.3 |
| Noncurrent portion | € 7,917.5 | € 9,858.6 | € 17,776.1 |

(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: | |
| 2015 | € 3.7 |
| 2016 | 3.6 |
| 2017 | 3.5 |
| 2018 | 2.8 |
| 2019 | 2.4 |
| Thereafter | 18.0 |
| Total principal and interest payments | 34.0 |
| Amounts representing interest | (11.2) |
| Present value of net minimum lease payments | € 22.8 |
| Current portion | € 2.0 |
| Noncurrent portion | € 20.8 |

***Non-cash Refinancing Transactions***

During 2014, 2013 and 2012, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating €1,005.3 million, €3,020.9 million and €666.6 million, respectively.

## (9) Income Taxes

UPC Holding and its Dutch subsidiaries are part of a Dutch tax fiscal unity with its ultimate Dutch parent company, Liberty Global Holding, and certain other non-UPC Holding subsidiaries. The Dutch fiscal unity combines individual tax-paying Dutch entities and their ultimate Dutch parent company as one taxpayer for Dutch tax purposes. Intercompany tax allocations between members of the Dutch Fiscal Unity are not subject to tax-sharing agreements and no cash payments are made between the companies related to the Dutch tax attributes. Furthermore, UMI has entered into a tax integration agreement and a profit-sharing agreement with its immediate parent, Unitymedia Hessen, who is primarily liable for the related tax obligations. As a result, UMI's income is fully attributed to Unitymedia Hessen and no provision for income taxes has been made in our consolidated financial statements for UMI on a separate return basis. The income taxes of subsidiaries other than UMI that are not included within the Dutch fiscal unity are included in our consolidated financial statements on a separate return basis for each tax-paying entity or group based on the local tax law.

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

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

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | | in millions | |
| Domestic | € (1,157.2) | € (814.8) | € (1,082.2) |
| Foreign | 222.5 | 157.7 | 132.7 |
| Total | € (934.7) | € (657.1) | € (949.5) |

Income tax expense consists of:

| | Current | Deferred | Total |
|---|---|---|---|
| | | in millions | |
| Year ended December 31, 2014: | | | |
| Domestic | € — | € — | € — |
| Foreign | (85.7) | (4.1) | (89.8) |
| Total | € (85.7) | € (4.1) | € (89.8) |
| Year ended December 31, 2013: | | | |
| Domestic | € — | € (0.5) | € (0.5) |
| Foreign | (64.7) | (4.3) | (69.0) |
| Total | € (64.7) | € (4.8) | € (69.5) |
| Year ended December 31, 2012: | | | |
| Domestic | € — | € 0.6 | € 0.6 |
| Foreign | (17.9) | (55.7) | (73.6) |
| Total | € (17.9) | € (55.1) | € (73.0) |

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:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | | in millions | |
| Computed "expected" tax benefit | € 233.7 | € 164.3 | € 237.4 |
| Non-deductible or non-taxable interest and other expenses (a) | (257.8) | (217.7) | (186.6) |
| Change in valuation allowances | (64.3) | (4.9) | (96.1) |
| Basis and other differences in the treatment of items associated with investments in subsidiaries and affiliates | 0.5 | 0.9 | (11.2) |
| Non-deductible or non-taxable foreign currency exchange results | (0.1) | (3.7) | (6.5) |
| Other, net | (1.8) | (8.4) | (10.0) |
| Total income tax expense | € (89.8) | € (69.5) | € (73.0) |

(a) On January 1, 2013, a change in tax legislation was enacted restricting the deductibility of interest expense in the Netherlands. This change resulted in no net impact to our current or deferred income taxes during 2013 as the increases in non-deductible interest were fully offset by decreases in our valuation allowances.

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

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | in millions | |
| Current deferred tax assets | € 10.8 | € 17.3 |
| Non-current deferred tax assets (a) | 20.2 | 14.2 |
| Current deferred tax liabilities (a) | (0.2) | (0.5) |
| Non-current deferred tax liabilities (a) | (101.2) | (93.9) |
| Net deferred tax liability | € (70.4) | € (62.9) |

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

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

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| | in millions | |
| **Deferred tax assets:** | | |
| Net operating loss and other carryforwards | € 1,144.2 | € 1,119.0 |
| Derivative instruments | 209.8 | 293.0 |
| Property and equipment, net | 157.5 | 173.7 |
| Debt | 145.4 | 47.6 |
| Intangible assets | 100.6 | 108.7 |
| Other future deductible amounts | 22.9 | 23.9 |
| Deferred tax assets | 1,780.4 | 1,765.9 |
| Valuation allowance | (1,683.2) | (1,632.6) |
| Deferred tax assets, net of valuation allowance | 97.2 | 133.3 |
| **Deferred tax liabilities:** | | |
| Property and equipment, net | (79.9) | (67.3) |
| Intangible assets | (54.5) | (63.7) |
| Debt | — | (32.6) |
| Other future taxable amounts | (33.2) | (32.6) |
| Deferred tax liabilities | (167.6) | (196.2) |
| Net deferred tax liability | € (70.4) | € (62.9) |

Our deferred income tax valuation allowance increased €50.6 million during 2014. This increase reflects the net effect of (i) the net tax expense related to our continuing operations of €64.3 million, (ii) foreign currency translation adjustments, (iii) the expiration of net operating losses and (iv) other individually insignificant items.

The significant components of our tax loss carryforwards and related tax assets at December 31, 2014 are as follows:

| Country | Tax loss carryforward | Related tax asset | Expiration date |
|---|---|---|---|
| | in millions | | |
| The Netherlands | € 2,693.3 | € 673.3 | 2017-2023 |
| Luxembourg | 688.5 | 201.2 | Indefinite |
| France | 483.5 | 166.5 | Indefinite |
| Ireland | 385.1 | 48.1 | Indefinite |
| Hungary | 173.4 | 33.0 | 2025 |
| Romania | 69.6 | 11.1 | 2016-2021 |
| Poland | 52.3 | 9.9 | 2015-2019 |
| Slovakia | 3.1 | 0.7 | 2015-2017 |
| Austria | 1.6 | 0.4 | Indefinite |
| Total | € 4,550.4 | € 1,144.2 | |

Our tax loss carryforwards within each jurisdiction combine all companies' tax losses (both capital and ordinary losses) in that jurisdiction, however, certain tax jurisdictions limit the ability to offset taxable income of a separate company or different tax group with the tax losses associated with another separate company or group. Most of the tax losses shown in the above table are not expected to be realized, including certain losses that are limited in use due to change in control or same business tests. In addition, the pre-fiscal unity losses in the Netherlands of Liberty Global Holding and of UPC Holding and its subsidiaries can only be offset with profits that occur within these groups. Losses that relate to UPC Holding and its subsidiaries can also be offset against profits of other entities within the fiscal unity of Liberty Global Holding.

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

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

In general, tax returns filed by our company or our subsidiaries for years prior to 2008 are no longer subject to examination by tax authorities.

The changes in our unrecognized tax benefits are summarized below:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| | | in millions | |
| Balance at January 1 | € 16.4 | € 16.8 | € 17.8 |
| Additions based on tax positions related to the current year | 9.0 | 1.5 | 4.2 |
| Additions for tax positions of prior years | 4.7 | 4.2 | 2.1 |
| Lapse of statute of limitations | (1.5) | (0.6) | (3.8) |
| Reductions for tax positions of prior years | (1.0) | (5.3) | (4.3) |
| Foreign currency translation | (0.2) | (0.2) | 0.8 |
| Balance at December 31 | € 27.4 | € 16.4 | € 16.8 |

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

As of December 31, 2014, our unrecognized tax benefits included €17.5 million of tax benefits that would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

No assurance can be given as to the nature or impact of any changes in our unrecognized tax positions during 2015.

## (10) Owners' Deficit

### *General*

UPC Holding is a private limited liability company under Dutch law. The authorized share capital of our company equals one hundred thousand euros (€100,000), divided into one thousand shares with a nominal value of one hundred euros (€100) each. As of December 31, 2014 and 2013, two hundred shares have been issued and fully paid-in. All shares are registered; no share certificates can be issued. All shares are ordinary shares for a private limited liability company under Dutch law. A shareholder wishing to transfer one or more shares must first offer such shares to co-shareholders in a written notification to the management board, stating the number of shares to be transferred, and the management board is required to notify the co-shareholders within two weeks. Co-shareholders then have two weeks to notify the management board of a decision to purchase the shares. If the company itself is a co-shareholder, it can only be entitled to act as an interested party with the consent of the offer or of the shares. Each shareholder has the right of pre-emption in proportion to the aggregate nominal value of its shares subject to certain limitations including as prescribed by Dutch Law. No preference or priority rights exist for profit distribution, voting or dissolution and liquidation.

***Deemed Distributions***

In January 2014, we made a capital contribution of €325.6 million to VTR, which was used to acquire a loan receivable (the UPC Broadband France Loan Receivable) from VTR to our subsidiary, UPC Broadband France SAS, and pay related accrued interest. In December 2013, we made a capital contribution of €525.0 million to VTR Finance. As a result of the change in reporting entities associated with the VTR Extraction, we have accounted for these transactions as a deemed distributions in our consolidated statements of owners' deficit and cash flows.

***Deemed Contributions***

During the years ended December 31, 2013 and 2012, VTR made aggregate cash distributions to our company of €96.7 million and €69.9 million, respectively. As a result of the change in reporting entities associated with the VTR Extraction, we have accounted for these transactions as deemed contributions in our consolidated statements of owners' deficit and cash flows.

## (11) 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:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | | in millions | |
| Liberty Global shares: | | | |
| Performance-based incentive awards (a) | € 14.9 | € 13.8 | € 7.3 |
| Other share-based incentive awards | 13.1 | 10.0 | 9.2 |
| Total Liberty Global shares | 28.0 | 23.8 | 16.5 |
| Other | — | 0.1 | 0.1 |
| Total | € 28.0 | € 23.9 | € 16.6 |
| Included in: | | | |
| Operating expense | € 0.1 | € 0.1 | € 0.1 |
| SG&A expense | 27.9 | 23.8 | 16.5 |
| Total | € 28.0 | € 23.9 | € 16.6 |

(a) Includes share-based compensation expense related to (i) Liberty Global performance-based restricted share units (PSUs) for all years presented and (ii) a challenge performance award plan issued on June 24, 2013 for certain executive officers and key employees of Liberty Global, including certain employees of our subsidiaries (the Challenge Performance Awards). 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 December 31, 2014:

| | Liberty Global ordinary shares (a) | Liberty Global performance-based awards (b) |
|---|---|---|
| Total compensation expense not yet recognized (in millions) | € 27.1 | € 18.8 |
| Weighted average period remaining for expense recognition (in years) | 2.6 | 1.4 |

(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 June 7, 2013) (the Liberty Global 2005 Incentive Plan), each as further described below. No further awards will be granted under the Liberty Global 2005 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:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Assumptions used to estimate fair value of options, SARs and PSARs granted: | | | |
| Risk-free interest rate | 0.99 - 1.31% | 0.36 - 1.14% | 0.37 - 0.66% |
| Expected life | 3.2 - 3.9 years | 3.2 - 4.0 years | 3.3 - 3.9 years |
| Expected volatility | 26.2 - 26.5% | 26.5 - 29.0% | 28.0 - 40.4% |
| Expected dividend yield | none | none | none |
| Weighted average grant-date fair value per share of awards granted: | | | |
| SARs | $ 8.06 | $ 7.14 | $ 6.42 |
| PSARs | $ — | $ 8.32 | $ — |
| Restricted share units (RSUs) | $ 39.73 | $ 35.84 | $ 24.63 |
| PSUs | $ 39.99 | $ 35.15 | $ 25.05 |
| Total intrinsic value of awards exercised (in millions): | | | |
| Options | € 0.5 | € 2.3 | € — |
| SARs | € 9.2 | € 12.2 | € 12.8 |
| PSARs | € 0.2 | € — | € — |
| Cash received by Liberty Global from exercise of options (in millions) | € 0.3 | € 1.1 | € — |

***Share Incentive Plans — Liberty Global Ordinary Shares***

*Incentive Plans*

As of December 31, 2014, Liberty Global was authorized to grant incentive awards under the Liberty Global 2014 Incentive Plan. Generally, the compensation committee of Liberty Global's board of directors may grant non-qualified share options, SARs, restricted shares, RSUs, cash awards, performance awards or any combination of the foregoing under any of these incentive plans (collectively, awards). Ordinary shares issuable pursuant to awards made under these incentive plans will be made available from either authorized but unissued shares or shares that have been issued but reacquired by Liberty Global. Awards may be granted at or above fair value in any class of ordinary shares. The maximum number of Liberty Global shares with respect to which awards may be issued under the Liberty Global 2014 Incentive Plan is 100 million (of which no more than 50 million shares may consist of Class B ordinary shares), subject to anti-dilution and other adjustment provisions in the respective plan. As of December 31, 2014, the Liberty Global 2014 Incentive Plan had 89,582,279 ordinary shares available for grant.

Awards (other than performance-based awards) under (i) the Liberty Global 2014 Incentive Plan and (ii) the Liberty Global 2005 Incentive Plan generally (a) vest 12.5% on the six month anniversary of the grant date and then vest at a rate of 6.25% each quarter thereafter and (b) expire seven years after the grant date. These awards may be granted at or above fair value in any class of ordinary shares. No further awards will be granted under the Liberty Global 2005 Incentive Plan.

*Performance Awards*

The following is a summary of the material terms and conditions with respect to Liberty Global's performance-based awards for certain executive officers and key employees.

*Liberty Global PSUs.* PSUs are granted to executive officers and key employees annually based on a target annual equity value for each executive and key employee, of which approximately two-thirds would be delivered in the form of an annual award of PSUs and approximately one-third in the form of an annual award of SARs. Each PSU represents the right to receive one Class A or Class C ordinary share, as applicable, subject to performance and vesting. Generally, the performance period for the PSUs covers a two-year period and the performance target is based on the achievement of a specified compound annual growth rate (CAGR) in a consolidated operating cash flow metric (as defined in the applicable underlying agreement), adjusted for events such as acquisitions, dispositions and changes in foreign currency exchange rates that affect comparability (OCF CAGR), and the participant's annual performance ratings during the two-year performance period. A performance range of 75% to 125% of the target OCF CAGR generally results in award recipients earning 50% to 150% of their respective PSUs, subject to reduction or forfeiture based on individual performance. The PSUs generally vest 50% on each of March 31 and September 30 of the year following the end of the performance period.

*Liberty Global Challenge Performance Awards.* Effective June 24, 2013, Liberty Global's compensation committee approved the Challenge Performance Awards, which consisted solely of PSARs for Liberty Global's senior executive officers and a combination of PSARs and PSUs for other executive officers and key employees. Each PSU represents the right to receive one Class A ordinary share or one Class C ordinary share of Liberty Global, as applicable, subject to performance and vesting. The performance criteria for the Challenge Performance Awards will be based on the participant's performance and achievement of individual goals in each of the years 2013, 2014 and 2015. Subject to forfeitures and the satisfaction of performance conditions, 100% of each participant's Challenge Performance Awards will vest on June 24, 2016. The PSARs have a term of seven years and base prices equal to the respective market closing prices of the applicable class on the grant date.

