



UPC HOLDING B.V.

**Consolidated Financial Statements
December 31, 2013**

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

UPC HOLDING B.V.

INDEX

	<u>Page Number</u>
I. CONSOLIDATED FINANCIAL STATEMENTS	
Independent Auditors' Report.....	I-1
Consolidated Balance Sheets as of December 31, 2013 and 2012	I-2
Consolidated Statements of Operations for the Years Ended December 31, 2013, 2012 and 2011.....	I-4
Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2013, 2012 and 2011	I-5
Consolidated Statements of Owners' Deficit for the Years Ended December 31, 2013, 2012 and 2011.....	I-6
Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011	I-9
Notes to Consolidated Financial Statements.....	I-11
II. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	II-1

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. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, owners' deficit, and cash flows for the years ended December 31, 2013, 2012 and 2011, 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, 2013 and 2012, and the results of their operations and their cash flows for the years ended December 31, 2013, 2012 and 2011, in accordance with U.S. generally accepted accounting principles.

Amstelveen, the Netherlands
March 21, 2014

KPMG Accountants N.V.

UPC HOLDING B.V.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2013	2012
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 489.4	€ 58.3
Trade receivables, net (note 12).....	416.8	434.4
Derivative instruments (note 5)	147.8	144.3
Prepaid expenses.....	25.5	31.2
Deferred income taxes (note 9).....	24.4	19.2
Other current assets (note 12)	286.0	117.2
Total current assets.....	1,389.9	804.6
Investments (including €26.0 million and €21.7 million, respectively, measured at fair value) (note 4).....	32.2	22.9
Property and equipment, net (note 7)	4,170.8	4,196.4
Goodwill (note 7)	5,487.1	5,617.3
Intangible assets subject to amortization, net (note 7)	222.2	315.0
Other assets, net (notes 5, 7, 9 and 12)	442.2	476.9
Total assets.....	€ 11,744.4	€ 11,433.1

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

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

	December 31,	
	2013	2012
	in millions	
LIABILITIES AND OWNERS' DEFICIT		
Current liabilities:		
Accounts payable (note 12).....	€ 275.1	€ 284.1
Accrued and other liabilities (notes 9 and 12).....	683.0	584.6
Deferred revenue and advance payments from subscribers and others.....	425.9	418.3
Accrued interest.....	179.1	156.6
Derivative instruments (note 5).....	402.1	367.8
Current portion of debt and capital lease obligations (note 8)	311.9	85.4
Total current liabilities.....	2,277.1	1,896.8
Long-term debt and capital lease obligations (note 8):		
Third-party.....	9,442.8	9,508.3
Related-party (note 12).....	9,770.1	8,727.5
Derivative instruments (note 5)	1,157.1	1,466.8
Other long-term liabilities (notes 9 and 12).....	218.9	217.4
Total liabilities	22,866.0	21,816.8
Commitments and contingencies (notes 5, 8, 9 and 15)		
Owners' deficit (notes 10 and 14):		
Parent's deficit:		
Distributions and accumulated losses in excess of contributions.....	(11,772.9)	(11,138.0)
Accumulated other comprehensive earnings, net of taxes.....	492.5	583.7
Total parent's deficit	(11,280.4)	(10,554.3)
Noncontrolling interests	158.8	170.6
Total owners' deficit.....	(11,121.6)	(10,383.7)
Total liabilities and owners' deficit.....	€ 11,744.4	€ 11,433.1

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

UPC HOLDING B.V.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2013	2012	2011
	in millions		
Revenue (note 12).....	€ 4,298.2	€ 4,271.6	€ 4,013.3
Operating costs and expenses:			
Operating (other than depreciation and amortization) (including share-based compensation) (notes 11 and 12).....	1,534.9	1,508.6	1,441.2
Selling, general and administrative (SG&A) (including share-based compensation) (notes 11 and 12).....	734.8	706.9	654.8
Related-party fees and allocations, net (note 12).....	1.8	(2.4)	5.9
Depreciation and amortization.....	994.1	1,037.3	970.2
Impairment, restructuring and other operating items, net (notes 3, 7 and 13).....	7.2	8.2	26.8
	<u>3,272.8</u>	<u>3,258.6</u>	<u>3,098.9</u>
Operating income	<u>1,025.4</u>	<u>1,013.0</u>	<u>914.4</u>
Non-operating income (expense):			
Interest expense:			
Third-party	(593.5)	(594.1)	(518.9)
Related-party (note 12)	(863.6)	(848.5)	(655.0)
Interest income (note 12)	3.2	5.5	4.3
Realized and unrealized losses on derivative instruments, net (note 5)	(51.6)	(559.7)	(3.6)
Foreign currency transaction gains (losses), net	42.6	197.9	(270.5)
Realized and unrealized gains (losses) due to changes in fair values of certain investments, net (notes 4 and 6)	10.3	0.2	(9.5)
Losses on debt modification and extinguishment, net (note 8)	(75.3)	(12.7)	(11.7)
Other expense, net.....	(2.9)	(0.9)	(2.0)
	<u>(1,530.8)</u>	<u>(1,812.3)</u>	<u>(1,466.9)</u>
Loss before income taxes	<u>(505.4)</u>	<u>(799.3)</u>	<u>(552.5)</u>
Income tax expense (note 9).....	(97.1)	(86.2)	(241.4)
Net loss	<u>(602.5)</u>	<u>(885.5)</u>	<u>(793.9)</u>
Net earnings attributable to noncontrolling interests.....	(34.5)	(36.9)	(22.7)
Net loss attributable to parent.....	<u>€ (637.0)</u>	<u>€ (922.4)</u>	<u>€ (816.6)</u>

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,		
	2013	2012	2011
	in millions		
Net loss.....	€ (602.5)	€ (885.5)	€ (793.9)
Other comprehensive earnings (loss), net of taxes (note 14):			
Foreign currency translation adjustments.....	(114.5)	44.3	45.3
Other	10.3	8.9	(11.6)
Other comprehensive earnings (loss).....	(104.2)	53.2	33.7
Comprehensive loss	(706.7)	(832.3)	(760.2)
Comprehensive earnings attributable to noncontrolling interests.....	(21.5)	(42.4)	(14.4)
Comprehensive loss attributable to parent.....	€ (728.2)	€ (874.7)	€ (774.6)