***Share-based Award Activity - Liberty Global Ordinary Shares***

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

| Options — Class A ordinary shares | Number of shares | Weighted average exercise price | Weighted average remaining contractual term | Aggregate intrinsic value |
|---|---|---|---|---|
| | | | in years | in millions |
| Outstanding at January 1, 2014 | — | $ — | | |
| Transfers | 46,499 | $ 19.50 | | |
| Exercised | (6,984) | $ 18.91 | | |
| Outstanding at December 31, 2014 (a) | 39,515 | $ 19.60 | 6.7 | $ 1.2 |
| Exercisable at December 31, 2014 | 10,134 | $ 17.77 | 5.9 | $ 0.3 |

| Options — Class C ordinary shares | Number of shares | Weighted average exercise price | Weighted average remaining contractual term | Aggregate intrinsic value |
|---|---|---|---|---|
| | | | in years | in millions |
| Outstanding at January 1, 2014 | — | $ — | | |
| Transfers | 114,959 | $ 18.22 | | |
| Exercised | (16,836) | $ 17.62 | | |
| Outstanding at December 31, 2014 (a) | 98,123 | $ 18.32 | 6.7 | $ 2.9 |
| Exercisable at December 31, 2014 | 24,886 | $ 16.65 | 5.9 | $ 0.8 |

(a) The euro equivalent amounts for the aggregate intrinsic value for outstanding Liberty Global Class A and Class C options are €1.0 million and €2.4 million, respectively.

| SARs — Class A ordinary shares | Number of shares | Weighted average base price | Weighted average remaining contractual term | Aggregate intrinsic value |
|---|---|---|---|---|
| | | | in years | in millions |
| Outstanding at January 1, 2014 | 1,064,866 | $ 27.09 | | |
| Granted | 625,168 | $ 40.94 | | |
| Forfeited | (85,843) | $ 33.37 | | |
| Exercised | (187,932) | $ 28.07 | | |
| Transfers | 42,354 | $ 19.67 | | |
| Outstanding at December 31, 2014 (a) | 1,458,613 | $ 32.24 | 4.9 | $ 26.2 |
| Exercisable at December 31, 2014 | 556,047 | $ 24.07 | 3.6 | $ 14.5 |

| SARs — Class C ordinary shares | 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 | 1,250,336 | $ 39.13 | | |
| Forfeited | (229,300) | $ 15.22 | | |
| Exercised | (535,655) | $ 26.55 | | |
| Transfers | 127,062 | $ 17.48 | | |
| Outstanding at December 31, 2014 (a) | 3,781,621 | $ 29.72 | 4.7 | $ 70.3 |
| Exercisable at December 31, 2014 | 1,595,069 | $ 22.83 | 3.6 | $ 40.6 |

(a) The euro equivalent amounts for the aggregate intrinsic value for outstanding Liberty Global Class A and Class C SARs are €21.7 million and €58.1 million, respectively.

| PSARs — Class A ordinary shares | 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 | (29,376) | $ 35.03 | | |
| Exercised | (3,125) | $ 35.03 | | |
| Transfers | 7,500 | $ 35.03 | | |
| Outstanding at December 31, 2014 (a) | 417,499 | $ 35.03 | 5.4 | $ 6.3 |
| Exercisable at December 31, 2014 | 7,499 | $ 35.03 | 1.8 | $ 0.1 |

| PSARs — Class C ordinary shares | 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 | (88,127) | $ 33.41 | | |
| Exercised | (9,375) | $ 33.41 | | |
| Transfers | 22,500 | $ 33.41 | | |
| Outstanding at December 31, 2014 (a) | 1,252,498 | $ 33.41 | 5.4 | $ 18.7 |
| Exercisable at December 31, 2014 | 22,498 | $ 33.41 | 1.8 | $ 0.3 |

(a) The euro equivalent amounts for the aggregate intrinsic value for outstanding Liberty Global Class A and Class C PSARs are €5.2 million and €15.5 million, respectively.

| RSUs — Class A ordinary shares | 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 | 64,928 | $ 40.94 | |
| Forfeited | (8,413) | $ 32.36 | |
| Released from restrictions | (57,006) | $ 30.42 | |
| Transfers | 40,284 | $ 37.87 | |
| Outstanding at December 31, 2014 | 135,498 | $ 37.06 | 3.6 |

| RSUs — Class C ordinary shares | 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 | 129,856 | $ 39.12 | |
| Forfeited | (23,457) | $ 29.92 | |
| Released from restrictions | (159,024) | $ 27.92 | |
| Transfers | 101,714 | $ 35.23 | |
| Outstanding at December 31, 2014 | 336,204 | $ 34.10 | 3.5 |

| PSUs — Class A ordinary shares | 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 | (26,542) | $ 38.54 | |
| Released from restrictions | (80,782) | $ 26.26 | |
| Transfers | 3,507 | $ 37.15 | |
| Outstanding at December 31, 2014 | 239,409 | $ 41.34 | 1.4 |

| PSUs — Class C ordinary shares | Number of shares | Weighted average grant-date fair value per share | Weighted average remaining contractual term |
|---|---|---|---|
| | | | in years |
| Outstanding at January 1, 2014 | 743,799 | $ 29.72 | |
| Granted | 271,364 | $ 39.44 | |
| Performance adjustment (a) | (121,167) | $ 24.69 | |
| Forfeited | (70,232) | $ 35.86 | |
| Released from restrictions | (242,346) | $ 24.81 | |
| Transfers | 10,521 | $ 34.60 | |
| Outstanding at December 31, 2014 | 591,939 | $ 36.71 | 1.3 |

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(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 December 31, 2014, all of the earned 2012 PSUs have been released from restrictions.

## (12) Related-party Transactions

Our related-party transactions are as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | | in millions | |
| Revenue | € 6.9 | € 12.1 | € 11.4 |
| Operating expenses | (21.7) | (46.4) | (58.8) |
| SG&A expenses | 10.6 | (6.8) | (1.9) |
| Allocated share-based compensation expense | (28.0) | (23.8) | (16.5) |
| Fees and allocations, net | 27.3 | (3.3) | 2.4 |
| Included in operating income | (4.9) | (68.2) | (63.4) |
| Interest expense | (884.3) | (863.6) | (848.5) |
| Interest income | 0.2 | 8.9 | 10.6 |
| Included in net loss | € (889.0) | € (922.9) | € (901.3) |
| Property and equipment additions, net | € (84.1) | € 136.7 | € 78.9 |

*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 applicable Liberty Global subsidiaries. The estimated amounts charged were reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year. The revisions to reflect the actual costs underlying our related-party fees and allocations for 2013, 2012 and 2011 amounted to increases (decreases) of €15.3 million, €2.2 million and (€0.7 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, 2013 and 2012, respectively. The revisions to reflect actual costs for our related-party operating and SG&A expenses for 2013, 2012 and 2011 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 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 as of January 1, 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.

For information regarding certain transactions subsequent to December 31, 2014 that impact our related-party fees and allocations, see note 16.

*Revenue.* Amounts consist primarily of 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. Virgin Media is a subsidiary of Liberty Global that is 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 €18.3 million, €51.9 million and

€57.6 million during 2014, 2013 and 2012, respectively, and (ii) programming and interconnect fees charged by certain of Liberty Global's affiliates of €7.7 million, €6.3 million and €10.0 million during 2014, 2013 and 2012, respectively. In addition, amounts reflect (a) €12.7 million, €9.9 million and €7.4 million during 2014, 2013 and 2012, respectively, of encryption and other operating expenses charged to Unitymedia KabelBW GmbH (Unitymedia KabelBW), (b) €7.7 million, €0.2 million and nil during 2014, 2013 and 2012, 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 (€0.7 million), €2.1 million and €1.4 million during 2014, 2013 and 2012, 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, Unitymedia KabelBW, LGE Ltd. and other subsidiaries of Liberty Global that are outside of UPC Holding that resulted in net charges (credits) of (€10.6 million), €6.8 million and €1.9 million during 2014, 2013 and 2012, respectively.

*Allocated share-based compensation expense*. As further described in note 11, 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 €106.1 million, €76.4 million and €53.7 million during 2014, 2013 and 2012, respectively, which were partially loan settled, (ii) net charges to (from) Liberty Global and certain other Liberty Global subsidiaries of (€41.6 million), (€11.0 million) and €10.3 million during 2014, 2013 and 2012, respectively, which were partially loan settled, (iii) aggregate net charges from LG B.V. and LGE Ltd. of €40.0 million, €68.7 million and €61.6 million during 2014, 2013 and 2012, respectively and (iv) charges to VTR Finance of €2.8 million, nil and nil during 2014, 2013 and 2012, 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.

During the first three quarters of 2014, we allocated technology-based costs from our company to other Liberty Global subsidiaries based on each subsidiaries' estimated proportionate share of these costs. During the fourth quarter of 2014, we changed the approach used to determine the amounts to be charged by our company for technology services to other Liberty Global subsidiaries to a royalty-based method that was made retroactively effective to January 1, 2014. During 2014, the €41.0 million proportional share of the technology-based costs we charged to other subsidiaries was €24.4 million more than the royalty-based technology fees we charged under the new approach. Accordingly, the €24.4 million portion of our related-party receivables that was attributable to this excess amount is reflected as a deemed distribution of technology-related services in our consolidated statement of owners' deficit. These technology-based charges are payable quarterly and are cash settled unless otherwise determined by UPC Germany and Unitymedia KabelBW. In connection with the Corporate Entities Transfer and the implementation of the 2015 Liberty Global Allocation Methodology (each as defined and described in note 16), our company will receive technology-based charges from other Liberty Global subsidiaries beginning in the first quarter of 2015. The charges under the new royalty-based fees are expected to escalate in future periods. Any excess of these charges over our estimated proportionate share of the underlying technology-based costs will be classified as management fees and added back to arrive at the consolidated EBITDA figure used in our leverage covenant calculations.

*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 8.

*Interest income.* Amounts represent interest income related to (i) the UPC Broadband France Loan Receivable, which, as described in note 10, was effectively settled in January 2014, and (ii) during the 2013 and 2012 periods, our loan receivable from Unitymedia Hessen, which was repaid during the second quarter of 2013.

*Property and equipment additions, net*. These amounts (i) primarily represent the carrying values of customer premises and network-related equipment acquired from other Liberty Global subsidiaries, including LG B.V., net of the carrying values of equipment transferred to other Liberty Global subsidiaries outside of UPC Holding, and (ii) are generally cash settled.

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

| | December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | in millions | |
| Related-party receivables (a) | € 167.2 | € 239.7 |
| Other noncurrent assets (b) | € 0.1 | € 319.0 |
| Accounts payable | € 92.3 | € 92.4 |
| Accrued liabilities (c) | 99.5 | 479.1 |
| Shareholder Loan (note 8) | 9,752.7 | 9,695.4 |
| Other related-party debt (note 8) | 105.9 | 74.7 |
| Other long-term liabilities (d) | 8.4 | 2.6 |
| Total | € 10,058.8 | € 10,344.2 |

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(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 8. 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 the UPC Broadband France Loan Receivable. For additional information, see note 10.

(c) The 2013 amount includes a non-interest bearing advance from another subsidiary of Liberty Global that is outside of UPC Holding, payable on demand. During 2014, this advance was repaid in full.

(d) Primarily includes related-party accrued interest. For additional information, see note 8.

During 2014, 2013 and 2012, we recorded aggregate capital charges of €27.6 million, €35.8 million and €25.7 million, respectively, in our 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. These capital charges, which we and Liberty Global have agreed will not exceed the cumulative amount of share-based compensation allocated to our company by Liberty Global, are based on the fair value of the underlying Liberty Global shares on the exercise or vesting date, as applicable.

LG B.V. leases certain property and equipment on our behalf, which is then contributed by LG B.V. to our company. During 2014, 2013 and 2012, LG B.V.'s carrying values in such property and equipment of €18.6 million, €22.6 million and €10.2 million, respectively, have been reflected as decreases to parent's deficit in our consolidated statements of owners' deficit.

For information concerning transactions completed subsequent to December 31, 2014 that impact our related-party transactions, see note 16.

## (13) Accumulated Other Comprehensive Earnings

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

| | Parent | | | | |
|---|---|---|---|---|---|
| | Foreign currency translation adjustments | Pension related adjustments (a) | Accumulated other comprehensive earnings | Non-controlling interests | Total accumulated other comprehensive earnings |
| | in millions | | | | |
| Balance at January 1, 2012 | € 518.2 | € (10.6) | € 507.6 | € 0.7 | € 508.3 |
| Other comprehensive earnings | 9.5 | 8.9 | 18.4 | — | 18.4 |
| Balance at December 31, 2012 | 527.7 | (1.7) | 526.0 | 0.7 | 526.7 |
| Other comprehensive loss | (27.4) | 10.3 | (17.1) | (0.3) | (17.4) |
| Balance at December 31, 2013 | 500.3 | 8.6 | 508.9 | 0.4 | 509.3 |
| Other comprehensive earnings | 43.4 | (25.2) | 18.2 | 0.4 | 18.6 |
| Balance at December 31, 2014 | € 543.7 | € (16.6) | € 527.1 | € 0.8 | € 527.9 |

(a) The pension related adjustments included in other comprehensive earnings (loss) are net of income tax benefit (expense) of €3.8 million, (€2.2 million) and (€2.9 million) for the years ended December 31, 2014, 2013 and 2012, respectively.

## (14) 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 December 31, 2014 are presented below:

| | Payments due during: | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | Thereafter | Total |
| | in millions | | | | | | |
| Operating leases | € 49.3 | € 39.3 | € 32.6 | € 27.7 | € 24.2 | € 121.6 | € 294.7 |
| Purchase commitments | 228.9 | 27.0 | 7.8 | — | — | — | 263.7 |
| Network and connectivity commitments | 60.5 | 33.1 | 22.7 | 8.4 | 8.6 | 12.0 | 145.3 |
| Programming commitments | 43.0 | 28.8 | 16.9 | 8.8 | 4.0 | — | 101.5 |
| Other commitments | 77.7 | 53.0 | 45.1 | 31.3 | 9.4 | 22.2 | 238.7 |
| Total (a) | € 459.4 | € 181.2 | € 125.1 | € 76.2 | € 46.2 | € 155.8 | € 1,043.9 |

(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2014 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 €18.0 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. The amounts reflected in the table with respect to certain of our MVNO commitments represent fixed minimum amounts payable under these agreements and, therefore, may be significantly less than the actual amounts we ultimately pay in these periods.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us 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 that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. 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 2014, 2013 and 2012, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €421.6 million, €410.2 million, and €402.0 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 our derivative instruments, including the net cash paid or received in connection with these instruments during 2014, 2013 and 2012, see note 5.

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

Rental expense under non-cancelable operating lease arrangements amounted to €81.0 million, €76.1 million and €71.1 million during 2014, 2013 and 2012, respectively. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

We have established various defined contribution benefit plans for our and our subsidiaries' employees. The aggregate expense of our matching contributions under the various defined contribution employee benefit plans was €20.3 million, €19.0 million and €16.5 million during 2014, 2013 and 2012, respectively.

***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), 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 Parliament 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 such resale obligation. These laws became effective on January 1, 2013, notwithstanding the above-described November 5, 2012 decision of the Dutch Supreme Administrative Court. On January 29, 2014, a Dutch civil court, in a proceeding initiated by UPC Nederland, 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 resale obligation laws were formally withdrawn on November 26, 2014. We consider the withdrawal of the resale obligation laws to be the final resolution of this matter.

*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 demonstrates continued momentum around the FTT, uncertainty remains as to when the FTT would be implemented and the breadth of its application. Based on our understanding of the current status of the potential FTT, we do not expect that any implementation of the FTT would occur before 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.* Video distribution, broadband internet, fixed-line telephony, mobile and content businesses are regulated in each of the countries in which we operate. The scope of regulation varies from country to country, although in some significant respects regulation in European markets is harmonized under the regulatory structure of the EU. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

*Other.* In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving VAT and wage, property and other tax issues and (iii) disputes over interconnection, programming, copyright and 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.

## (15) 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.

During the fourth quarter of 2014, we began presenting (i) our operations in Switzerland and Austria as one combined operating segment and (ii) the operations of UPC DTH as part of our Central and Eastern Europe operating segment. These changes were made as a result of Liberty Global's internal changes in organizational structures, changes in how these segments are evaluated and monitored by Liberty Global's chief operating decision maker and the integration of certain functions within these reportable segments. Previously, (a) our operations in Switzerland were a separate reportable segment, (b) our operations in Ireland and Austria were combined into one reportable segment, "Other Western Europe," and (c) the operations of UPC DTH were included in our central and other category. Segment information for all periods presented has been revised to reflect the above-described changes. For information regarding certain transactions that were completed subsequent to December 31, 2014, that impact our segments, see note 16.