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

UPC HOLDING B.V.
CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT

	Parent's deficit			Non-controlling interests	Total owners' deficit
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings, net of taxes	Total parent's deficit		
			in millions		
Balance at January 1, 2011	€ (9,441.7)	€ 494.0	€ (8,947.7)	€ 177.4	€ (8,770.3)
Net loss	(816.6)	—	(816.6)	22.7	(793.9)
Other comprehensive earnings, net of taxes (note 14)	—	42.0	42.0	(8.3)	33.7
Share-based compensation (note 11)	13.3	—	13.3	—	13.3
Distributions by subsidiaries to noncontrolling interest owners (note 10)	—	—	—	(37.3)	(37.3)
Capital charge in connection with exercise of share-based incentive awards (notes 11 and 12)	(37.4)	—	(37.4)	—	(37.4)
Contribution from related-party	61.0	—	61.0	—	61.0
Adjustments due to other changes in subsidiaries' equity and other, net	1.7	—	1.7	—	1.7
Balance at December 31, 2011	<u>€ (10,219.7)</u>	<u>€ 536.0</u>	<u>€ (9,683.7)</u>	<u>€ 154.5</u>	<u>€ (9,529.2)</u>

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			Non-controlling interests	Total owners' deficit
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings, net of taxes	Total parent's deficit		
			in millions		
Balance at January 1, 2012.....	€ (10,219.7)	€ 536.0	€ (9,683.7)	€ 154.5	€ (9,529.2)
Net loss.....	(922.4)	—	(922.4)	36.9	(885.5)
Other comprehensive earnings, net of taxes (note 14)	—	47.7	47.7	5.5	53.2
Share-based compensation (note 11)	15.2	—	15.2	—	15.2
Distributions by subsidiaries to noncontrolling interest owners (note 10)	—	—	—	(26.3)	(26.3)
Capital charge in connection with exercise of share-based incentive awards (notes 11 and 12).....	(25.7)	—	(25.7)	—	(25.7)
Property and equipment contributed by parent company (notes 7 and 12)	10.2	—	10.2	—	10.2
Adjustments due to changes in subsidiaries' equity and other, net	4.4	—	4.4	—	4.4
Balance at December 31, 2012.....	<u>€ (11,138.0)</u>	<u>€ 583.7</u>	<u>€ (10,554.3)</u>	<u>€ 170.6</u>	<u>€ (10,383.7)</u>

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.....	€ (11,138.0)	€ 583.7	€ (10,554.3)	€ 170.6	€ (10,383.7)
Net loss.....	(637.0)	—	(637.0)	34.5	(602.5)
Other comprehensive loss, net of taxes (note 14)	—	(91.2)	(91.2)	(13.0)	(104.2)
Share-based compensation (note 11)	21.7	—	21.7	—	21.7
Distributions by subsidiaries to noncontrolling interest owners (note 10)	—	—	—	(33.3)	(33.3)
Capital charge in connection with the 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
Adjustments due to changes in subsidiaries' equity and other, net	(6.4)	—	(6.4)	—	(6.4)
Balance at December 31, 2013.....	<u>€ (11,772.9)</u>	<u>€ 492.5</u>	<u>€ (11,280.4)</u>	<u>€ 158.8</u>	<u>€ (11,121.6)</u>

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,		
	2013	2012	2011
	in millions		
Cash flows from operating activities:			
Net loss.....	€ (602.5)	€ (885.5)	€ (793.9)
Adjustments to reconcile loss to net cash provided by operating activities:			
Share-based compensation expense	26.8	17.8	13.5
Related-party fees and allocations, net	1.8	(2.4)	5.9
Depreciation and amortization	994.1	1,037.3	970.2
Impairment, restructuring and other operating items, net	7.2	8.2	26.8
Non-cash interest on shareholder loan	863.6	848.5	655.0
Amortization of deferred financing costs and non-cash interest accretion	17.3	21.0	11.6
Realized and unrealized losses on derivative instruments, net.....	51.6	559.7	3.6
Foreign currency transaction losses (gains), net.....	(42.6)	(197.9)	270.5
Realized and unrealized losses (gains) due to changes in fair values of certain investments, net.....	(10.3)	(0.2)	9.5
Losses on debt modification and extinguishment, net.....	75.3	12.7	11.7
Deferred income tax expense	6.9	43.6	212.3
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:			
Receivables and other operating assets	1,619.2	677.2	466.0
Payables and accruals.....	(1,804.0)	(902.7)	(712.9)
Net cash provided by operating activities	<u>1,204.4</u>	<u>1,237.3</u>	<u>1,149.8</u>
Cash flows from investing activities:			
Capital expenditures.....	(802.2)	(723.8)	(781.6)
Advances and contributions to related-parties and affiliates, net	(85.8)	(13.4)	(1.7)
Cash paid in connection with acquisitions, net of cash acquired.....	(5.8)	(41.6)	(603.4)
Other investing activities, net	5.9	17.5	17.1
Net cash used by investing activities.....	<u>€ (887.9)</u>	<u>€ (761.3)</u>	<u>€(1,369.6)</u>

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,		
	2013	2012	2011
	in millions		
Cash flows from financing activities:			
Borrowings of third-party debt	€ 345.3	€ 1,413.7	€ 3,197.7
Repayments and repurchases of third-party debt and capital lease obligations	(301.5)	(914.1)	(2,368.2)
Net borrowings (repayments) of related-party debt.....	185.5	(992.4)	(497.0)
Payments of financing costs and debt premiums.....	(60.9)	(17.7)	(28.4)
Distributions by subsidiaries to noncontrolling interest owners.....	(33.0)	(26.6)	(37.5)
Net cash paid related to derivative instruments.....	(3.0)	(54.6)	(40.8)
Change in cash collateral	—	49.6	(49.1)
Equity contributions from related-party	—	—	61.0
Other financing activities, net.....	(14.8)	(9.1)	(8.3)
Net cash provided (used) by financing activities.....	117.6	(551.2)	229.4
Effect of exchange rate changes on cash	(3.0)	7.0	(6.2)
Net increase (decrease) in cash and cash equivalents.....	431.1	(68.2)	3.4
Cash and cash equivalents:			
Beginning of year.....	58.3	126.5	123.1
End of year	€ 489.4	€ 58.3	€ 126.5
Cash paid for interest	€ 549.0	€ 553.2	€ 479.3
Net cash paid for taxes	€ 48.1	€ 30.2	€ 31.1

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

UPC HOLDING B.V.
Notes to Consolidated Financial Statements
December 31, 2013, 2012 and 2011

(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, 2013, we provide (i) video, broadband internet and fixed-line telephony services in nine European countries and in Chile and (ii) mobile services in three European countries. Our European broadband communications and direct-to-home satellite (DTH) operations are collectively referred to as “UPC Europe.”

Our broadband communications operations in Chile are provided through our 80%-owned subsidiary, VTR GlobalCom SpA (VTR GlobalCom), formerly known as VTR GlobalCom S.A. VTR Wireless SpA (VTR Wireless), formerly known as VTR Wireless S.A., a subsidiary of Liberty Global that is outside of UPC Holding, offers mobile services in Chile. All references to VTR GlobalCom in these consolidated financial statements exclude the operations and financial position of VTR Wireless. In January 2014, Liberty Global completed a reorganization of its credit pools that, among other matters, resulted in the extraction of VTR GlobalCom and certain of its parents and subsidiaries from the UPC Holding credit pool. This extraction was effected through an agreement between UPC Holding and its immediate parent, Liberty Global Europe Financing B.V. (LGE Financing). The total purchase consideration for this transaction was €2,450.0 million, which amount was settled through a non-cash reduction to the existing shareholder loan between UPC Holding and LGE Financing that is further described in note 8. No effect has been given to the extraction of VTR GlobalCom and certain of its parents and subsidiaries from the UPC Holding credit pool in these consolidated financial statements. Beginning with our quarterly report for the three months ending March 31, 2014, we will account for the extraction of VTR GlobalCom and certain of its parents and subsidiaries as a common control transfer at carryover basis and, accordingly, our consolidated financial statements will be retrospectively restated to give effect to this transaction for all periods presented.

On January 26, 2014, Liberty Global’s board of directors approved a share dividend (the 2014 Share Dividend) of one Liberty Global Class C ordinary share for each outstanding Class A, Class B and Class C ordinary share as of the February 14, 2014 record date for the share dividend. The 2014 Share Dividend was distributed on March 3, 2014. The Liberty Global share and share-based numbers included in this report have not been adjusted to give effect to the 2014 Share Dividend.

Unless otherwise indicated, ownership percentages and convenience translations into euros are calculated as of December 31, 2013.

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

(2) Summary of Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, the valuation of acquisition-related assets and liabilities, allowances for uncollectible accounts, programming and copyright expenses, 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 significant non-cash investing and financing activities are disclosed in our consolidated statements of owners' deficit and in notes 3, 7 and 8.

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €44.0 million and €50.2 million at December 31, 2013 and 2012, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

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

Investments

We make elections, on an investment-by-investment basis, as to whether we measure our investments at fair value. Such elections are generally irrevocable. We have elected the fair value method for most of our investments as we believe this method generally provides the most meaningful information to our investors. However, for investments over which we have significant influence, we consider the significance of transactions between our company and our equity affiliates and other factors in determining whether the fair value method should be applied. In general, we do not elect the fair value option for those equity method investments with which we or other entities controlled by Liberty Global or its consolidated subsidiaries have significant related-party transactions.

Under the fair value method, investments are recorded at fair value and any changes in fair value are reported in realized and unrealized gains or losses due to changes in fair values of certain investments, net, in our consolidated statements of operations. All costs directly associated with the acquisition of an investment to be accounted for using the fair value method are expensed as incurred. For additional information regarding our fair value method investments, see notes 4 and 6.

Dividends from publicly-traded investees are recognized when declared as dividend income in our consolidated statements of operations. Dividends from privately-held investees generally are reflected as reductions of the carrying values of the applicable investments.

Realized gains and losses are determined on an average cost basis. Securities transactions are recorded on the trade date.

Financial Instruments

Due to the short maturities of cash and cash equivalents, restricted cash, short-term liquid investments, trade and other receivables, other current assets, accounts payable, accrued liabilities, subscriber advance payments and deposits and other current liabilities, their respective carrying values approximate their respective fair values. For information concerning the fair values of our investments, derivatives and debt, see notes 4, 5 and 8, respectively. For information concerning how we arrive at certain of our fair value measurements, see note 6.

Derivative Instruments

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

Property and Equipment

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

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

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

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

We recognize a liability for asset retirement obligations in the period in which it is incurred if sufficient information is available to make a reasonable estimate of fair values. Asset retirement obligations may arise from the loss of rights of way that we obtain from local municipalities or other relevant authorities. Under certain circumstances, the authorities could require us to remove our network equipment from an area if, for example, we were to discontinue using the equipment for an extended period of time or the authorities were to decide not to renew our access rights. However, because the rights of way are integral to our ability to deliver broadband communications services to our customers, we expect to conduct our business in a manner that will allow us to maintain these rights for the foreseeable future. In addition, we have no reason to believe that the authorities will not renew our rights of way and, historically, renewals have been granted. We also have obligations in lease agreements to restore the property

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

to its original condition or remove our property at the end of the lease term. Sufficient information is not available to estimate the fair value of our asset retirement obligations in certain of our lease arrangements. This is the case in long-term lease arrangements in which the underlying leased property is integral to our operations, there is not an acceptable alternative to the leased property and we have the ability to indefinitely renew the lease. Accordingly, for most of our rights of way and certain lease agreements, the possibility is remote that we will incur significant removal costs in the foreseeable future and, as such, we do not have sufficient information to make a reasonable estimate of fair value for these asset retirement obligations.

As of December 31, 2013 and 2012, the recorded value of our asset retirement obligations was €16.8 million and €15.9 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 and other intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values, and reviewed for impairment when a triggering event occurs.

We do not amortize certain other intangible assets as these assets have indefinite lives. For additional information regarding the useful lives of our intangible assets, see note 7.

Impairment of Property and Equipment and Intangible Assets

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

We evaluate the goodwill and other indefinite-lived intangible assets for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill and other indefinite-lived intangible assets may not be recoverable. For impairment evaluations with respect to both goodwill and other indefinite-lived intangibles, we first make a qualitative assessment to determine if the goodwill or other indefinite-lived intangible may be impaired. In the case of goodwill, 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. With respect to other indefinite-lived intangible assets, if it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying value, we then estimate its fair value and any excess of the carrying value over the fair value of the other indefinite-lived intangible asset is also charged to operations as an impairment loss.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

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.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

Mobile Revenue. We recognize revenue from mobile services in the period the related services are provided. Mobile handset revenue is recognized to the extent of cash collected 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. Revenue is recorded net of applicable sales, use and other value-added taxes (VAT).

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 options as a charge to operations over the vesting period. The cash benefits of tax deductions in excess of deferred taxes on recognized compensation expense are reported as a financing cash flow.

We use the straight-line method to recognize 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. We also recognize the equity component of deferred compensation as additional paid-in capital.

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.