As of December 31, 2014, our reportable segments are as follows:

- Switzerland/Austria
- The Netherlands
- Ireland
- 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 B2B services and certain of our reportable segments provide mobile services. At December 31, 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. In addition to UPC DTH, our Central and Eastern Europe segment includes our broadband communications operations in the Czech Republic, Hungary, Poland, Romania and Slovakia. Our central and other category includes (a) costs associated with certain centralized functions, including billing systems, network operations, technology, marketing, facilities, finance and other administrative functions, and (b) intersegment eliminations.

*Performance Measures of Our Reportable Segments*

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2013 (a) | | 2012 (a) | |
| | Revenue | Operating cash flow | Revenue | Operating cash flow | Revenue | Operating cash flow |
| | in millions | | | | | |
| Switzerland/Austria | € 1,390.1 | € 794.9 | € 1,330.0 | € 756.8 | € 1,307.6 | € 728.3 |
| The Netherlands | 923.4 | 537.9 | 935.3 | 543.1 | 955.6 | 573.1 |
| Ireland | 352.8 | 171.4 | 349.0 | 163.8 | 331.5 | 147.0 |
| Total Western Europe | 2,666.3 | 1,504.2 | 2,614.3 | 1,463.7 | 2,594.7 | 1,448.4 |
| Central and Eastern Europe | 948.0 | 438.4 | 957.5 | 439.9 | 957.3 | 457.8 |
| Central and other | (0.1) | (198.2) | 2.7 | (171.0) | 1.4 | (148.3) |
| Total | € 3,614.2 | € 1,744.4 | € 3,574.5 | € 1,732.6 | € 3,553.4 | € 1,757.9 |

(a) As retrospectively revised – see note 4.

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

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 (a) | 2012 (a) |
| | in millions | | |
| Total segment operating cash flow | € 1,744.4 | € 1,732.6 | € 1,757.9 |
| Share-based compensation expense | (28.0) | (23.9) | (16.6) |
| Related-party fees and allocations, net | 27.3 | (3.3) | 2.4 |
| Depreciation and amortization | (885.0) | (864.0) | (896.8) |
| Impairment, restructuring and other operating items, net | (6.0) | (2.4) | (7.0) |
| Operating income | 852.7 | 839.0 | 839.9 |
| Interest expense: | | | |
| Third-party | (511.1) | (593.0) | (593.7) |
| Related-party | (884.3) | (863.6) | (848.5) |
| Interest income | 1.0 | 10.0 | 13.2 |
| Realized and unrealized gains (losses) on derivative instruments, net | 103.1 | (62.4) | (515.9) |
| Foreign currency transaction gains (losses), net | (456.5) | 78.4 | 166.1 |
| Losses on debt modification and extinguishment, net | (42.0) | (75.3) | (12.7) |
| Other income, net | 2.4 | 9.8 | 2.1 |
| Loss before income taxes | € (934.7) | € (657.1) | € (949.5) |

(a) As retrospectively revised – see note 4.

***Balance Sheet Data of our Reportable Segments***

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

| | Long-lived assets | | Total assets | |
|---|---|---|---|---|
| | December 31, | | December 31, | |
| | 2014 | 2013 (a) | 2014 | 2013 (a) |
| | in millions | | | |
| Switzerland/Austria | € 4,380.9 | € 4,323.6 | € 4,675.2 | € 4,610.0 |
| The Netherlands | 1,785.2 | 1,810.5 | 2,000.5 | 2,049.0 |
| Ireland | 542.1 | 545.0 | 587.1 | 587.8 |
| Total Western Europe | 6,708.2 | 6,679.1 | 7,262.8 | 7,246.8 |
| Central and Eastern Europe | 2,033.0 | 2,102.2 | 2,110.6 | 2,185.2 |
| Central and other | 365.1 | 304.2 | 1,200.8 | 1,588.0 |
| Total | € 9,106.3 | € 9,085.5 | € 10,574.2 | € 11,020.0 |

(a) As retrospectively revised – see note 4.

***Property and Equipment Additions of our Reportable Segments***

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

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 (a) | 2012 (a) |
| | in millions | | |
| Switzerland/Austria | € 246.8 | € 230.7 | € 173.2 |
| The Netherlands | 159.2 | 182.8 | 172.3 |
| Ireland | 56.0 | 54.4 | 112.7 |
| Total Western Europe | 462.0 | 467.9 | 458.2 |
| Central and Eastern Europe | 201.4 | 204.4 | 176.7 |
| Central and other | 170.8 | 172.7 | 120.2 |
| Property and equipment additions | 834.2 | 845.0 | 755.1 |
| Assets acquired under capital-related vendor financing arrangements | (332.6) | (177.0) | (160.6) |
| Assets acquired under capital leases | (0.9) | (1.5) | (1.9) |
| Assets contributed by parent company | (18.6) | (22.6) | (10.2) |
| Changes in current liabilities related to capital expenditures (including related-party amounts) | (17.7) | 23.9 | (10.8) |
| Total capital expenditures | € 464.4 | € 667.8 | € 571.6 |

(a) As retrospectively revised – see note 4.

***Revenue by Major Category***

Our revenue by major category is set forth below:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 (a) | 2012 (a) |
| | | in millions | |
| Subscription revenue (b): | | | |
| Video | € 1,750.8 | € 1,723.5 | € 1,755.6 |
| Broadband internet | 983.0 | 955.2 | 901.9 |
| Fixed-line telephony | 471.3 | 466.2 | 464.4 |
| Cable subscription revenue | 3,205.1 | 3,144.9 | 3,121.9 |
| Mobile subscription revenue | 2.0 | 1.4 | 1.9 |
| Total subscription revenue | 3,207.1 | 3,146.3 | 3,123.8 |
| B2B revenue (c) | 259.8 | 253.9 | 263.9 |
| Other revenue (d) | 147.3 | 174.3 | 165.7 |
| Total revenue | € 3,614.2 | € 3,574.5 | € 3,553.4 |

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(a) As retrospectively revised – see note 4.

(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 €77.3 million, €58.2 million and €41.0 million, 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:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 (a) | 2012 (a) |
| | | in millions | |
| Switzerland | € 1,065.2 | € 1,002.5 | € 979.6 |
| The Netherlands | 923.4 | 935.3 | 955.6 |
| Poland | 353.7 | 346.6 | 349.8 |
| Ireland | 352.8 | 349.0 | 331.5 |
| Austria | 324.9 | 327.5 | 328.0 |
| Hungary | 189.8 | 193.6 | 193.1 |
| The Czech Republic | 145.7 | 165.4 | 176.1 |
| Romania | 112.1 | 105.6 | 101.1 |
| Slovakia | 47.3 | 47.9 | 47.4 |
| Other (b) | 99.3 | 101.1 | 91.2 |
| Total | € 3,614.2 | € 3,574.5 | € 3,553.4 |

(a) As retrospectively revised – see note 4.

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

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

| | December 31, | |
|---|---|---|
| | 2014 | 2013 (a) |
| | in millions | |
| Switzerland | € 3,486.7 | € 3,441.7 |
| The Netherlands | 1,785.2 | 1,810.5 |
| Austria | 894.2 | 881.9 |
| Poland | 812.8 | 854.6 |
| Ireland | 542.1 | 545.0 |
| The Czech Republic | 479.7 | 492.9 |
| Hungary | 442.8 | 464.6 |
| Romania | 161.5 | 152.0 |
| Slovakia | 91.3 | 95.0 |
| Other (b) | 410.0 | 347.3 |
| Total | € 9,106.3 | € 9,085.5 |

(a) As retrospectively revised – see note 4.

(b) Primarily represents long-lived assets of our central operations, which are located in the Netherlands.

## (16) Subsequent Events

### *Overview*

During the first quarter of 2015, Liberty Global undertook the financing transactions described below in connection with certain internal reorganizations of its broadband and wireless communications businesses in Europe. These internal reorganizations include:

- the transfer on February 12, 2015 of UPC Broadband Ireland Ltd. (UPC Ireland) and its subsidiaries from our company to certain other subsidiaries of Liberty Global outside of UPC Holding (the UPC Ireland Transfer);
- the transfer on March 5, 2015 of UPC Nederland and its subsidiaries to another subsidiary of Liberty Global outside of UPC Holding (the UPC NL Transfer); and
- the transfer on March 19, 2015 of Liberty Global Services II B.V. (Liberty Global Services II) and Liberty Global Operations B.V. (Liberty Global Operations) from our company to certain other subsidiaries of Liberty Global that are outside of UPC Holding (the Corporate Entities Transfer). Liberty Global Services II and Liberty Global Operations incur central and other administrative costs.

### *UPC Ireland Transfer*

The UPC Ireland Transfer comprised the transfer of (i) 100% of the shares of UPC Ireland and (ii) a €634.3 million note receivable, for total consideration of €1,722.0 million. This amount was settled through (a) a €1,175.7 million cash payment and (b) a €546.3 million non-cash reduction to the Shareholder Loan. The cash consideration from the UPC Ireland Transfer, together with additional cash of €181.0 million that was funded through the Shareholder Loan, was used to (1) redeem the full principal amount of the UPC Holding 8.375% Senior Notes, together with accrued and unpaid interest and related redemption premium, (2) prepay in full the €500.0 million outstanding principal amount of Facility V under the UPC Broadband Holding Bank Facility, together with accrued and unpaid interest and the redemption premium related to the UPCB Finance I Notes, to UPCB Finance I and, in turn UPCB Finance I used such proceeds to fully redeem the UPCB Finance I Notes and (3) prepay €115.0 million principal amount, together with accrued and unpaid interest, of the €460.0 million borrowings outstanding under Facility AI, which was drawn subsequent to December 31, 2014.

### *UPC NL Transfer*

The UPC NL Transfer comprised the transfer of 100% of the shares of UPC Nederland for total consideration of €5,371.8 million, all of which was settled through a non-cash reduction to the Shareholder Loan. In connection with the UPC NL Transfer (i) certain lenders under the existing Facility AG under the UPC Broadband Holding Bank Facility completed a non-cash roll of €684.2 million of their Facility AG commitments into a new euro-denominated term loan (Facility AJ) under the UPC Broadband Holding Bank Facility and (ii) the lenders under Facility AJ increased their commitments to €689.2 million and rolled these commitments into a new euro denominated term loan facility borrowed by another subsidiary of Liberty Global outside of UPC Holding.

In addition, we borrowed cash of €1,465.6 million under the Shareholder Loan to prepay (i) the remaining outstanding principal amount of Facility AG under the UPC Broadband Holding Bank Facility, together with accrued and unpaid interest, and (ii) €560.0 million of the outstanding principal amount of Facility Y under the UPC Broadband Holding Bank Facility, together with accrued and unpaid interest and the redemption premium related to the UPCB Finance II Notes, to UPCB Finance II and, in turn UPCB Finance II used such proceeds to redeem €560.0 million of the outstanding principal amount of the UPCB Finance II Notes.

### *Corporate Entities Transfer*

The Corporate Entities Transfer comprised the distribution of 100% of the shares of (i) Liberty Global Services II and (ii) Liberty Global Operations to LGE Financing.

In connection with the Corporate Entities Transfer and the Liberty Global internal reorganizations mentioned above, Liberty Global will be changing the processes it uses to charge fees and allocate costs and expenses from one subsidiary to another, which, as further described below, will impact the calculation of the "EBITDA" metric specified by our debt agreements. This new methodology (the 2015 Liberty Global Allocation Methodology), which will be implemented during the first quarter of 2015, is intended to ensure that Liberty Global continues to allocate its central and administrative costs to its borrowing groups on a fair and rational basis. The implementation of the 2015 Liberty Global Allocation Methodology will be effected through the Corporate Entities Transfer and will result in future decreases to our operating and SG&A expenses and increases to our related-party fees and allocations. Beginning with the first quarter of 2015, Liberty Global Services II and Liberty Global Operations, along with certain other subsidiaries of Liberty Global, will charge fees and allocate costs and expenses to our company and other Liberty Global subsidiaries, as appropriate. Subject to the specific terms contained in our debt agreements, the implementation of the 2015 Liberty Global Allocation Methodology will impact the calculation of the EBITDA metric for our company as the amount of related-party fees and allocations that is included in our EBITDA metric will change. In this regard, the components of related-party fees and allocations that are deducted to arrive at our EBITDA metric in 2015 and future periods will be based on (i) the amount and nature of costs incurred by the allocating Liberty Global subsidiaries during the period, (ii) the allocation methodologies in effect during the period and (iii) the size of the overall pool of entities that are charged fees and allocated costs, such that changes in any of these factors would likely result in changes to the amount of related-party fees and allocations that will be deducted to arrive at our EBITDA metric in future periods. For example, to the extent that another of Liberty Global's subsidiary borrowing groups were to acquire (sell) an operating entity, and assuming no change in the total costs incurred by the allocating entities, the fees charged and the costs allocated to our company would decrease (increase).

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

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

- *Forward-Looking Statements.* This section provides a description of certain factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Results of Operations.* This section provides an analysis of our results of operations for the years ended December 31, 2014, 2013 and 2012.
- *Liquidity and Capital Resources.* This section provides an analysis of our corporate and subsidiary liquidity, consolidated statements of cash flows and contractual commitments.
- *Critical Accounting Policies, Judgments and Estimates.* This section discusses those material accounting policies that contain uncertainties and require significant judgment in their application.

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

Unless otherwise indicated, convenience translations into euros are calculated, and operational data (including subscriber statistics) are presented, as of December 31, 2014.

### Forward-Looking Statements

Certain statements in this annual report constitute forward-looking statements. To the extent that statements in this annual report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations may* contain forward-looking statements, including statements regarding our growth prospects and our strategic, operating and finance initiatives over the next few years, the percentage of revenue represented by our property and equipment additions in 2015, our future projected cash flows, subscriber growth and retention rates, competitive, regulatory and economic factors, anticipated cost increases and target leverage levels, our future projected contractual commitments and other information and statements that are not historical fact. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the 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 industries 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 (including our third-party wireless network providers under our MVNO arrangements) to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our digital video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- the leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

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

**Overview**

We are an international provider of (i) video, broadband internet and fixed-line telephony services in nine European countries and (ii) mobile services in five 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 consolidated financial statements, we completed the VTR Extraction in January 2014. We have accounted for the VTR Extraction as a common control transfer. As a result, all financial and operating information has been retrospectively revised to give effect to the VTR Extraction for all periods presented. For information regarding certain other reporting entity changes that were completed subsequent to December 31, 2014, see note 16 to our consolidated financial statements.

Our analog cable service offerings include basic programming and, in some markets, expanded basic programming. We tailor both our basic channel line-up and our additional channel offerings to each system according to culture, demographics, programming preferences and local regulation. Our digital cable service offerings include basic and premium programming and incremental product and service offerings such as enhanced pay-per-view programming (including video-on-demand), digital video recorders and high definition programming.

We have launched "Horizon TV" in the Netherlands, Switzerland and Ireland and cloud-based Horizon TV in Poland. Horizon TV is a family of media products that allows customers to view and share content across the television, computer, tablet and smartphone. Horizon TV is powered by a user interface that provides customers a seamless intuitive way to access linear, time-shifted, on-demand and web-based content on the television. It also features an advanced set-top box that delivers not only video, but also internet and voice connections along with a wireless network for the home. For our Horizon TV customers, we also offer applications for various services. We are expanding the Horizon TV experience through cloud TV, including cloud digital video recorders, video-on-demand navigation and advanced applications. In November 2014, we launched this cloud-based Horizon TV platform in select areas in Poland, followed by a full commercial launch in January 2015. In addition, we have launched our subscriber-video-on-demand offering, which we refer to as "MyPrime". MyPrime is a subscription-based on-demand video library that allows customers to choose from several thousand classic films, children's programs, series and documentaries. We have launched MyPrime in the Netherlands, Switzerland, Poland and Hungary. We intend to (i) expand the availability of Horizon TV and MyPrime to other markets within our footprint and (ii) continue to improve the Horizon TV user experience with new functionality and software updates.