(3) Acquisition

Aster. On September 16, 2011, a subsidiary of UPC Holding paid total cash consideration equal to PLN 2,445.7 million (€568.8 million at the transaction date) in connection with its acquisition of a 100% equity interest in Aster Sp. z o.o. (Aster), a broadband communications provider in Poland (the Aster Acquisition). The total cash consideration, which UPC Holding initially funded with available cash and cash equivalents, included the equivalent of PLN 1,602.3 million (€372.2 million at the transaction date) that was used to repay Aster's debt immediately prior to our acquisition of Aster's equity and excludes direct acquisition costs of €4.7 million. The direct acquisition costs, all of which were incurred in 2011, are included in impairment, restructuring and other operating items, net, in our consolidated statement of operations. We completed the Aster Acquisition in order to achieve certain financial, operational and strategic benefits through the integration of Aster with our existing operations in Poland. The approval of the Aster Acquisition by the regulatory authority in Poland was conditioned upon our agreement to dispose of certain sections of Aster's network. This condition was satisfied on May 10, 2013.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

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

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

- (a) The goodwill recognized in connection with the Aster Acquisition is primarily attributable to (i) the ability to take advantage of Aster's existing advanced broadband communications network to gain immediate access to potential customers and (ii) substantial synergies that are expected to be achieved through the integration of Aster with our other broadband communications operations in Poland.
- (b) Amount primarily includes intangible assets related to customer relationships. At September 16, 2011, the weighted average useful life of Aster's intangible assets was approximately seven years.

Pro Forma Information

The following unaudited pro forma consolidated operating results give effect to the Aster Acquisition as if it had been completed as of January 1, 2011. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if this transaction had occurred on such date. The pro forma adjustments are based on certain assumptions that we believe are reasonable.

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

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

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

(4) Investments

The details of our investments are set forth below:

<u>Accounting Method</u>	<u>December 31,</u>			
	<u>2013</u>		<u>2012</u>	
	<u>in millions</u>			
Fair value	€	26.0	€	21.7
Equity.....		5.9		0.9
Cost		0.3		0.3
Total	€	32.2	€	22.9

(5) Derivative Instruments

In general, we seek to enter into derivative instruments (i) to protect against increases in the interest rates on our variable-rate debt and (ii) in cases where market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in the functional currency of the underlying operation, to synthetically convert such debt into the applicable underlying currency in order to provide for an economic hedge against foreign currency exchange rate movements. 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 Swiss franc (CHF), the Chilean peso (CLP), the Czech koruna (CZK), the British pound sterling (£), 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, 2013			December 31, 2012		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (b).....	€ 145.1	€ 206.3	€ 351.4	€ 143.0	€ 295.6	€ 438.6
Foreign currency forward contracts	1.8	—	1.8	0.5	0.3	0.8
Embedded derivatives	0.9	0.7	1.6	0.8	0.8	1.6
Total.....	€ 147.8	€ 207.0	€ 354.8	€ 144.3	€ 296.7	€ 441.0
Liabilities:						
Cross-currency and interest rate derivative contracts (b).....	€ 399.0	€ 1,148.0	€ 1,547.0	€ 365.7	€ 1,463.6	€ 1,829.3
Foreign currency forward contracts	3.0	8.7	11.7	1.8	2.7	4.5
Embedded derivatives	0.1	0.4	0.5	0.3	0.5	0.8
Total.....	€ 402.1	€ 1,157.1	€ 1,559.2	€ 367.8	€ 1,466.8	€ 1,834.6

- (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, 2013 and 2012, (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 €3.3 million and €8.5 million, respectively, and (ii) the fair values of our cross-currency and interest rate derivative

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating €77.2 million and €102.5 million, respectively. The adjustments to our derivative assets relate to the risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market and market quotations for certain of our subsidiaries' debt instruments, as applicable. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains (losses) of (€20.1 million), (€60.2 million) and €27.5 million during 2013, 2012 and 2011, respectively. These amounts are included in realized and unrealized losses on derivative instruments, net, in our consolidated statements of operations. For further information concerning our fair value measurements, see note 6.

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

	Year ended December 31,		
	2013	2012	2011
	in millions		
Cross-currency and interest rate derivative contracts	€ (43.7)	€ (559.1)	€ 5.5
Foreign currency forward contracts	(8.8)	(3.4)	(9.0)
Embedded derivatives	0.9	2.8	(0.1)
Total	<u>€ (51.6)</u>	<u>€ (559.7)</u>	<u>€ (3.6)</u>

The net cash received or paid related to each of our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. For cross-currency or interest rate derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity. The classification of these cash outflows are as follows:

	Year ended December 31,		
	2013	2012	2011
	in millions		
Operating activities	€ (230.9)	€ (282.0)	€ (278.2)
Financing activities	(3.0)	(54.6)	(40.8)
Total	<u>€ (233.9)</u>	<u>€ (336.6)</u>	<u>€ (319.0)</u>

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. We and our counterparties do not post collateral or other security, nor have we entered into master netting arrangements with any of our counterparties. At December 31, 2013, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €225.9 million.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set-off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly,

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set-off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

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

While we currently have no specific concerns about the creditworthiness of any counterparty for which we have material credit risk exposures, we cannot rule out the possibility that one or more of our counterparties could fail or otherwise be unable to meet its obligations to us. Any such instance could have an adverse effect on our cash flows, results of operations, financial condition and/or liquidity.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at December 31, 2013 are as follows:

Subsidiary / Final maturity date (a)	Notional amount due from counterparty		Notional amount due to counterparty		Interest rate due from counterparty	Interest rate due to counterparty
	in millions					
UPC Holding:						
April 2016 (b)	\$	400.0	CHF	441.8	9.88%	9.87%
UPC Broadband Holding BV (UPC Broadband Holding), a subsidiary of UPC Holding:						
November 2019	\$	500.0	€	362.9	7.25%	7.74%
January 2015 - July 2021	\$	312.0	€	240.0	6 mo. LIBOR + 2.50%	6 mo. EURIBOR + 2.87%
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%
October 2017	\$	200.0	€	145.7	6 mo. LIBOR + 3.50%	6 mo. EURIBOR + 3.33%
January 2020	\$	197.5	€	150.5	6 mo. LIBOR + 4.92%	6 mo. EURIBOR + 4.91%
September 2014 - July 2021	\$	128.0	€	97.2	6 mo. LIBOR + 2.50%	6 mo. EURIBOR + 2.90%
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%
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%
January 2015	€	898.4	CHF	1,466.0	6 mo. EURIBOR + 1.68%	6 mo. CHF LIBOR + 1.94%
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%
January 2020	€	175.0	CHF	258.6	7.63%	6.76%
July 2020	€	107.4	CHF	129.0	6 mo. EURIBOR + 3.00%	6 mo. CHF LIBOR + 3.28%
January 2017	€	75.0	CHF	110.9	7.63%	6.98%
July 2015	€	123.8	CLP	86,500.0	2.50%	5.84%
December 2015	€	69.1	CLP	53,000.0	3.50%	5.75%
January 2015	€	365.8	CZK	10,521.8	5.48%	5.99%
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%

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

Subsidiary / Final maturity date (a)	Notional amount due from counterparty		Notional amount due to counterparty		Interest rate due from counterparty	Interest rate due to counterparty
	in millions					
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%
July 2017	€	82.0	PLN	318.0	3.00%	5.60%

- (a) For each subsidiary, the notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. For derivative instruments that were in effect as of December 31, 2013, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2013, we present a range of dates that represents the period covered by the applicable derivative instruments.
- (b) Unlike the other cross-currency swaps presented in this table, the UPC Holding cross-currency swap does not involve the exchange of notional amounts at the inception and maturity of the instrument. Accordingly, the only cash flows associated with this instrument are interest payments and receipts.

Cross-currency Interest Rate Swaps:

The terms of our outstanding cross-currency interest rate swap contracts at December 31, 2013 are as follows:

Subsidiary / Final maturity date (a)	Notional amount due from counterparty		Notional amount due to counterparty		Interest rate due from counterparty	Interest rate due to counterparty
in millions						
UPC Broadband Holding:						
July 2018	\$	525.0	€	396.3	6 mo. LIBOR + 1.99%	6.25%
September 2014 - January 2020.....	\$	327.5	€	249.5	6 mo. LIBOR + 4.92%	7.52%
January 2015	\$	300.0	€	226.5	6 mo. LIBOR + 1.75%	5.78%
December 2016	\$	296.6	€	219.8	6 mo. LIBOR + 3.50%	6.75%
December 2014 - July 2018	\$	200.0	€	151.0	6 mo. LIBOR + 3.00%	7.31%
January 2015 - July 2018	\$	100.0	€	75.4	6 mo. LIBOR + 1.75%	5.77%
November 2019.....	\$	250.0	CHF	226.8	7.25%	6 mo. CHF LIBOR + 5.01%
January 2020	\$	225.0	CHF	206.3	6 mo. LIBOR + 4.81%	5.44%
December 2014	\$	340.0	CLP	181,322.0	6 mo. LIBOR + 1.75%	8.76%
December 2016	\$	201.5	RON	489.3	6 mo. LIBOR + 3.50%	14.01%
December 2014	€	134.2	CLP	107,800.0	6 mo. EURIBOR + 2.00%	10.00%
VTR GlobalCom:						
September 2014	\$	441.8	CLP	244,508.6	6 mo. LIBOR + 3.00%	11.16%

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

- (a) For each subsidiary, the notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. For derivative instruments that were in effect as of December 31, 2013, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2013, we present a range of dates that represents the period covered by the applicable derivative instruments.

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at December 31, 2013 are as follows:

Subsidiary / Final maturity date (a)	Notional amount	Interest rate due from counterparty	Interest rate due to counterparty
	in millions		
UPC Broadband Holding:			
July 2020.....	\$ 1,000.0	6.63%	6 mo. LIBOR + 3.03%
January 2022.....	\$ 750.0	6.88%	6 mo. LIBOR + 4.89%
January 2014.....	€ 2,750.0	1 mo. EURIBOR + 3.76%	6 mo. EURIBOR + 3.52%
January 2014 - January 2015	€ 2,100.0	1 mo. EURIBOR + 3.75%	6 mo. EURIBOR + 3.56%
January 2015	€ 1,364.8	6 mo. EURIBOR	3.44%
July 2020.....	€ 750.0	6.38%	6 mo. EURIBOR + 3.16%
January 2015 - January 2021	€ 750.0	6 mo. EURIBOR	2.57%
January 2015 - December 2016	€ 500.0	6 mo. EURIBOR	4.32%
July 2014.....	€ 337.0	6 mo. EURIBOR	3.94%
January 2015 - January 2023	€ 290.0	6 mo. EURIBOR	2.79%
December 2015.....	€ 263.3	6 mo. EURIBOR	3.97%
January 2023.....	€ 210.0	6 mo. EURIBOR	2.88%
January 2014.....	€ 185.0	6 mo. EURIBOR	4.04%
January 2015 - January 2018	€ 175.0	6 mo. EURIBOR	3.74%
July 2020.....	€ 171.3	6 mo. EURIBOR	4.32%
January 2015 - July 2020.....	€ 171.3	6 mo. EURIBOR	3.95%
December 2014.....	€ 107.0	6 mo. EURIBOR	4.73%
January 2015 - November 2021.....	€ 107.0	6 mo. EURIBOR	2.89%
January 2015	CHF 2,380.0	6 mo. CHF LIBOR	2.81%
January 2015 - January 2022	CHF 711.5	6 mo. CHF LIBOR	1.89%
January 2015 - January 2021	CHF 500.0	6 mo. CHF LIBOR	1.65%
January 2015 - January 2018	CHF 400.0	6 mo. CHF LIBOR	2.51%
January 2015 - December 2016	CHF 370.9	6 mo. CHF LIBOR	3.82%
January 2015 - November 2019.....	CHF 226.8	6 mo. CHF LIBOR + 5.01%	6.88%

- (a) The notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. For derivative instruments that were in effect as of December 31, 2013, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2013, we present a range of dates that represents the period covered by the applicable derivative instruments.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

Interest Rate Cap

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

<u>Subsidiary / Final maturity date (a)</u>	<u>December 31, 2013</u>	
	<u>Notional amount</u>	<u>EURIBOR cap rate</u>
	<u>in millions</u>	
Interest rate cap sold (b):		
UPC Broadband Holding:		
January 2015 - January 2020	€ 735.0	7.00%

- (a) As this derivative instrument becomes effective subsequent to December 31, 2013, we present a range of dates that represents the period covered by the derivative instrument.
- (b) Our sold interest rate cap requires that we make payments to the counterparty when EURIBOR exceeds the EURIBOR cap rate.