Although our digital television signals are encrypted in many of the countries in which we operate, our basic digital television channels in Switzerland, Austria, Romania, the Czech Republic, Poland and the Netherlands are unencrypted. Where our basic digital television channels are unencrypted, subscribers who have the necessary equipment and who pay the monthly subscription fee for our analog package are able to watch our basic digital television channels. Regardless of whether basic digital television channels are offered on an unencrypted basis, expanded channel packages and premium channels and services continue to be available for an incremental monthly fee in all of our markets. In markets where we introduce unencryption, we generally expect to experience a positive impact on our subscriber disconnect levels and a somewhat negative impact on demand for lower tiers of digital cable services.

We offer broadband internet services in all of our broadband communications markets. Our residential subscribers generally access the internet at various download speeds ranging up to 250 Mbps (500 Mbps in limited areas), depending on the market and the tier of service selected. We determine pricing for each tier of broadband internet service through analysis of speed, market conditions and other factors.

We offer fixed-line telephony services in all of our broadband communications markets, primarily using voice-over-internet-protocol technology. In addition, we offer mobile services using third-party networks in Poland, Hungary, the Netherlands, Switzerland and Austria.

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

We strive to achieve organic revenue and customer growth in our operations by developing and marketing bundled entertainment and information and communications services, and extending and upgrading the quality of our networks where appropriate. As we use the term, organic growth excludes foreign currency translation effects (FX) and the estimated impact of acquisitions. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our digital cable, broadband internet, fixed-line telephony and mobile services with existing customers through product bundling and upselling.

At December 31, 2014, we owned and operated networks that passed 15,874,600 homes and served 16,985,700 revenue generating units (RGUs), consisting of 7,997,000 video subscribers, 5,215,000 broadband internet subscribers and 3,773,700 fixed-line telephony subscribers.

Including the effects of acquisitions, we added a total of 401,100 RGUs during 2014. Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition date RGU additions, we added 324,100 RGUs on an organic basis during 2014. The organic RGU growth during 2014 is attributable to the growth of our (i) broadband internet services, which added 310,600 RGUs, (ii) digital cable services, which added 259,700 RGUs and (iii) fixed-line telephony services, which added 197,200 RGUs. The growth of our broadband internet, digital cable and fixed-line telephony services was partially offset by a decline in our analog cable RGUs of 439,500 and a less significant decline in our multi-channel multi-point (microwave) distribution system (MMDS) video RGUs.

We are experiencing significant competition from incumbent telecommunications operators (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) an organic decline in overall revenue in the Netherlands during the fourth quarter of 2014, as compared to the fourth quarter of 2013;

(ii) organic declines during the fourth 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, (b) fixed-line telephony RGUs in the Netherlands and (c) total RGUs in the Netherlands and Switzerland; and

(iii) organic declines in overall cable ARPU in majority of our markets during the fourth quarter of 2014, as compared to the fourth quarter of 2013.

In addition to competition, our operations are subject to macroeconomic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S. and several European countries in which we operate, combined with weak growth and high unemployment, could lead to fiscal reforms (including austerity measures), tax increases, sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our company. Given our significant exposure to the euro, the occurrence of any of these events within the eurozone countries could have an adverse impact on, among other matters, our liquidity and cash flows.

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

We rely on third-party vendors for the equipment, software and services that we require in order to provide services to our customers. Our suppliers often conduct business worldwide and their ability to meet our needs is subject to various risks, including political and economic instability, natural calamities, interruptions in transportation systems, terrorism and labor issues. As a result, we may not be able to obtain the equipment, software and services required for our businesses on a timely basis or on satisfactory terms. Any shortfall in customer premises equipment could lead to delays in connecting customers to our services, and accordingly, could adversely impact our ability to maintain or increase our RGUs, revenue and cash flows.

### Results of Operations

As noted under *Overview* above, the comparability of our operating results during 2014, 2013 and 2012 is affected by acquisitions. In the following discussion, we quantify the estimated impact of acquisitions on our operating results. The acquisition impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the acquisition impact on an acquired entity's operating results during the first three months following the acquisition date such that changes from those operating results in subsequent periods are considered to be organic changes. Accordingly, in the following discussion, variances attributed to an acquired entity during the first twelve months following the acquisition date represent differences between the estimated acquisition impact and the actual results.

Changes in foreign currency exchange rates have a significant impact on our reported operating results as certain of our operating segments have functional currencies other than the euro. Our primary exposure to FX risk during 2014 was to the Swiss franc and other local currencies in Europe. In this regard, 52.1% of our euro revenue during the three months ended December 31, 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, including information regarding certain changes to our reportable segments that we made during the fourth quarter of 2014, see note 15 to our 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 15 to our consolidated financial statements) as well as an analysis of operating cash flow by reportable segment for (i) 2014, as compared to 2013, and (ii) 2013, as compared to 2012. 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 2014, 2013 and 2012 at the end of this section.

The revenue of our reportable segments includes revenue earned from (i) subscribers to our broadband communications and mobile services and (ii) B2B services, interconnect fees, installation fees, channel carriage fees, late fees and advertising. Consistent with the presentation of our revenue categories in note 15 to our consolidated financial statements, we use the term "subscription revenue" in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees 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 VAT or similar revenue-based taxes. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases on to our customers. In the case of revenue-based taxes for which we are the ultimate taxpayer, we will also experience increases in our operating expenses and corresponding declines in our operating cash flow and operating cash flow margins to the extent of any such tax increases. In this regard, certain changes regarding VAT took effect on January 1, 2015, including a change in how VAT is calculated with respect to the operations of UPC DTH in Hungary, the Czech Republic and Slovakia. As compared to 2014 levels, this change is expected to result in an increase in UPC DTH's annual VAT payments during 2015 ranging from approximately €12 million to €14 million.

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***

*Revenue — 2014 compared to 2013*

| | Year ended December 31, | | Increase (decrease) | | Organic increase (decrease) |
|---|---|---|---|---|---|
| | 2014 | 2013 | € | % | % |
| | | in millions | | | |
| Switzerland/Austria | € 1,390.1 | € 1,330.0 | € 60.1 | 4.5 | 3.1 |
| The Netherlands | 923.4 | 935.3 | (11.9) | (1.3) | (1.3) |
| Ireland | 352.8 | 349.0 | 3.8 | 1.1 | 1.1 |
| Total Western Europe | 2,666.3 | 2,614.3 | 52.0 | 2.0 | 1.3 |
| Central and Eastern Europe | 948.0 | 957.5 | (9.5) | (1.0) | 0.7 |
| Central and other | (0.1) | 2.7 | (2.8) | N.M. | N.M. |
| Total | € 3,614.2 | € 3,574.5 | € 39.7 | 1.1 | 1.1 |

N.M. — Not Meaningful.

*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.

*Switzerland/Austria.* The increase in Switzerland/Austria's revenue during 2014, as compared to 2013, includes (i) an organic increase of €41.8 million or 3.1%, (ii) the impact of acquisitions and (iii) the impact of FX, as set forth below:

| | Subscription revenue | Non-subscription revenue | Total |
|---|---|---|---|
| | | in millions | |
| Increase in cable subscription revenue due to change in: | | | |
| Average number of RGUs (a) | € 27.4 | € — | € 27.4 |
| ARPU (b) | 14.3 | — | 14.3 |
| Total increase in cable subscription revenue | 41.7 | — | 41.7 |
| Increase in mobile subscription revenue | 0.8 | — | 0.8 |
| Total increase in subscription revenue | 42.5 | — | 42.5 |
| Increase in B2B revenue (c) | — | 5.1 | 5.1 |
| Decrease in other non-subscription revenue (d) | — | (5.8) | (5.8) |
| Total organic increase (decrease) | 42.5 | (0.7) | 41.8 |
| Impact of acquisitions | 5.5 | (1.3) | 4.2 |
| Impact of FX | 12.2 | 1.9 | 14.1 |
| Total | € 60.2 | € (0.1) | € 60.1 |

(a) The increase in Switzerland/Austria's cable subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of broadband internet, digital cable and fixed-line telephony RGUs in each of Switzerland and Austria that were largely offset by a decline in the average number of analog cable RGUs in each of Switzerland and Austria.

(b) The increase in Switzerland/Austria's cable subscription revenue related to a change in ARPU is due to an increase in Switzerland that was only partially offset by a decrease in Austria. The increase in Switzerland is primarily due to (i) an improvement in RGU mix and (ii) a net increase primarily resulting from the following factors: (a) higher ARPU due to the inclusion of higher-priced tiers of fixed-line telephony and broadband internet services in Switzerland's bundles, including the impact of price increases in April 2014 and January 2014, (b) lower ARPU due to a decrease in fixed-line telephony call volumes and (c) lower ARPU due to the impact of higher bundling discounts. The decrease in Austria is primarily due to (1) a net decrease resulting from the following factors: (A) higher ARPU due to a January 2014 price increase for video services, (B) lower ARPU due to the impact of an increase in the proportion of subscribers receiving lower-priced tiers of digital cable and fixed-line telephony services in Austria's bundles, (C) lower ARPU due to the impact of higher bundling discounts and (D) lower ARPU due to a decrease in fixed-line telephony call volumes and (2) an adverse change in RGU mix.

(c) The increase in Switzerland/Austria's B2B revenue is primarily due to the net effect of (i) increased volumes in voice, data and broadband internet services in Switzerland and (ii) lower revenue from internet and voice services in Austria.

(d) The decrease in Switzerland/Austria's other non-subscription revenue is largely due to the net effect of (i) a decrease in installation revenue in each of Switzerland and Austria, (ii) a decrease in revenue from Austria's non-cable subscriber base and (iii) an increase in mobile handset sales in Switzerland.

*The Netherlands.* The decrease in the Netherlands' revenue during 2014, as compared to 2013, is set forth below:

| | Subscription revenue | Non-subscription revenue | Total |
|---|---|---|---|
| | | in millions | |
| Increase (decrease) in cable subscription revenue due to change in: | | | |
| Average number of RGUs (a) | € 1.2 | € — | € 1.2 |
| ARPU (b) | (4.8) | — | (4.8) |
| Total decrease in cable subscription revenue | (3.6) | — | (3.6) |
| Decrease in mobile subscription revenue | (0.1) | — | (0.1) |
| Total decrease in subscription revenue | (3.7) | — | (3.7) |
| Decrease in B2B revenue | — | (1.7) | (1.7) |
| Decrease in other non-subscription revenue (c) | — | (6.5) | (6.5) |
| Total | € (3.7) | € (8.2) | € (11.9) |

(a) The increase in the Netherlands' cable subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of broadband internet, fixed-line telephony and digital cable RGUs that were mostly offset by a decline in the average number of analog cable RGUs.

(b) The decrease in the Netherlands' cable subscription revenue related to a change in ARPU is due to the net effect of (i) a net decrease primarily resulting 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 the Netherlands' bundles, (b) higher ARPU due to the impact of lower bundling discounts, (c) higher ARPU from digital cable services and (d) lower ARPU due to a decrease in fixed-line telephony call volumes and (ii) an improvement in RGU mix.

(c) The decrease in the Netherlands' other non-subscription revenue is primarily due to lower installation revenue.

*Ireland.* The increase in Ireland's revenue during 2014, as compared to 2013, is set forth below:

| | Subscription revenue | Non-subscription revenue | Total |
|---|---|---|---|
| | | in millions | |
| Increase (decrease) in cable subscription revenue due to change in (a): | | | |
| Average number of RGUs (a) | € 19.9 | € — | € 19.9 |
| ARPU (b) | (10.7) | — | (10.7) |
| Total increase in cable subscription revenue | 9.2 | — | 9.2 |
| Decrease in B2B revenue | — | (1.7) | (1.7) |
| Decrease in other non-subscription revenue (c) | — | (3.7) | (3.7) |
| Total | € 9.2 | € (5.4) | € 3.8 |

(a) The increase in Ireland's cable subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of fixed-line telephony and broadband internet RGUs that were only partially offset by declines in the average numbers of analog cable RGUs, MMDS video RGUs and digital cable RGUs.

(b) The decrease in Ireland's cable subscription revenue related to a change in ARPU is primarily due to (i) an adverse change in RGU mix and (ii) a net decrease resulting from the following factors: (a) higher ARPU due to the inclusion of higher-priced tiers of broadband internet, video and fixed-line telephony services in Ireland's bundles, including the impact of a price increase in March 2014, (b) lower ARPU due to the impact of higher bundling discounts and (c) lower ARPU due to a decrease in fixed-line telephony call volumes.

(c) The decrease in Ireland's other non-subscription revenue is primarily due to a decrease in installation revenue.

*Central and Eastern Europe.* The decrease in Central and Eastern Europe's revenue during 2014, as compared to 2013, includes (i) an organic increase of €6.9 million or 0.7% and (ii) the impact of FX, as set forth below:

| | Subscription revenue | Non-subscription revenue | Total |
|---|---|---|---|
| | | in millions | |
| Increase (decrease) in cable subscription revenue due to change in: | | | |
| Average number of RGUs (a) | € 23.2 | € — | € 23.2 |
| ARPU (b) | (12.7) | — | (12.7) |
| Total increase in cable subscription revenue | 10.5 | — | 10.5 |
| Increase in B2B revenue (c) | — | 3.8 | 3.8 |
| Decrease in other non-subscription revenue (d) | — | (7.4) | (7.4) |
| Total organic increase (decrease) | 10.5 | (3.6) | 6.9 |
| Impact of FX | (14.8) | (1.6) | (16.4) |
| Total | € (4.3) | € (5.2) | € (9.5) |

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(a) The increase in Central and Eastern Europe's cable subscription revenue related to a change in the average number of RGUs is primarily attributable to (i) increases in the average numbers of digital cable, broadband internet and fixed-line telephony RGUs in Poland, Romania, Hungary and Slovakia and (ii) an increase in the average number of RGUs at UPC DTH that were largely offset by (a) a decline in the average number of analog cable RGUs in Poland, Romania, Hungary and Slovakia and (b) declines in the average numbers of digital cable and fixed-line telephony RGUs in the Czech Republic.

(b) The decrease in Central and Eastern Europe's cable subscription revenue related to a change in ARPU is due to the net effect of (i) a decrease primarily resulting from the following factors: (a) lower ARPU from fixed-line telephony services, primarily due to (1) an increase in the proportion of subscribers receiving lower-priced calling plans and (2) a decrease in call volumes for customers on usage-based calling plans, (b) lower ARPU due to the impact of higher bundling discounts and (c) higher ARPU due to the inclusion of higher-priced tiers of broadband internet and digital cable services in Central and Eastern Europe's bundles and (ii) an improvement in RGU mix.

(c) The increase in Central and Eastern Europe's B2B revenue is largely due to higher revenue from voice services in Hungary and Poland.

(d) The decrease in Central and Eastern Europe's other non-subscription revenue is due to (i) a decrease in interconnect revenue, largely as a result of lower fixed-line telephony termination rates in Poland, and (ii) a net decrease resulting from individually insignificant changes in other non-subscription revenue categories.