Interest Rate Collars

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

<u>Subsidiary / Final maturity date (a)</u>	<u>December 31, 2013</u>		
	<u>Notional amount</u>	<u>EURIBOR floor rate (b)</u>	<u>EURIBOR cap rate (c)</u>
	<u>in millions</u>		
UPC Broadband Holding:			
January 2015 - January 2020	€ 1,135.0	1.00%	3.54%

- (a) 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. As this derivative instrument becomes effective subsequent to December 31, 2013, we present a range of dates that represents the period covered by the derivative instrument.
- (b) We make payments to the counterparty when EURIBOR is less than the EURIBOR floor rate.
- (c) We receive payments from the counterparty when EURIBOR is greater than the EURIBOR cap rate.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

UPC Holding Cross-Currency Options

Pursuant to its cross-currency option contracts, UPC Holding has the option to deliver U.S. dollars to the counterparty in exchange for Swiss francs at a fixed exchange rate of 0.7354 Swiss francs per one U.S. dollar, in the notional amounts listed below:

<u>Contract expiration date</u>	<u>Notional amount at December 31, 2013</u> in millions
April 2018	\$ 419.8
October 2016	\$ 19.8
April 2017	\$ 19.8
October 2017	\$ 19.8

Foreign Currency Forwards

The following table summarizes our outstanding foreign currency forward contracts at December 31, 2013:

<u>Subsidiary</u>	<u>Currency purchased forward</u>	<u>Currency sold forward</u>	<u>Maturity dates</u>
	in millions		
UPC Holding	\$ 479.0	CHF 415.1	October 2016 — April 2018
UPC Broadband Holding	\$ 2.5	CZK 49.3	January 2014 — October 2014
UPC Broadband Holding	€ 86.6	CHF 106.5	January 2014 — December 2014
UPC Broadband Holding	€ 15.0	CZK 388.4	January 2014 — October 2014
UPC Broadband Holding	€ 13.9	HUF 4,250.0	January 2014 — October 2014
UPC Broadband Holding	€ 40.0	PLN 176.6	January 2014 — October 2014
UPC Broadband Holding	£ 2.1	€ 2.5	January 2014 — July 2014
UPC Broadband Holding	CHF 123.5	€ 100.7	January 2014
UPC Broadband Holding	HUF 6,650.0	€ 22.4	January 2014
UPC Broadband Holding	PLN 109.0	€ 26.3	January 2014
VTR GlobalCom	\$ 28.6	CLP 14,984.2	January 2014 — December 2014

(6) Fair Value Measurements

We use the fair value method to account for (i) certain of our investments and (ii) our derivative instruments. The reported fair values of these investments and derivative instruments as of December 31, 2013 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities. In the case of the investments that we account for using the fair value method, the values we realize upon disposition will be dependent upon, among other factors, market conditions and the forecasted financial performance of the investees at the time of any such disposition. With respect to our derivative instruments, we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

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

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

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 2013, no such transfers were made.

All of our Level 2 inputs (interest rate futures, swap rates and certain of the inputs for our weighted average cost of capital calculations) and certain of our Level 3 inputs (forecasted volatilities and credit spreads) are obtained from pricing services. These inputs, or interpolations or extrapolations thereof, are used in our internal models to calculate, among other items, yield curves, forward interest and currency rates and weighted average cost of capital rates. In the normal course of business, we receive market value assessments from the counterparties to our derivative contracts. Although we compare these assessments to our internal valuations and investigate unexpected differences, we do not otherwise rely on counterparty quotes to determine the fair values of our derivative instruments. The midpoints of applicable bid and ask ranges generally are used as inputs for our internal valuations.

Our investments that we account for at fair value are privately-held companies, and therefore, quoted market prices are unavailable. The valuation technique we use for such investments is a combination of an income approach (discounted cash flow model based on forecasts) and a market approach (market multiples of similar businesses). With the exception of certain inputs for our weighted average cost of capital calculations that are derived from pricing services, the inputs used to value these investments are based on unobservable inputs derived from our assumptions. Therefore, the valuation of our privately-held investments falls under Level 3 of the fair value hierarchy. Any reasonably foreseeable changes in assumed levels of unobservable inputs would not be expected to have a material impact on our financial position or results of operations.

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

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of reporting units, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of private reporting units is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges, and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We did not perform significant nonrecurring fair value measurements during 2013 or 2012.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

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

<u>Description</u>	Fair value measurements at December 31, 2013 using:		
	December 31, 2013	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		in millions	
Assets:			
Derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 351.4	€ 351.4	€ —
Foreign currency forward contracts	1.8	1.8	—
Embedded derivatives	1.6	1.6	—
Total derivative instruments	354.8	354.8	—
Investments	26.0	—	26.0
Total assets	€ 380.8	€ 354.8	€ 26.0

Liabilities - derivative instruments:

Cross-currency and interest rate derivative contracts	€ 1,547.0	€ 1,547.0	€ —
Foreign currency forward contracts	11.7	11.7	—
Embedded derivatives	0.5	0.5	—
Total liabilities	€ 1,559.2	€ 1,559.2	€ —

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

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

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

Balance at January 1, 2013	€	21.7
Net gain (a)		10.3
Investments no longer accounted for using the fair value method (a)		(5.7)
Foreign currency translation adjustments		(0.3)
Balance at December 31, 2013	€	<u>26.0</u>

- (a) During the fourth quarter of 2013, we acquired controlling interests in two of our fair value investments. These investments accounted for €2.3 million of our net gain recognized in our consolidated statement of operations during 2013. The remaining net gain relates to investments that we continue to carry on our consolidated balance sheet as of December 31, 2013.

(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, 2013	December 31,	
		2013	2012
		in millions	
Distribution systems	4 to 30 years	€ 5,413.5	€ 5,331.8
Customer premises equipment.....	3 to 5 years	2,077.7	2,012.4
Support equipment, buildings and land	3 to 40 years	1,051.1	931.7
		8,542.3	8,275.9
Accumulated depreciation		(4,371.5)	(4,079.5)
Total property and equipment, net		€ 4,170.8	€ 4,196.4

Depreciation expense related to our property and equipment was €901.3 million, €921.3 million and €864.8 million during 2013, 2012 and 2011, respectively.

At December 31, 2013 and 2012, the amount of property and equipment, net, recorded under capital leases was €28.9 million and €32.2 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 2013, 2012 and 2011, we recorded non-cash increases to our property and equipment related to (i) certain vendor financing arrangements of €176.9 million, €14.2 million and €73.2 million, respectively, and (ii) assets acquired under capital leases of €2.4 million, €1.9 million and €1.4 million, respectively. Furthermore, during 2013 and 2012, we recorded non-cash increases to our property and equipment of €22.6 million and €156.6 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.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

Goodwill

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			
UPC Europe:				
The Netherlands	€ 914.3	€ —	€ —	€ 914.3
Switzerland	2,354.9	0.4	(36.5)	2,318.8
Other Western Europe	781.5	—	1.5	783.0
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 UPC Europe	5,194.6	0.4	(76.5)	5,118.5
Chile (VTR GlobalCom)	422.7	—	(54.1)	368.6
Total	€ 5,617.3	€ 0.4	€ (130.6)	€ 5,487.1

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, 2013 and 2012 and based on exchange rates as of those dates, our accumulated goodwill impairments were €173.8 million and €174.9 million, respectively. These amounts represent accumulated impairments related to our broadband communications operations in Romania, which operations are included within UPC Europe's Central and Eastern Europe segment.