*Revenue — 2013 compared to 2012*

| | Year ended December 31, 2013 | Year ended December 31, 2012 | Increase (decrease) € | Increase (decrease) % | Organic increase (decrease) % |
|---|---|---|---|---|---|
| | in millions | | | | |
| Switzerland/Austria | € 1,330.0 | € 1,307.6 | € 22.4 | 1.7 | 3.3 |
| The Netherlands | 935.3 | 955.6 | (20.3) | (2.1) | (2.2) |
| Ireland | 349.0 | 331.5 | 17.5 | 5.3 | 5.3 |
| Total Western Europe | 2,614.3 | 2,594.7 | 19.6 | 0.8 | 1.5 |
| Central and Eastern Europe | 957.5 | 957.3 | 0.2 | — | 0.9 |
| Central and other | 2.7 | 1.4 | 1.3 | 92.9 | 92.9 |
| Total | € 3,574.5 | € 3,553.4 | € 21.1 | 0.6 | 1.4 |

*Switzerland/Austria.* The increase in Switzerland/Austria's revenue during 2013, as compared to 2012, includes (i) an organic increase of €42.6 million or 3.3%, (ii) the impact of acquisitions and (iii) the impact of FX, as set forth below:

| | Subscription revenue | Non-subscription revenue | Total |
|---|---|---|---|
| | | in millions | |
| Increase in cable subscription revenue due to change in: | | | |
| Average number of RGUs (a) | € 31.8 | € — | € 31.8 |
| ARPU (b) | 9.8 | — | 9.8 |
| Total increase in cable subscription revenue | 41.6 | — | 41.6 |
| Decrease in B2B revenue | — | (2.6) | (2.6) |
| Increase in other non-subscription revenue (c) | — | 3.6 | 3.6 |
| Total organic increase | 41.6 | 1.0 | 42.6 |
| Impact of acquisitions | 1.8 | (0.8) | 1.0 |
| Impact of FX | (18.2) | (3.0) | (21.2) |
| Total | € 25.2 | € (2.8) | € 22.4 |

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(a) The increase in Switzerland/Austria's cable subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of broadband internet, digital cable and fixed-line telephony RGUs in each of Switzerland and Austria that were only partially offset by a decline in the average number of analog cable RGUs in each of Switzerland and Austria.

(b) The increase in Switzerland/Austria's cable subscription revenue related to a change in ARPU is due to the net impact of an increase in Switzerland and a decrease in Austria. The increase in Switzerland is due to (i) an improvement in RGU mix and (ii) a net increase primarily resulting from the following factors: (a) higher ARPU due to the inclusion of higher-priced tiers of broadband internet services and, to a lesser extent, digital cable services in Switzerland's promotional bundles, (b) lower ARPU due to the impact of bundling discounts, (c) higher ARPU due to a January 2013 price increase for a basic cable connection, as discussed below, and, to a lesser extent, a June 2013 price increase for broadband internet services, and (d) lower ARPU due to a decrease in fixed-line telephony call volume for customers on usage-based calling plans. The decrease in Austria is due to (1) a net decrease resulting from the following factors: (A) lower ARPU due to the impact of bundling discounts, (B) higher ARPU due to January 2013 price increases for digital and analog cable and broadband internet services and (C) lower ARPU due to a higher proportion of subscribers receiving lower-priced tiers of broadband internet services in Austria's promotional bundles and (2) an adverse change in RGU mix.

(c) The increase in Switzerland/Austria's other non-subscription revenue is primarily attributable to the net effect in Switzerland of (i) an increase in installation revenue of €6.4 million, (ii) a decrease in sales of customer premises equipment, (iii) a decline in revenue from usage-based wholesale residential fixed-line telephony services and (iv) an increase in advertising revenue. The increase in installation revenue includes an increase of €6.6 million associated with a change in how we recognize installation revenue in Switzerland as a result of a change in how we market and deliver services upon the November 2012 unencryption of the basic tier of digital television channels.

*The Netherlands.* The decrease in the Netherlands' revenue during 2013, as compared to 2012, includes (i) an organic decrease of €20.7 million or 2.2% and (ii) the impact of an acquisition, as set forth below:

| | Subscription revenue | Non-subscription revenue | Total |
|---|---|---|---|
| | | in millions | |
| Increase (decrease) in cable subscription revenue due to change in: | | | |
| Average number of RGUs (a) | € 2.3 | € — | € 2.3 |
| ARPU (b) | (20.7) | — | (20.7) |
| Total decrease in cable subscription revenue | (18.4) | — | (18.4) |
| Increase in mobile subscription revenue | 0.1 | — | 0.1 |
| Total decrease in subscription revenue | (18.3) | — | (18.3) |
| Decrease in B2B revenue (c) | — | (3.5) | (3.5) |
| Increase in other non-subscription revenue (d) | — | 1.1 | 1.1 |
| Total organic decrease | (18.3) | (2.4) | (20.7) |
| Impact of an acquisition | 0.4 | — | 0.4 |
| Total | € (17.9) | € (2.4) | € (20.3) |

(a) The increase in the Netherlands' cable subscription revenue related to a change in the average number of RGUs is attributable to the net effect of (i) increases in the average numbers of fixed-line telephony, broadband internet and digital cable RGUs and (ii) a decline in the average number of analog cable RGUs.

(b) The decrease in the Netherlands' cable subscription revenue related to a change in ARPU is due to the net effect of (i) a decrease primarily resulting from the following factors: (a) lower ARPU due to a decrease in fixed-line telephony call volume and (b) lower ARPU due to the impact of higher bundling and promotional discounts that more than offset the positive impacts of (1) the inclusion of higher-priced tiers of digital cable, broadband internet and fixed-line telephony services in the Netherlands' promotional bundles and (2) July 2012 price increases for bundled services and a January 2013 price increase for certain analog cable services and (ii) an improvement in RGU mix.

(c) The decrease in the Netherlands' B2B revenue is primarily related to lower revenue from voice and data services.

(d) The increase in the Netherlands' other non-subscription revenue is primarily attributable to the net effect of (i) an increase in installation revenue, (ii) a decrease in interconnect revenue, primarily due to the impact of reductions in fixed termination rates that became effective on August 1, 2012 and September 1, 2013, and (iii) a decrease in revenue from late fees.

*Ireland.* The increase in Ireland's revenue during 2013, as compared to 2012, is set forth below:

| | Subscription revenue | Non-subscription revenue | Total |
|---|---|---|---|
| | | in millions | |
| Increase (decrease) in cable subscription revenue due to change in: | | | |
| Average number of RGUs (a) | € 25.5 | € — | € 25.5 |
| ARPU (b) | (8.6) | — | (8.6) |
| Total increase in cable subscription revenue | 16.9 | — | 16.9 |
| Increase in B2B revenue | — | 0.5 | 0.5 |
| Increase in other non-subscription revenue (c) | — | 0.1 | 0.1 |
| Total | € 16.9 | € 0.6 | € 17.5 |

(a) The increase in Ireland's cable subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of fixed-line telephony, broadband internet and digital cable RGUs that were only partially offset by a decline in the average number of analog cable RGUs and, to a lesser extent, MMDS video RGUs.

(b) The decrease in Ireland's cable subscription revenue related to a change in ARPU is attributable to (i) an adverse change in RGU mix and (ii) a net decrease resulting from the following factors: (a) lower ARPU due to the impact of bundling discounts and (b) higher ARPU due to the inclusion of higher-priced tiers of broadband internet and digital cable services in Ireland's promotional bundles.

(c) The increase in Ireland's non-subscription revenue is due to individually insignificant changes in various non-subscription revenue categories.

*Central and Eastern Europe.* The increase in Central and Eastern Europe's revenue during 2013, as compared to 2012, includes (i) an organic increase of €8.7 million, (ii) the impact of an acquisition and (iii) the impact of FX, as set forth below:

| | Subscription revenue | Non-subscription revenue | Total |
|---|---|---|---|
| | | in millions | |
| Increase (decrease) in cable subscription revenue due to change in: | | | |
| Average number of RGUs (a) | € 29.4 | € — | € 29.4 |
| ARPU (b) | (23.6) | — | (23.6) |
| Total increase in cable subscription revenue | 5.8 | — | 5.8 |
| Decrease in mobile subscription revenue | (1.0) | — | (1.0) |
| Total increase in subscription revenue | 4.8 | — | 4.8 |
| Increase in non-subscription revenue (c) | — | 3.9 | 3.9 |
| Total organic increase | 4.8 | 3.9 | 8.7 |
| Impact of an acquisition | 2.4 | 0.1 | 2.5 |
| Impact of FX | (9.5) | (1.5) | (11.0) |
| Total | € (2.3) | € 2.5 | € 0.2 |

(a) The increase in Central and Eastern Europe's cable subscription revenue related to a change in the average number of RGUs is primarily attributable to (i) increases in the average numbers of digital cable, fixed-line telephony and broadband internet RGUs in Poland, Romania, Hungary and Slovakia and (ii) an increase in the average number of RGUs at UPC DTH that were only partially offset by a decline in the average number of (a) analog cable RGUs in each country within our Central and Eastern Europe segment and (b) digital cable, fixed-line telephony and broadband internet RGUs in the Czech Republic.

(b) The decrease in Central and Eastern Europe's cable subscription revenue related to a change in ARPU is primarily due to the net effect of (i) lower ARPU due to the impact of higher bundling discounts, (ii) higher ARPU due to the inclusion of higher-priced tiers of digital cable and broadband internet services in Central and Eastern Europe's promotional bundles, (iii) lower ARPU from incremental digital cable services and (iv) lower ARPU due to a decrease in fixed-line telephony call volume for customers on usage-based calling plans. In addition, Central and Eastern Europe's overall ARPU was positively impacted by an improvement in RGU mix.

(c) The increase in Central and Eastern Europe's non-subscription revenue is due to individually insignificant changes in various non-subscription revenue categories.

***Operating Expenses of our Reportable Segments***

*Operating expenses — 2014 compared to 2013*

| | Year ended December 31, | | Increase (decrease) | | Organic increase (decrease) |
|---|---|---|---|---|---|
| | 2014 | 2013 | € | % | % |
| | in millions | | | | |
| Switzerland/Austria | € 398.0 | € 384.1 | € 13.9 | 3.6 | 2.3 |
| The Netherlands | 266.9 | 283.4 | (16.5) | (5.8) | (5.8) |
| Ireland | 138.3 | 143.1 | (4.8) | (3.4) | (3.4) |
| Total Western Europe | 803.2 | 810.6 | (7.4) | (0.9) | (1.5) |
| Central and Eastern Europe | 376.6 | 386.6 | (10.0) | (2.6) | (1.0) |
| Central and other | 52.6 | 45.2 | 7.4 | 16.4 | 16.4 |
| Total operating expenses excluding share-based compensation expense | 1,232.4 | 1,242.4 | (10.0) | (0.8) | (0.7) |
| Share-based compensation expense | 0.1 | 0.1 | — | — | |
| Total | € 1,232.5 | € 1,242.5 | € (10.0) | (0.8) | |

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 €10.0 million or 0.8% during 2014, as compared to 2013. This decrease includes €1.1 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, our operating expenses decreased €8.9 million or 0.7%. This decrease includes the following factors:

- A decrease in network-related expenses of €24.2 million or 4.4%, primarily due to the net effect of (i) decreased network and customer premises equipment maintenance costs, predominantly in Switzerland, the Netherlands and Ireland, (ii) lower outsourced labor costs associated with customer-facing activities, primarily in the Netherlands, and (iii) higher network and customer premises equipment maintenance costs, predominantly in our central operations;

- A decrease in mobile access and interconnect costs of €12.6 million or 2.3%, primarily due to (i) lower call volumes, predominantly in the Netherlands and Ireland, and (ii) decreased costs resulting from lower rates, primarily in the Netherlands;

- An increase in personnel costs of €10.0 million or 1.8%, 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 during 2014 in our central operations, (iii) annual wage increases, primarily in the Netherlands, and (iv) higher incentive compensation costs, primarily in the Netherlands;

- A decrease in bad debt and collection expenses of €6.2 million or 6.4%, primarily due to decreases in the Netherlands, the Czech Republic and Hungary;

- An increase in mobile handset costs of €5.5 million, primarily due to an increase in mobile handset sales to third-party retailers in Switzerland;

- An increase in programming and copyright costs of €5.4 million or 0.5%, largely due to the net effect of (i) growth in digital video services predominantly in Switzerland and Ireland, (ii) increased costs for sports rights, predominantly in Romania and (iii) certain nonrecurring adjustments related to the settlement or reassessment of operational contingencies that resulted in a net decrease in programming and copyright costs of €7.8 million. During 2014, these nonrecurring adjustments decreased costs by (a) €5.3 million in Poland during the first quarter, (b) an aggregate of €3.5 million in Switzerland, Austria and the Netherlands during the third quarter and (c) €1.7 million in the Netherlands during the fourth quarter. During 2013, the aggregate impacts of similar reassessments and settlements in the Netherlands and Poland decreased costs by €2.7 million;

- A decrease in outsourced labor and professional fees of €3.9 million or 1.7%, primarily due to lower call center costs, primarily in Switzerland and the Netherlands; and

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

*Operating expenses — 2013 compared to 2012*

| | Year ended December 31, | | Increase (decrease) | | Organic increase (decrease) |
|---|---|---|---|---|---|
| | 2013 | 2012 | € | % | % |
| | | in millions | | | |
| Switzerland/Austria | € 384.1 | € 388.1 | € (4.0) | (1.0) | 0.4 |
| The Netherlands | 283.4 | 275.6 | 7.8 | 2.8 | 2.8 |
| Ireland | 143.1 | 143.3 | (0.2) | (0.1) | (0.1) |
| Total Western Europe | 810.6 | 807.0 | 3.6 | 0.4 | 1.1 |
| Central and Eastern Europe | 386.6 | 375.7 | 10.9 | 2.9 | 3.5 |
| Central and other | 45.2 | 36.7 | 8.5 | 23.2 | 23.2 |
| Total operating expenses excluding share-based compensation expense | 1,242.4 | 1,219.4 | 23.0 | 1.9 | 2.5 |
| Share-based compensation expense | 0.1 | 0.1 | — | — | |
| Total | € 1,242.5 | € 1,219.5 | € 23.0 | 1.9 | |

Our operating expenses (exclusive of share-based compensation expense) increased €23.0 million or 1.9% during 2013, as compared to 2012. This increase includes €1.5 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, our operating expenses increased €30.7 million or 2.5%. This increase includes the following factors:

- An increase in programming and copyright costs of €19.2 million or 4.8%, primarily due to growth in digital video services in the Netherlands, Ireland and Hungary. In addition, accrual releases related to the settlement or reassessment of operational contingencies gave rise to an increase in programming and copyright costs of €2.2 million, as the impact of net accrual releases that reduced the 2012 costs in the Netherlands and Poland more than offset the impact of net accrual releases that reduced the 2013 costs in the Netherlands;

- A decrease in interconnect costs of €15.6 million or13.4%, primarily due to (i) lower rates in the Netherlands and Poland and (ii) lower call volumes in Switzerland and Austria;

- An increase in personnel costs of €12.1 million or 5.4%, primarily due to (i) increased staffing levels, primarily in our central operations, the Netherlands and Hungary, and (ii) annual wage increases, primarily in the Netherlands. These increases were partially offset by a decrease in personnel costs related to lower staffing levels in Ireland;

- An increase in network-related expenses of €11.2 million or 5.1%, primarily due to (i) increased network and customer premises equipment maintenance costs, primarily in the Netherlands, (ii) an increase of €2.3 million due to the net impact of favorable settlements during 2013 and 2012 for claims of costs incurred in connection with faulty customer premises equipment, primarily in Switzerland and the Netherlands, and (iii) higher outsourced labor costs associated with customer-facing activities in Poland; and

- An increase in outsourced labor and professional fees of €7.7 million or 15.2%, due largely to (i) higher call center costs in Switzerland and the Netherlands and (ii) higher consulting costs in our central operations, primarily related to the Horizon TV platform. These increases were partially offset by lower call center costs in Hungary primarily due to a reduced proportion of calls handled by third parties.

***SG&A Expenses of our Reportable Segments***

*SG&A expenses — 2014 compared to 2013*

| | Year ended December 31, | | Increase | | Organic increase |
|---|---|---|---|---|---|
| | 2014 | 2013 | € | % | % |
| | | in millions | | | |
| Switzerland/Austria | € 197.2 | € 189.1 | € 8.1 | 4.3 | 3.0 |
| The Netherlands | 118.6 | 108.8 | 9.8 | 9.0 | 9.0 |
| Ireland | 43.1 | 42.1 | 1.0 | 2.4 | 2.4 |
| Total Western Europe | 358.9 | 340.0 | 18.9 | 5.6 | 4.8 |
| Central and Eastern Europe | 133.0 | 131.0 | 2.0 | 1.5 | 3.3 |
| Central and other | 145.5 | 128.5 | 17.0 | 13.2 | 13.2 |
| Total SG&A expenses excluding share-based compensation expense | 637.4 | 599.5 | 37.9 | 6.3 | 6.3 |
| Share-based compensation expense | 27.9 | 23.8 | 4.1 | 17.2 | |
| Total | € 665.3 | € 623.3 | € 42.0 | 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 €37.9 million or 6.3% during 2014, as compared to 2013. This increase includes €0.5 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, SG&A expenses increased €37.7 million or 6.3%. This increase includes the following factors:

- An increase in personnel costs of €11.7 million or 2.0%, primarily due to the net effect of (i) increased staffing levels, primarily in our central operations, the Netherlands and Switzerland, (ii) higher incentive compensation costs, primarily in our central operations and the Netherlands, (iii) annual wage increases, mostly in the Netherlands and our central operations, (iv) a €2.6 million decrease in our central operations due to the impact of an accrual release in the fourth quarter of 2014 associated with the settlement of an operational contingency and (v) decreased costs due to changes in the proportion of capitalizable activities during 2014 in our central operations;

- An increase in sales and marketing costs of €11.0 million or 2.2%, primarily due to the net effect of (i) higher costs associated with advertising campaigns, primarily in the Netherlands, Switzerland and our central operations, (ii) lower third-party sales commissions, primarily in Switzerland, and (iii) higher third-party sales commissions, primarily in the Netherlands;

- An increase in outsourced labor and professional fees of €8.8 million or 8.6%, primarily due to increased consulting costs associated with scale initiatives in the areas of information technology and finance, primarily in our central operations and Switzerland; and

- An increase in information technology-related expenses of €8.4 million or 13.7%, primarily due to higher software and other information technology-related maintenance costs, primarily in our central operations.

*SG&A expenses — 2013 compared to 2012*

| | Year ended December 31, | | Increase (decrease) | | Organic increase |
|---|---|---|---|---|---|
| | 2013 | 2012 | € | % | % |
| | | in millions | | | |
| Switzerland/Austria | € 189.1 | € 191.2 | € (2.1) | (1.1) | 0.4 |
| The Netherlands | 108.8 | 106.9 | 1.9 | 1.8 | 1.6 |
| Ireland | 42.1 | 41.2 | 0.9 | 2.2 | 2.2 |
| Total Western Europe | 340.0 | 339.3 | 0.7 | 0.2 | 1.0 |
| Central and Eastern Europe | 131.0 | 123.8 | 7.2 | 5.8 | 6.6 |
| Central and other | 128.5 | 113.0 | 15.5 | 13.7 | 13.7 |
| Total SG&A expenses excluding share-based compensation expense | 599.5 | 576.1 | 23.4 | 4.1 | 4.7 |
| Share-based compensation expense | 23.8 | 16.5 | 7.3 | 44.2 | |
| Total | € 623.3 | € 592.6 | € 30.7 | 5.2 | |

Our SG&A expenses (exclusive of share-based compensation expense) increased €23.4 million or 4.1% during 2013, as compared to 2012. This increase includes €0.6 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, our SG&A expenses increased €27.0 million or 4.7%. This increase includes the following factors:

- An increase in personnel costs of €19.4 million or 7.1%, primarily due to (i) increased staffing levels, primarily in our central operations, Switzerland, Hungary, Poland and Ireland, and (ii) annual wage increases, primarily in the Netherlands, Switzerland and our central operations;

- A decrease in sales and marketing costs of €9.0 million or 5.9%, primarily due to (i) lower third-party sales commissions, primarily in the Netherlands, Switzerland, Hungary, Austria and the Czech Republic, and (ii) lower costs associated with advertising campaigns and rebranding, largely in our central operations;

- An increase in information technology-related expenses of €7.8 million or 29.6%, primarily due to higher software and other information technology-related maintenance costs, primarily in our central operations, Hungary, the Netherlands, Switzerland and Poland; and

- An increase in outsourced labor and professional fees of €6.2 million or 16.8%, due largely to higher consulting costs associated with certain strategic initiatives in our central operations and the Netherlands.

*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 15 to our consolidated financial statements.

*Operating Cash Flow — 2014 compared to 2013*

| | Year ended December 31, | | Increase (decrease) | | Organic increase (decrease) |
|---|---|---|---|---|---|
| | 2014 | 2013 | € | % | % |
| | | in millions | | | |
| Switzerland/Austria | € 794.9 | € 756.8 | € 38.1 | 5.0 | 3.6 |
| The Netherlands | 537.9 | 543.1 | (5.2) | (1.0) | (1.0) |
| Ireland | 171.4 | 163.8 | 7.6 | 4.6 | 4.6 |
| Total Western Europe | 1,504.2 | 1,463.7 | 40.5 | 2.8 | 2.0 |
| Central and Eastern Europe | 438.4 | 439.9 | (1.5) | (0.3) | 1.5 |
| Central and other | (198.2) | (171.0) | (27.2) | (15.9) | 15.9 |
| Total | € 1,744.4 | € 1,732.6 | € 11.8 | 0.7 | 0.5 |

*Operating Cash Flow — 2013 compared to 2012*

| | Year ended December 31, | | Increase (decrease) | | Organic increase (decrease) |
|---|---|---|---|---|---|
| | 2013 | 2012 | € | % | % |
| | | in millions | | | |
| Switzerland/Austria | € 756.8 | € 728.3 | € 28.5 | 3.9 | 5.5 |
| The Netherlands | 543.1 | 573.1 | (30.0) | (5.2) | (5.3) |
| Ireland | 163.8 | 147.0 | 16.8 | 11.4 | 11.4 |
| Total Western Europe | 1,463.7 | 1,448.4 | 15.3 | 1.1 | 1.9 |
| Central and Eastern Europe | 439.9 | 457.8 | (17.9) | (3.9) | (2.7) |
| Central and other | (171.0) | (148.3) | (22.7) | (15.3) | (15.3) |
| Total | € 1,732.6 | € 1,757.9 | € (25.3) | (1.4) | (0.5) |

*Operating Cash Flow Margin — 2014, 2013 and 2012*

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

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | | % | |
| Switzerland/Austria | 57.2 | 56.9 | 55.7 |
| The Netherlands | 58.3 | 58.1 | 60.0 |
| Ireland | 48.6 | 46.9 | 44.3 |
| Total Western Europe | 56.4 | 56.0 | 55.8 |
| Central and Eastern Europe | 46.3 | 45.9 | 47.8 |
| Total, including central and other | 48.3 | 48.5 | 49.5 |

The operating cash flow margins of our reportable segments improved or remained largely consistent during 2014 as compared to 2013. 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 favorable impact of nonrecurring items, most notably in Poland as described in the operating expenses section of *Discussion and Analysis of our Reportable Segments.* In addition, our overall operating cash flow margin during 2014 was negatively impacted by an increase in the operating cash flow deficit of our central and other category, primarily attributable to (a) an increase in consulting and information technology-related expenses associated with strategic initiatives and (b) an increase in personnel costs.

With the exception of the Netherlands, the operating cash flow margins of our reportable segments improved during 2013 as compared to 2012. As a result of significant competition, the Netherlands experienced a decline in revenue in 2013, which resulted in a lower operating cash flow margin during 2013 as compared to 2012. In addition, the operating cash flow margin during 2013 was negatively impacted by an increase in the operating cash flow deficit of our central and other category, which is primarily attributable to higher personnel and consulting costs, due in part to increased levels of strategic initiatives.

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.

***2014 compared to 2013***

*Revenue*

Our revenue by major category is set forth below:

| | Year ended December 31, | | Increase (decrease) | | Organic increase (decrease) |
|---|---|---|---|---|---|
| | 2014 | 2013 | € | % | % |
| | in millions | | | | |
| Subscription revenue (a): | | | | | |
| Video | € 1,750.8 | € 1,723.5 | € 27.3 | 1.6 | 1.3 |
| Broadband internet | 983.0 | 955.2 | 27.8 | 2.9 | 3.1 |
| Fixed-line telephony | 471.3 | 466.2 | 5.1 | 1.1 | 1.0 |
| Cable subscription revenue | 3,205.1 | 3,144.9 | 60.2 | 1.9 | 1.8 |
| Mobile subscription revenue | 2.0 | 1.4 | 0.6 | 42.9 | 48.9 |
| Total subscription revenue | 3,207.1 | 3,146.3 | 60.8 | 1.9 | 1.8 |
| B2B revenue (b) | 259.8 | 253.9 | 5.9 | 2.3 | 2.8 |
| Other revenue (c) | 147.3 | 174.3 | (27.0) | (15.5) | (15.6) |
| Total revenue | € 3,614.2 | € 3,574.5 | € 39.7 | 1.1 | 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 €77.3 million and €58.2 million, 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 €39.7 million during 2014, as compared to 2013. This increase includes €4.2 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, total consolidated revenue increased €37.8 million or 1.1%.

*Subscription revenue.* The details of the increase in our consolidated subscription revenue during 2014, as compared to 2013, is as follows (in millions):

| | | |
|---|---|---|
| Increase (decrease) in cable subscription revenue due to change in: | | |
| Average number of RGUs | € | 71.7 |
| ARPU | | (14.5) |
| Total increase in cable subscription revenue | | 57.2 |
| Increase in mobile revenue | | 0.7 |
| Total increase in subscription revenue | | 57.9 |
| Impact of acquisitions | | 5.5 |
| Impact of FX | | (2.6) |
| Total | € | 60.8 |

Excluding the effects of acquisitions and FX, our consolidated cable subscription revenue increased €57.2 million or 1.8% during 2014, as compared to 2013. This increase is attributable to (i) an increase in subscription revenue from broadband internet services of €30.0 million or 3.1%, as an increase in the average number of broadband internet RGUs was only partially offset by the impact of lower ARPU from broadband internet services, (ii) an increase in subscription revenue from fixed-line telephony services of €4.6 million or 1.0%, as the impact of an increase in the average number of fixed-line telephony RGUs was only partially offset by lower ARPU from fixed-line telephony services, and (iii) an increase in subscription revenue from video services of €22.6 million or 1.3%, as the impact of higher ARPU from video services was only partially offset by a decrease in the average number of video RGUs.

*B2B revenue.* Excluding the effects of acquisitions and FX, our consolidated B2B revenue increased €7.1 million or 2.8% during 2014, as compared to 2013. This increase is primarily attributable to the net effect of (i) an increase in Switzerland and (ii) a decrease in Austria.

*Other revenue.* Excluding the effects of acquisitions and FX, our consolidated other revenue decreased €27.2 million or 15.6% during 2014, as compared to 2013. This decrease is 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 our Reportable Segments — Revenue — 2014 compared to 2013* above. For information regarding the competitive environment in certain of our markets, see *Overview* above.

*Operating expenses*

Our operating expenses decreased €10.0 million during 2014, as compared to 2013. This decrease is net of a €1.1 million increase attributable to the impact of acquisitions. Our operating expenses include share-based compensation expense, which remained unchanged during 2014. 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 €8.9 million or 0.7% during 2014, as compared to 2013. This decrease is primarily attributable to the net effect of (i) a decrease in network-related expenses, (ii) a decrease in interconnect costs, (iii) an increase in personnel costs, (iv) a decrease in bad debt and collection expenses, (v) an increase in mobile handset costs, (vi) an increase in programming and copyright costs and (vii) a decrease in outsourced labor and professional fees. For additional information regarding the changes in our operating expenses, see *Discussion and Analysis of our Reportable Segments — Operating Expenses of our Reportable Segments* above.

*SG&A expenses*

Our SG&A expenses increased €42.0 million during 2014, as compared to 2013. This increase includes €0.5 million attributable to acquisitions. Our SG&A expenses include share-based compensation expense, which increased €4.1 million during 2014. 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 €37.7 million or 6.3% during

2014, as compared to 2013. This increase is primarily attributable to (i) an increase in personnel costs, (ii) an increase in sales and marketing costs, (iii) an increase in outsourced labor and professional fees and (iv) an increase in information technology-related expenses. For additional information regarding the changes in our SG&A expenses, see *Discussion and Analysis of our Reportable Segments — 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:

| | Year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | in millions | |
| Liberty Global shares: | | |
| Performance-based incentive awards (a) | € 14.9 | € 13.8 |
| Other share-based incentive awards | 13.1 | 10.0 |
| Total Liberty Global shares | 28.0 | 23.8 |
| Other | — | 0.1 |
| Total | € 28.0 | € 23.9 |
| Included in: | | |
| Operating expense | € 0.1 | € 0.1 |
| SG&A expense | 27.9 | 23.8 |
| Total | € 28.0 | € 23.9 |

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

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

*Related-party fees and allocations, net*

We recorded related-party fees and allocations, net, of (€27.3 million) during 2014 as compared to €3.3 million during 2013. 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. 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. For additional information, see notes 12 and 16 to our consolidated financial statements.

*Depreciation and amortization expense*

Our depreciation and amortization expense increased €21.0 million during 2014, as compared to 2013. Excluding the effects of FX, depreciation and amortization expense increased €21.5 million or 2.5%. This increase is primarily due to the net effect of (i) an increase associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives, (ii) a decrease associated with certain assets becoming fully depreciated, largely in Switzerland, Poland, Ireland and Austria, (iii) a decrease associated with fully amortized customer relationships, primarily in Poland and Romania, and (iv) a decrease associated with changes in the useful lives of certain assets, primarily in Switzerland and Ireland.

*Impairment, restructuring and other operating items, net*

We recognized impairment, restructuring and other operating items, net, of €6.0 million during 2014, as compared to €2.4 million during 2013. These amounts are primarily related to restructuring charges associated with reorganization and integration activities in certain of our operations.

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. For additional information, see *Critical Accounting Policies, Judgments and Estimates — Impairment of Property and Equipment and Intangible Assets*, below.

*Interest expense - third-party*

Our third-party interest expense decreased €81.9 million during 2014, as compared to 2013. This decrease is primarily attributable to lower average outstanding debt balances. For additional information regarding our outstanding indebtedness, see note 8 to our consolidated financial statements.

It is possible that (i) the interest rates on any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) the interest rates on our variable-rate indebtedness could increase in future periods. As further discussed in note 5 to our consolidated financial statements, we use derivative instruments to manage our interest rate risks.

*Interest expense - related-party*

Our related-party interest expense primarily relates to the interest expense on the Shareholder Loan. Our related-party interest expense increased €20.7 million during 2014 as compared to 2013. This increase is primarily due to an increase in the average outstanding balance of the Shareholder Loan. For additional information, see notes 8 and 12 to our 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:

| | Year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | in millions | |
| Cross-currency and interest rate derivative contracts (a) | € 92.6 | € (53.7) |
| Foreign currency forward contracts | 10.5 | (9.7) |
| Other | — | 1.0 |
| Total | € 103.1 | € (62.4) |

(a) The gain during 2014 is primarily attributable to the net effect of (i) gains associated with decreases in the values of the euro, Swiss franc and Chilean peso relative to the U.S. dollar, (ii) losses associated with decreases in market interest rates in the euro, Swiss franc, Polish zloty and Hungarian forint markets, (iii) gains associated with decreases in the values of the Hungarian forint, Polish zloty and Chilean peso relative to the euro and (iv) losses associated with an increase in the value of the Swiss franc relative to the euro. In addition, the gain during 2014 includes a net loss of €47.7 million resulting from changes in our credit risk valuation adjustments. The loss during 2013 is primarily attributable to the net effect of (i) gains associated with increases in market interest rates in the Swiss franc and euro markets, (ii) losses associated with increases in market interest rates in the U.S. dollar market, (iii) gains associated with decreases in the values of the Chilean Peso, Czech koruna, Swiss franc, Polish zloty and Hungarian forint relative to the euro and (iv) losses associated with increases in the values of the euro and Swiss franc relative to the U.S. dollar. In addition, the loss during 2013 includes a net loss of €19.2 million resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see notes 5 and 6 to our consolidated financial statements.