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

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

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

Intangible Assets Subject to Amortization, Net

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

		December 31, 2013			December 31, 2012		
	Estimated useful life at 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	€ 887.7	€ (667.7)	€ 220.0	€ 943.3	€ (636.8)	€ 306.5
Other	2 years	19.3	(17.1)	2.2	19.6	(11.1)	8.5
Total.....		€ 907.0	€ (684.8)	€ 222.2	€ 962.9	€ (647.9)	€ 315.0

Amortization of intangible assets with finite useful lives was €92.8 million, €116.0 million and €105.4 million during 2013, 2012 and 2011, respectively. Based on our amortizable intangible asset balances at December 31, 2013, 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, 2013 are presented below (in millions):

2014	€ 80.1
2015	60.3
2016	27.2
2017	25.2
2018	22.4
Thereafter	7.0
Total	<u>€ 222.2</u>

Other Indefinite-lived Intangible Assets

At December 31, 2013 and 2012, other indefinite-lived intangible assets aggregating €18.3 million and €21.0 million, respectively, were included in other assets, net, in our consolidated balance sheets.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

(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, 2013		Estimated fair value (c)		Carrying value (d)	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	December 31,		December 31,	
			2013		2012	
			in millions			
Third-party debt:						
Parent - UPC Holding Senior Notes.....	7.51%	€ —	€ 2,391.3	€ 2,417.2	€ 2,247.5	€ 2,202.0
Subsidiaries:						
UPC Broadband Holding Bank Facility	3.76%	1,046.2	4,146.6	4,163.4	4,113.0	4,142.5
UPCB SPE Notes	6.88%	—	3,289.9	3,411.6	3,060.0	3,140.9
Vendor financing (e).....	3.63%	—	309.9	82.9	309.9	82.9
Other	—%	—	—	0.2	—	0.2
Total third-party debt.....	5.59%	1,046.2	€ 10,137.7	€ 10,075.3	9,730.4	9,568.5
Related-party debt (note 12):						
Shareholder loan (f)	9.79%	—	(g)	(g)	9,695.4	8,712.3
Other (h).....	6.28%	—	(g)	(g)	74.7	15.2
Total related-party debt.....	9.74%	—			9,770.1	8,727.5
Total debt.....	7.67%	€ 1,046.2			19,500.5	18,296.0
Capital lease obligations					24.3	25.2
Total debt and capital lease obligations					19,524.8	18,321.2
Current maturities					(311.9)	(85.4)
Long-term debt and capital lease obligations.....					€ 19,212.9	€ 18,235.8

- (a) Represents the weighted average interest rate in effect at December 31, 2013 for all borrowings outstanding pursuant to each debt instrument including any applicable margin. The interest rates presented represent stated rates and do not include the impact of our interest rate derivative contracts, deferred financing costs, original issue discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue discounts and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our aggregate variable- and fixed-rate indebtedness was 7.9% at December 31, 2013. 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, 2013 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2013, our availability under the UPC Broadband Holding Bank Facility was limited to €432.3 million. When the relevant December 31, 2013 compliance reporting requirements have been completed and assuming no changes from December 31, 2013 borrowing levels, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €726.7 million.
- (c) The estimated fair values of our debt instruments were determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy). For additional information concerning fair value hierarchies, see note 6.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

- (d) Amounts include the impact of discounts, where applicable.
- (e) Primarily represents amounts owed pursuant to interest-bearing vendor financing arrangements that are generally due within one year. At December 31, 2013 and 2012, the amounts owed pursuant to these arrangements include (i) €127.4 million and €67.3 million, respectively, related to third-party vendor financing obligations for which we and LG B.V. are co-obligors and (ii) €10.4 million and €5.8 million, respectively, of VAT that were paid on our behalf by the vendor. 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 sheet. 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 with 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 (as defined and described below) in the event of (i) a total or partial liquidation, dissolution or winding up of UPC Holding, (ii) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (iii) an assignment for the benefit of creditors or (iv) any marshaling of UPC Holding's assets or liabilities. Accrued interest is included in other long-term liabilities until the end of each fiscal year and then it is transferred to the loan balance. The interest rate on the shareholder loan is reviewed annually, with adjustments effective on January 1 of each year. The interest rate was 9.79% during 2013 and 2012 and 7.75% during 2011. The net increase in the shareholder loan balance during 2013 includes (i) cash borrowings of €2,435.9 million, (ii) cash payments of €2,309.3 million, (iii) additions of €861.0 million in non-cash accrued interest, (iv) a €40.0 million non-cash decrease related to the settlement of related-party charges and allocations and (v) 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. The net increase in the shareholder loan balance during 2011 includes (i) cash payments of €3,868.1 million, (ii) cash borrowings of €3,371.1 million, (iii) additions of €652.8 million in non-cash accrued interest and (iv) an increase of €26.6 million in non-cash settlement of related-party charges and allocations. During the three-year period ended December 31, 2013, none of the debt repayments were payments of interest.
- (g) The fair values are not subject to reasonable estimation due to the related-party nature of these loans.
- (h) Represents borrowings under (i) a loan agreement (the UPC Equipment Note) between a subsidiary of Liberty Global and our subsidiary, UPC Equipment B.V. and (ii) a loan agreement (the UMI Loan) between Unitymedia Hessen GmbH & Co. KG (Unitymedia Hessen), a subsidiary of Liberty Global that is outside of UPC Holding, and Unitymedia International GmbH (UMI), which, as further described in note 12, is consolidated within UPC Holding. The UPC Equipment Note (€41.7 million principal balance at December 31, 2013) bears interest at 9.29% as of December 31, 2013 and matures in March 2032. The UMI Loan (€33.0 million principal balance at December 31, 2013) bears interest at 2.47% as of December 31, 2013 and matures in February 2016. The interest rates on these notes are reviewed annually, with adjustments effective on January 1 of each year. Accrued interest is included in other long-term liabilities until the end of each fiscal year and then it is transferred to the loan balance. 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 transfer of €0.6 million in non-cash accrued interest to the loan balance.

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 €50.0 million or more in the aggregate of (i) Liberty Global Europe, Inc., the indirect parent of Liberty Global Europe Holding BV (Liberty Global Europe), (ii) any other company of which UPC Broadband Holding is a subsidiary and which is a subsidiary of Liberty Global Europe and (iii) UPC Holding II BV (a subsidiary of UPC Holding) is an event of default under the UPC Broadband Holding Bank Facility.