*Foreign currency transaction gains (losses), net*

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

| | Year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | in millions | |
| Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a) | € (319.9) | € 2.6 |
| U.S. dollar denominated debt issued by euro functional currency entities | (137.8) | 72.1 |
| Cash and restricted cash denominated in a currency other than the entity's functional currency | 4.5 | 2.4 |
| Other | (3.3) | 1.3 |
| Total | € (456.5) | € 78.4 |

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

*Losses on debt modification and extinguishment, net*

We recognized losses on debt modification and extinguishment, net, of €42.0 million during 2014. The loss during 2014 includes the following:

- a €30.0 million loss during the second quarter related to the repayment of the UPC Holding 9.875% Senior Notes, which includes (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, which includes (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 €75.3 million during 2013. The loss during 2013 includes the following:

- a €65.9 million loss during the first quarter, which includes (i) the payment of €27.5 million of aggregate redemption premium related to UPC Holding's then existing UPC Holding 8.0% Senior Notes and UPC Holding 9.75% Senior Notes, (ii) the write-off of €18.9 million of 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, which includes (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 8 to our consolidated financial statements.

*Income tax expense*

We recognized income tax expense of €89.8 million and €69.5 million during 2014 and 2013, respectively.

The income tax expense during 2014 differs from the expected income tax benefit of €233.7 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 decrease in valuation allowances.

The income tax expense during 2013 differs from the expected income tax benefit of €164.3 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, due mostly to a change in tax legislation enacted on January 1, 2013 restricting the deductibility of interest expense in the Netherlands.

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

*Net loss*

During 2014 and 2013, we reported net losses of €1,024.5 million and €726.6 million, respectively, including (i) operating income of €852.7 million and €839.0 million, respectively, (ii) non-operating expense of €1,787.4 million and €1,496.1 million, respectively, and (iii) income tax expense of €89.8 million and €69.5 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. For information concerning our expectations with respect to trends that may affect certain aspects of our operating results in future periods, see the discussion under *Overview* above. For information concerning the reasons for changes in specific line items in our consolidated statements of operations, see the discussion under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* above.

*Net earnings attributable to noncontrolling interests*

Net earnings attributable to noncontrolling interests remained relatively unchanged during 2014, as compared to 2013.

***2013 compared to 2012***

*Revenue*

Our revenue by major category is set forth below:

| | Year ended December 31, | | Increase (decrease) | | Organic increase (decrease) |
|---|---|---|---|---|---|
| | 2013 | 2012 | € | % | % |
| | | in millions | | | |
| Subscription revenue (a): | | | | | |
| Video | € 1,723.5 | € 1,755.6 | € (32.1) | (1.8) | (1.2) |
| Broadband internet | 955.2 | 901.9 | 53.3 | 5.9 | 6.9 |
| Fixed-line telephony | 466.2 | 464.4 | 1.8 | 0.4 | 1.1 |
| Cable subscription revenue | 3,144.9 | 3,121.9 | 23.0 | 0.7 | 1.5 |
| Mobile | 1.4 | 1.9 | (0.5) | (26.3) | (48.7) |
| Total subscription revenue | 3,146.3 | 3,123.8 | 22.5 | 0.7 | 1.5 |
| B2B revenue (b) | 253.9 | 263.9 | (10.0) | (3.8) | (2.6) |
| Other revenue (c) | 174.3 | 165.7 | 8.6 | 5.2 | 6.4 |
| Total revenue | € 3,574.5 | € 3,553.4 | € 21.1 | 0.6 | 1.4 |

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(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

(b) 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 or fixed-line telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. Revenue from SOHO subscribers, which aggregated €58.2 million and €41.0 million, respectively, is included in cable subscription revenue.

(c) Other revenue includes, among other items, installation, late fee, interconnect and carriage fee revenue.

*Total revenue.* Our consolidated revenue increased €21.1 million during 2013, as compared to 2012. This increase includes €3.9 million, attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, total consolidated revenue increased €49.3 million or 1.4%.

*Subscription revenue.* The details of the increase in our consolidated subscription revenue for 2013, as compared to 2012, are as follows (in millions):

| | | |
|---|---|---|
| Increase (decrease) in cable subscription revenue due to change in: | | |
| Average number of RGUs | € | 89.0 |
| ARPU | | (42.6) |
| Total increase in cable subscription revenue | | 46.4 |
| Decrease in mobile revenue | | (0.9) |
| Total increase in subscription revenue | | 45.5 |
| Impact of acquisitions | | 4.6 |
| Impact of FX | | (27.6) |
| Total | € | 22.5 |

Excluding the effects of acquisitions and FX, our consolidated cable subscription revenue increased €46.4 million or 1.5% during 2013, as compared to 2012. This increase is attributable to the net effect of (i) an increase in subscription revenue from broadband internet services of €62.5 million or 6.9%, as the impact of an increase in the average number of broadband internet RGUs was only partially offset by lower ARPU from broadband internet services, (ii) a decrease in subscription revenue from video services of €21.3 million or 1.2%, as the decline in the average number of video RGUs was only partially offset by the impact of higher ARPU from video services, (iii) an increase in subscription revenue from fixed-line telephony services of €5.2 million or 1.1%, as the impact of an increase in the average number 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 decreased €6.8 million or 2.6% during 2013, as compared to 2012. This decrease is primarily due to decreases in the Netherlands, Switzerland and Austria.

*Other revenue.* Excluding the effects of acquisitions and FX, our consolidated other revenue increased €10.6 million or 6.4% during 2013, as compared to 2012. This increase is primarily attributable to the net impact of (i) an increase in installation revenue, (ii) a decrease in interconnect revenue, (iii) an increase in advertising revenue and (iv) a decrease in sales of customer premises equipment.

For additional information concerning the changes in our subscription and other revenue, see *Discussion and Analysis of our Reportable Segments — Revenue — 2013 compared to 2012* above.

*Operating expenses*

Our operating expenses increased €23.0 million during 2013, as compared to 2012. This increase includes €1.5 million attributable to the impact of acquisitions. Our operating expenses include share-based compensation expense, which remained unchanged during 2013. For additional information, see the discussion following *SG&A expenses* below. Excluding the effects of acquisitions, FX and share-based compensation expense, our operating expenses increased €30.7 million or 2.5% during 2013, as compared to 2012. This increase is primarily attributable to the net effect of (i) an increase in programming and copyright costs, (ii) a decrease in interconnect costs, (iii) an increase in personnel costs, (iv) an increase in network-related expenses and (v) an increase in outsourced labor and professional fees. For additional information regarding the changes in our operating expenses, see *Discussion and Analysis of our Reportable Segments — Operating Expenses of our Reportable Segments* above.

*SG&A expenses*

Our SG&A expenses increased €30.7 million during 2013, as compared to 2012. This increase includes €0.6 million attributable to the impact of acquisitions. Our SG&A expenses include share-based compensation expense, which increased €7.3 million during 2013. For additional information, see the discussion in the following paragraph. Excluding the effects of acquisitions, FX and share-based compensation expense, our SG&A expenses increased €27.0 million or 4.7% during 2013, as compared to 2012. This increase is primarily attributable to the net effect of (i) an increase in personnel costs, (ii) a decrease in sales and marketing costs, (iii) an increase in information technology-related expenses and (iv) an increase in outsourced labor and professional fees. For additional information regarding the changes in our SG&A expenses, see *Discussion and Analysis of our Reportable Segments — SG&A Expenses of our Reportable Segments* above.

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

A summary of the aggregate share-based compensation expense that is included in our operating and SG&A expenses is set forth below:

| | Year ended December 31, | |
|---|---|---|
| | 2013 | 2012 |
| | in millions | |
| Liberty Global shares: | | |
| Performance-based incentive awards (a) | € 13.8 | € 7.3 |
| Other share-based incentive awards | 10.0 | 9.2 |
| Total Liberty Global shares | 23.8 | 16.5 |
| Other | 0.1 | 0.1 |
| Total | € 23.9 | € 16.6 |
| Included in: | | |
| Operating expense | € 0.1 | € 0.1 |
| SG&A expense | 23.8 | 16.5 |
| Total | € 23.9 | € 16.6 |

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

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

*Related-party fees and allocations, net*

We recorded related-party fees and allocations, net, of €3.3 million during 2013 as compared to (€2.4 million) during 2012. For additional information, see notes 12 and 16 to our consolidated financial statements.

*Depreciation and amortization expense*

Our depreciation and amortization expense decreased €32.8 million during 2013 as compared to 2012. Excluding the effects of FX, depreciation and amortization expense decreased €25.4 million or 2.8%. This decrease is 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, largely in Switzerland, the Czech Republic, Poland and the Netherlands, (iii) decreases associated with changes in the useful lives of certain assets, primarily in Switzerland, Ireland, Austria and Poland, and (iv) decreases associated with fully amortized customer relationships, primarily in Hungary and Romania.

*Impairment, restructuring and other operating items, net*

We recognized impairment, restructuring and other operating items, net, of €2.4 million during 2013, as compared to €7.0 million during 2012. These amounts primarily are related to restructuring charges associated with reorganization and integration activities in certain of our operations.

*Interest expense - third-party*

Our third-party interest expense decreased €0.7 million during 2013, as compared to 2012. This decrease is primarily attributable to the net effect of (i) a lower weighted average interest rate and (ii) higher average outstanding debt balances. The decrease in our weighted average interest rate is primarily related to (a) the completion of certain financing transactions that resulted in extended maturities and net decreases to certain of our interest rates and (b) decreases in certain of the base rates for our variable-rate indebtedness. For additional information regarding our outstanding indebtedness, see note 8 to our consolidated financial statements.

*Interest expense - related-party*

Our related-party interest expense primarily relates to the interest expense on the Shareholder Loan. Our related-party interest expense increased €15.1 million during 2013, as compared to 2012. This increase is primarily due to an increase in the average outstanding balance of the Shareholder Loan. For additional information, see notes 8 and 12 to our consolidated financial statements.

*Realized and unrealized losses on derivative instruments, net*

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

| | Year ended December 31, | |
|---|---|---|
| | 2013 | 2012 |
| | in millions | |
| Cross-currency and interest rate derivative contracts (a) | € (53.7) | € (518.4) |
| Foreign currency forward contracts | (9.7) | (0.3) |
| Other | 1.0 | 2.8 |
| Total | € (62.4) | € (515.9) |

(a) The loss during 2013 is primarily attributable to the net effect of (i) gains associated with increases in market interest rates in the Swiss franc and euro markets, (ii) losses associated with increases in market interest rates in the U.S. dollar market, (iii) gains associated with decreases in the values of the Chilean Peso, Czech koruna, Swiss franc, Polish zloty and Hungarian forint relative to the euro and (iv) losses associated with increases in the values of the euro and Swiss franc relative to the U.S. dollar. In addition, the loss during 2013 includes a net loss of €19.2 million resulting from changes in our credit risk valuation adjustments. The loss during 2012 is primarily attributable to the net effect of (i) losses associated with decreases in market interest rates in the Hungarian forint, euro, Polish zloty, Swiss franc and Czech koruna markets, (ii) losses associated with increases in the values of the Polish zloty, Hungarian forint, Chilean peso and Swiss franc relative to the euro, (iii) losses associated with increases in the values of the euro, Swiss franc and Chilean peso relative to the U.S. dollar and (iv) gains associated with decreases in market interest rates in the U.S. dollar market. In addition, the loss during 2012 includes a net loss of €57.6 million resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see notes 5 and 6 to our consolidated financial statements.

*Foreign currency transaction gains, net*

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

| | Year ended December 31, | |
|---|---|---|
| | 2013 | 2012 |
| | in millions | |
| U.S. dollar denominated debt issued by euro functional currency entities | € 72.1 | € 32.7 |
| Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a) | 2.6 | 129.2 |
| Cash and restricted cash denominated in a currency other than the entity's functional currency | 2.4 | 5.3 |
| Other | 1.3 | (1.1) |
| Total | € 78.4 | € 166.1 |

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

*Losses on debt modification and extinguishment, net*

We recognized losses on debt modification and extinguishment, net, of €75.3 million during 2013. The loss during 2013 includes the following:

- a €65.9 million loss during the first quarter, which includes (i) the payment of €27.5 million of aggregate redemption premium related to UPC Holding's then existing UPC Holding 8.0% Senior Notes and UPC Holding 9.75% Senior Notes, (ii) the write-off of €18.9 million of 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, which includes (i) €5.8 million of third-party costs and (ii) the €3.2 million write-off of deferred financing costs and an unamortized discount.

We recognized losses on debt modification and extinguishment, net, of €12.7 million during 2012. The loss during 2012 includes the following:

- a €9.8 million loss during the fourth quarter associated with the write-off of deferred financing costs and unamortized discount in connection with the prepayment of Facility AB under the UPC Broadband Holding Bank Facility;

- a €1.5 million loss during the first quarter associated with the payment of third-party costs in connection with the execution of Facility AE under the UPC Broadband Holding Bank Facility; and

- a €1.5 million loss during the first quarter associated with the write-off of deferred financing costs in connection with the prepayment of amounts outstanding under certain facilities of the UPC Broadband Holding Bank Facility.

For additional information concerning our losses on debt modification and extinguishment, net, see note 8 to our consolidated financial statements.

*Income tax expense*

We recognized income tax expense of €69.5 million and €73.0 million during 2013 and 2012, respectively.

The income tax expense during 2013 differs from the expected income tax benefit of €164.3 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, due mostly to a change in tax legislation enacted on January 1, 2013 restricting the deductibility of interest expense in the Netherlands.

The income tax expense during 2012 differs from the expected income tax benefit of €237.4 million (based on the Dutch 25.0% income tax rate) primarily due to the negative impacts of (i) certain permanent differences between the financial and tax accounting treatment of interest and other items, (ii) a net increase in valuation allowances and (iii) certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries.

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

*Net loss*

During 2013 and 2012, we reported net losses of €726.6 million and €1,022.5 million, respectively, including (i) operating income of €839.0 million and €839.9 million, respectively, (ii) non-operating expense of €1,496.1 million and €1,789.4 million, respectively, and (iii) income tax expense of €69.5 million and €73.0 million, respectively.

*Net earnings attributable to noncontrolling interests*

Net earnings attributable to noncontrolling interests remained relatively unchanged during 2013, as compared to 2012.

## Liquidity and Capital Resources

### *Sources and Uses of Cash*

As a holding company, UPC Holding's primary assets are its investments in consolidated subsidiaries. UPC Holding's primary subsidiary is UPC Broadband Holding, which owns all of the operating subsidiaries that are consolidated by UPC Holding. Although our consolidated operating subsidiaries generate 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 €59.3 million of our consolidated cash and cash equivalents at December 31, 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 and (ii) interest payments on the UPC Holding Senior Notes. From time to time, UPC Holding may also require cash in connection with (a) the repayment of 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, as described in note 8 to our consolidated financial statements), (b) the funding of loans or distributions to LGE Financing (and ultimately Liberty Global and other Liberty

Global subsidiaries), (c) the satisfaction of contingent liabilities, (d) acquisitions, (e) other investment opportunities or (f) income tax payments.

*Liquidity of Subsidiaries*

In addition to cash and cash equivalents, the primary sources of liquidity of our subsidiaries are cash provided by operations and, in the case of UPC Broadband Holding, borrowing availability under the UPC Broadband Holding Bank Facility. For the details of the borrowing availability under the UPC Broadband Holding Bank Facility at December 31, 2014, see note 8 to our consolidated financial statements. Our subsidiaries' liquidity generally is used to fund property and equipment additions, debt service requirements and payments required by UPC Broadband Holding's derivative instruments. 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.

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

***Capitalization***

At December 31, 2014, our outstanding consolidated third-party debt and capital lease obligations aggregated €8,300.6 million, including €362.3 million that is classified as current in our consolidated balance sheet and €7,930.7 million that is not due until 2020 or thereafter. For additional information concerning our current debt maturities, see note 8 to our 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 5 to our consolidated financial statements, we also use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in 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 December 31, 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.

Subsequent to December 31, 2014, we completed certain transactions that will impact the our borrowing availability under the UPC Broadband Holding Bank Facility. For additional information, see note 16 to our consolidated financial statements.

Notwithstanding our negative working capital position at December 31, 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 the UPC Holding Senior Notes, all of our consolidated third-party debt and capital lease obligations had been borrowed or incurred by our subsidiaries at December 31, 2014.

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

***Consolidated Statements of Cash Flows***

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

*Consolidated Statements of Cash Flows — 2014 compared to 2013*

*Summary.* The 2014 and 2013 consolidated statements of cash flows are summarized as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2014** | **2013** | **Change** |
| | | **in millions** | |
| Net cash provided by operating activities | € 1,015.8 | € 947.1 | € 68.7 |
| Net cash used by investing activities | (196.7) | (661.8) | 465.1 |
| Net cash provided (used) by financing activities | (1,227.0) | 149.7 | (1,376.7) |
| Effect of exchange rate changes on cash | 1.3 | (0.4) | 1.7 |
| Net increase (decrease) in cash and cash equivalents | € (406.6) | € 434.6 | € (841.2) |

*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, (iii) a decrease in cash provided due to higher cash payments related to derivative instruments and (iv) 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 and (ii) an increase in cash of €203.4 million associated with lower capital expenditures.

The capital expenditures that we report in our consolidated statements of cash flows do not include (i) amounts that our company has financed under capital-related vendor financing or capital lease arrangements or (ii) purchased assets transferred to our company by another entity under the common control of Liberty Global in exchange for non-cash increases to the Shareholder Loan or non-cash contributions from our parent (non-cash related-party capital additions). Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and in the case of 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 consolidated statements of cash flows, which exclude non-cash related-party capital additions and amounts financed under capital-related vendor financing or capital lease arrangements, and (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 capital-related vendor financing or capital lease arrangements. For additional information, see notes 7 and 8 to our consolidated financial statements.

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

| | Year ended December 31, | |
|---|---|---|
| | 2014 | 2013 |
| | in millions | |
| Property and equipment additions | € 834.2 | € 845.0 |
| Assets acquired under capital-related vendor financing arrangements | (332.6) | (177.0) |
| Assets acquired under capital leases | (0.9) | (1.5) |
| Assets contributed by parent company | (18.6) | (22.6) |
| Changes in current liabilities related to capital expenditures (including related-party amounts) | (17.7) | 23.9 |
| Capital expenditures | € 464.4 | € 667.8 |

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 and (ii) an increase in expenditures for new build and upgrade projects to expand services. During 2014 and 2013, our property and equipment additions represented 23.1% and 23.6% of our revenue, respectively.

After giving effect to the UPC Ireland Transfer, the UPC NL Transfer and the Corporate Entities Transfer, we expect the percentage of revenue represented by our aggregate 2015 consolidated property and equipment additions to range from 20% to 22%. Following the Corporate Entities Transfer, property and equipment additions that were previously included within UPC Holding will be replaced with depreciation charges to our company as a part of related-party fees and allocations. The actual amount of our 2015 consolidated property and equipment additions may vary from expected amounts for a variety of reasons, including (i) changes in (a) the competitive or regulatory environment, (b) business plans, (c) our current or expected future operating results or (d) foreign currency exchange rates and (ii) the availability of sufficient capital. Accordingly, no assurance can be given that our actual property and equipment additions will not vary materially from our expectations.

*Financing Activities.* The change in net cash provided (used) by our financing activities is primarily attributable to the net effect of (i) an increase in cash used of €1,134.7 million due to higher net repayments of third-party debt, (ii) an increase in cash used of €854.4 million related to a return of an advance to a subsidiary of Liberty Global, (iii) a decrease in cash used of €505.8 million due to higher net borrowings of related-party debt, (iv) a decrease in cash used of €102.7 million due to lower deemed distributions to related parties, (v) an increase in cash used of €51.3 million related to changes in cash collateral, (vi) a decrease in cash used of €44.4 million due to lower payments for financing costs and debt premiums and (vii) an increase in cash used of €16.2 million due to higher cash payments related to derivative instruments.

*Consolidated Statements of Cash Flows — 2013 compared to 2012*

*Summary.* The 2013 and 2012 consolidated statements of cash flows are summarized as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | Change |
| | in millions | | |
| Net cash provided by operating activities | € 947.1 | € 998.2 | € (51.1) |
| Net cash used by investing activities | (661.8) | (614.6) | (47.2) |
| Net cash provided (used) by financing activities | 149.7 | (463.4) | 613.1 |
| Effect of exchange rate changes on cash | (0.4) | 5.7 | (6.1) |
| Net increase (decrease) in cash and cash equivalents | € 434.6 | € (74.1) | € 508.7 |

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

*Investing Activities.* The increase in net cash used by our investing activities is primarily due to the net effect of (i) an increase in cash used of €96.2 million associated with higher capital expenditures and (ii) a decrease in cash used of €35.8 million associated with lower cash paid in connection with acquisitions.

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

| | Year ended December 31, | |
|---|---|---|
| | **2013** | **2012** |
| | **in millions** | |
| Property and equipment additions | € 845.0 | € 755.1 |
| Assets acquired under capital-related vendor financing arrangements (a) | (177.0) | (160.6) |
| Assets acquired under capital leases | (1.5) | (1.9) |
| Assets contributed by parent company | (22.6) | (10.2) |
| Changes in current liabilities related to capital expenditures (including related-party amounts) | 23.9 | (10.8) |
| Capital expenditures | € 667.8 | € 571.6 |

(a) The 2012 amount includes €146.4 million of property and equipment that was acquired on our behalf through vendor financing arrangements of LG B.V. during the year ended December 31, 2012. At December 31, 2012, €63.7 million of this amount was reclassified to the Shareholder Loan and the remainder was reclassified to our third-party vendor financing. The amount reclassified to our third-party vendor financing obligation relates to vendor financing arrangements for which we and LG B.V. are co-obligors. For additional information, see note 7 to our consolidated financial statements.

The increase in our property and equipment additions is primarily due to (i) an increase in expenditures for support capital, such as information technology upgrades and general support systems, (ii) an increase in expenditures for new build and upgrade projects to expand services and (iii) increase in expenditures for the purchase and installation of customer premises equipment. During 2013 and 2012, our property and equipment additions represented 23.6% and 21.3% of our revenue, respectively.

*Financing Activities.* The change in net cash provided (used) by our financing activities is primarily attributable to the net effect of (i) an increase in cash of €1,177.9 million related to higher net borrowings of related-party debt, (ii) an decrease in cash provided of €455.6 million related to lower net borrowings of third-party debt, (iii) an increase in cash used of €498.2 million due to higher deemed distributions to related parties, (iv) an increase in cash provided of €436.0 million related to an advance from a subsidiary of Liberty Global, (v) a decrease in cash used of €51.6 million due to lower cash payments related to derivative instruments, (vi) a decrease in cash provided of €49.6 million related to changes in cash collateral and (vii) an increase in cash used of €43.2 million due to higher payments for financing costs and debt premiums.

***Contractual Commitments***

The euro equivalents of our commitments as of December 31, 2014, are presented below:

| | Payments due during: | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | Thereafter | Total |
| | | | | in millions | | | |
| Debt (excluding interest): | | | | | | | |
| Third-party | € 360.3 | € — | € — | € — | € — | € 7,930.1 | € 8,290.4 |
| Related-party | — | 27.5 | — | — | — | 9,831.1 | 9,858.6 |
| Capital leases (excluding interest) | 2.0 | 2.3 | 2.2 | 1.7 | 1.4 | 13.2 | 22.8 |
| Operating leases | 49.3 | 39.3 | 32.6 | 27.7 | 24.2 | 121.6 | 294.7 |
| Purchase commitments | 228.9 | 27.0 | 7.8 | — | — | — | 263.7 |
| Network and connectivity commitments | 60.5 | 33.1 | 22.7 | 8.4 | 8.6 | 12.0 | 145.3 |
| Programming obligations | 43.0 | 28.8 | 16.9 | 8.8 | 4.0 | — | 101.5 |
| Other commitments | 77.7 | 53.0 | 45.1 | 31.3 | 9.4 | 22.2 | 238.7 |
| Total (a) | € 821.7 | € 211.0 | € 127.3 | € 77.9 | € 47.6 | € 17,930.2 | €19,215.7 |
| Projected cash interest payments on third-party debt and capital lease obligations (b) | € 491.3 | € 481.0 | € 480.9 | € 480.6 | € 471.4 | € 832.9 | € 3,238.1 |

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(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2014 consolidated balance sheet other than debt and capital lease obligations. Our liability for uncertain tax positions in the various jurisdictions in which we operate (€14.7 million at December 31, 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 December 31, 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 €18.0 million associated with related-party purchase obligations.

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

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us 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 2014, 2013 and 2012, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €421.6 million, €410.2 million, and €402.0 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 regarding our derivative instruments, including the net cash paid or received in connection with these instruments during 2014, 2013 and 2012, see note 5 to our consolidated financial statements.

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

***Projected Cash Flows Associated with Derivative Instruments***

The following table provides information regarding the projected cash flows associated with our derivative instruments at December 31, 2014. The euro equivalents presented below are based on interest rates and exchange rates that were in effect as of December 31, 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 5 to our consolidated financial statements.

| | Payments (receipts) due during: | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2018** | **2019** | **Thereafter** | **Total** |
| | | | | **in millions** | | | |
| Projected derivative cash payments (receipts), net: | | | | | | | |
| Interest-related (a) | € 112.7 | € 140.2 | € 43.3 | € 18.9 | € (8.1) | € 10.2 | € 317.2 |
| Principal-related (b) | 206.1 | 23.0 | 143.3 | (72.2) | (43.1) | (184.7) | 72.4 |
| Total | € 318.8 | € 163.2 | € 186.6 | € (53.3) | € (51.2) | € (174.5) | € 389.6 |

(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.

**Critical Accounting Policies, Judgments and Estimates**

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

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

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

***Impairment of Property and Equipment and Intangible Assets***

*Carrying Value.* The aggregate carrying value of our property and equipment and intangible assets (including goodwill) that were held for use comprised 86% of our total assets at December 31, 2014.

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

We evaluate goodwill for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amount of goodwill may not be recoverable. For impairment evaluations, we first make a qualitative assessment to determine if goodwill may be impaired. If it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). In most cases, our operating segments are deemed to be a reporting unit either because the operating segment is comprised of only a single component, or the components below the operating segment are aggregated as they have similar economic characteristics. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss.

When required, considerable management judgment is necessary to estimate the fair value of reporting units and underlying long-lived assets. We typically determine fair value using an income-based approach (discounted cash flows) based on assumptions in our long-range business plans and, in some cases, a combination of an income-based approach and a market-based approach. With respect to our discounted cash flow analysis used in the income-based approach, the timing and amount of future cash flows under these business plans require estimates, among other items, of subscriber growth and retention rates, rates charged per product, expected gross margin and operating cash flow margins and expected property and equipment additions. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. Our determination of the discount rate is based on a weighted average cost of capital approach, which uses a market participant's cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows. Based on the results of our 2014 qualitative assessment of our reporting unit carrying values, we determined that it was more-likely-than-not that fair value exceeded carrying value for all of our reporting units.

During the three years ended December 31, 2014, we recorded no impairments of our property and equipment and intangible assets (including goodwill).

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.

***Costs Associated with Construction and Installation Activities***

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

The nature and amount of labor and other costs to be capitalized with respect to construction and installation activities involves significant judgment. In addition to direct external and internal labor and materials, we also capitalize other costs directly attributable to our construction and installation activities, including dispatch costs, quality-control costs, vehicle-related costs, and certain warehouse-related costs. The capitalization of these costs is based on time sheets, time studies, standard costs, call tracking systems and other verifiable means that directly link the costs incurred with the applicable capitalizable activity. We continuously monitor the appropriateness of our capitalization policies and update the policies when necessary to respond to changes in facts and circumstances, such as the development of new products and services, and changes in the manner that installations or construction activities are performed.

***Useful Lives of Long-Lived Assets***

We depreciate our property and equipment on a straight-line basis over the estimated useful life of the assets. The determination of the useful lives of property and equipment requires significant management judgment, based on factors such as the estimated physical lives of the assets, technological changes, changes in anticipated use, legal and economic factors, rebuild and equipment swap-out plans, and other factors. Our intangible assets with finite lives primarily consist of customer relationships. Customer relationship intangible assets are amortized on a straight-line basis over the estimated weighted average life of the customer relationships. The determination of the estimated useful life of customer relationship intangible assets requires significant management judgment and is primarily based on historical and forecasted subscriber disconnect rates, adjusted when necessary for risk associated with demand, competition, technological changes and other economic factors. We regularly review whether changes to estimated useful lives are required in order to accurately reflect the economic use of our property and equipment and intangible assets with finite lives. Any changes to estimated useful lives are reflected prospectively. Depreciation and amortization expense during 2014, 2013 and 2012 was €885.0 million, €864.0 million and €896.8 million, respectively. A 10% increase in the aggregate amount of the depreciation and amortization expense during 2014 would have resulted in a €88.5 million or 10.4% decrease in our 2014 operating income.

***Fair Value Measurements***

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

*Recurring Valuations.* We perform recurring fair value measurements with respect to our derivative instruments, which are carried at fair value. We use cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments, see note 6 to our consolidated financial statements. See also note 5 to our consolidated financial statements for information concerning our derivative instruments.

Changes in the fair values of our derivative instruments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During 2014, 2013 and 2012, our results of operations included net gains (losses) of €103.1 million, (€62.4 million) and (€515.9 million), respectively, attributable to changes in the fair values of our derivative instruments.

As further described in note 6 to our consolidated financial statements, actual amounts received or paid upon the settlement of our derivative instruments may differ materially from the recorded fair values at December 31, 2014.

*Nonrecurring Valuations.* Our nonrecurring valuations are primarily associated with (i) the application of acquisition accounting and (ii) impairment assessments, both of which require that we make fair value determinations as of the applicable valuation date. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, market comparables and discount rates, remaining useful lives of long-lived assets, replacement or reproduction costs of property and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. To assist us in making these fair value determinations, we may engage third-party valuation specialists. Our estimates in this area impact, among other items, the amount of depreciation and amortization, impairment charges and income tax expense or benefit that we report. Our estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain. A significant portion of our long-lived assets were initially recorded through the application of acquisition accounting and all of our long-lived assets are subject to impairment assessments. For additional information, see notes 4, 6 and 7 to our consolidated financial statements.

***Income Tax Accounting***

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

Net deferred tax assets are reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Establishing or reducing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. At December 31, 2014, the aggregate valuation allowance provided against deferred tax assets was €1,683.2 million. The actual amount of deferred income tax benefits realized in future periods will likely differ from the net deferred tax assets reflected in our December 31, 2014 consolidated balance sheet due to, among other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any of such factors could have a material effect on our current and deferred tax positions as reported in our consolidated financial statements. A high degree of judgment is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we have a presence are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. The determination of whether the tax position meets the more-likely-than-not threshold requires a facts-based judgment using all information available. In a number of cases, we have concluded that the more-likely-than-not threshold is not met, and accordingly, the amount of tax benefit recognized in our consolidated financial statements is different than the amount taken or expected to be taken in our tax returns. As of December 31, 2014, the amount of unrecognized tax benefits for financial reporting purposes, but taken or expected to be taken on tax returns, was €27.4 million, of which €17.5 million would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

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

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

**Management and Principal Shareholder**

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