The UPC Broadband Holding Bank Facility permits UPC Broadband Holding to transfer funds to its parent company (and indirectly to Liberty Global) through loans, advances or dividends provided that UPC Broadband Holding maintains compliance with applicable covenants. If a Change of Control occurs, as defined in the UPC Broadband Holding Bank Facility, the facility agent may (if required by the majority lenders) cancel each facility and declare all outstanding amounts immediately due and payable. The UPC Broadband Holding Bank Facility requires compliance with various financial covenants such as: (i) Senior Debt (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 capitalized term as defined in the UPC Broadband Holding Bank Facility.

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

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

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

The details of our borrowings under the UPC Broadband Holding Bank Facility as of December 31, 2013 are summarized in the following table:

Facility	Final maturity date	Interest rate	Facility amount (in borrowing currency) (a)	Unused borrowing capacity (b)	Carrying value (c)
in millions					
Q.....	July 31, 2014	EURIBOR + 2.75%	€ 30.0	€ 30.0	€ —
R (d)	December 31, 2015	EURIBOR + 3.25%	€ 111.0	—	111.0
S (d).....	December 31, 2016	EURIBOR + 3.75%	€ 545.5	—	545.5
V (e)	January 15, 2020	7.625%	€ 500.0	—	500.0
Y (e).....	July 1, 2020	6.375%	€ 750.0	—	750.0
Z (e).....	July 1, 2020	6.625%	\$ 1,000.0	—	725.2
AC (e).....	November 15, 2021	7.250%	\$ 750.0	—	543.9
AD (e)	January 15, 2022	6.875%	\$ 750.0	—	543.9
AE (d).....	December 31, 2019	EURIBOR + 3.75%	€ 602.5	—	602.5
AF (f).....	January 31, 2021	LIBOR + 3.00% (g)	\$ 500.0	—	359.1
AG	March 31, 2021	EURIBOR + 3.75%	€ 1,554.4	—	1,551.0
AH	June 30, 2021	LIBOR + 2.50% (g)	\$ 1,305.0	—	943.9
AI	April 30, 2019	EURIBOR + 3.25%	€ 1,016.2	1,016.2	—
Elimination of Facilities V, Y, Z, AC and AD in consolidation (e).....				—	(3,063.0)
Total				€ 1,046.2	€ 4,113.0

- (a) Except as described in (e) below, amounts represent total third-party facility amounts at December 31, 2013 without giving effect to the impact of discounts.
- (b) At December 31, 2013, our availability under the UPC Broadband Holding Bank Facility was limited to €432.3 million. When the relevant December 31, 2013 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €726.7 million. Facilities Q and AI have commitment fees on unused and uncanceled balances of 0.75% and 1.3% per year, respectively.
- (c) The carrying values of Facilities AF, AG and AH include the impact of discounts.
- (d) Subsequent to December 31, 2013, the parent of VTR GlobalCom issued \$1.4 billion (€1.0 billion) principal amount of senior secured notes in connection with the extraction of VTR GlobalCom and certain of its parents and subsidiaries from the UPC Holding credit pool. The net proceeds from such senior secured notes, together with cash from another subsidiary of Liberty Global, were loaned to UPC Broadband Holding and used to repay all of the outstanding indebtedness under Facilities R, S and AE.
- (e) 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.
- (f) Subsequent to December 31, 2013, the full amount outstanding under Facility AF was repaid with funds provided through the shareholder loan.
- (g) Facilities AF and AH have LIBOR floors of 1.00% and 0.75%, respectively.

Refinancing Transactions. During 2013, 2012 and 2011, we completed a number of refinancing transactions that generally resulted in additional borrowings or extended maturities under the the UPC Broadband Holding Bank Facility. In connection with

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

these transactions, we recognized losses on debt modification and extinguishment, net, of €9.0 million, €12.8 million and €11.3 million during 2013, 2012 and 2011, respectively. These losses include (i) write-offs of deferred financing costs and unamortized discounts of €3.2 million, €11.3 million, and €11.3 million, respectively, and (ii) €5.8 million, €1.5 million and nil of third-party debt modification costs, respectively.

UPC Holding Senior Notes

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). The UPC Holding 6.75% Senior Notes mature on March 15, 2023.

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 include (i) €27.5 million of redemption premiums 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.

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

We collectively refer to the UPC Holding 6.75% Senior Notes, the UPC Holding 6.375% Senior Notes, UPC Holding's €640.0 million principal amount of 8.375% senior notes due 2020 (the UPC Holding 8.375% Senior Notes) and UPC Holding's \$400.0 million (€290.1 million) principal amount of 9.875% senior notes due 2018 (the UPC Holding 9.875% Senior Notes) as the "UPC Holding Senior Notes."

The details of the UPC Holding Senior Notes as of December 31, 2013 are summarized in the following table:

UPC Holding Senior Notes	Maturity	Outstanding principal amount		Estimated fair value	Carrying value (a)	
		Borrowing currency	Euro equivalent			
in millions						
UPC Holding 9.875% Senior Notes (b)	April 15, 2018	\$	400.0	€ 290.1	€ 314.7	€ 276.8
UPC Holding 8.375% Senior Notes	August 15, 2020	€	640.0	640.0	707.2	640.0
UPC Holding 6.375% Senior Notes	September 15, 2022	€	600.0	600.0	612.4	595.1
UPC Holding 6.75% Euro Senior Notes	March 15, 2023	€	450.0	450.0	462.4	450.0
UPC Holding 6.75% CHF Senior Notes	March 15, 2023	CHF	350.0	285.6	294.6	285.6
Total.....				€ 2,265.7	€ 2,391.3	€ 2,247.5

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

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

- (b) In March 2014, we called for redemption the full outstanding amount of the UPC Holding 9.875% Senior Notes. We expect the redemption to occur in April 2014 with funds to be provided through the shareholder loan.

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 defined in the applicable indenture. In addition, the UPC Holding Senior Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €50.0 million or more in the aggregate of UPC Holding or its Restricted Subsidiaries (as defined in the applicable indenture), including UPC Broadband Holding, is an event of default under the UPC Holding Senior Notes.

At any time prior to April 15, 2014, in the case of the UPC Holding 9.875% Senior Notes, 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 April 15, 2014, August 15, 2015, September 15, 2017 or March 15, 2018, as the case may be, 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 defined in the applicable indenture), if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on April 15, in the case of the UPC Holding 9.875% Senior Notes, 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:

Year	Redemption price			
	UPC Holding 9.875% Senior Notes	UPC Holding 8.375% Senior Notes	UPC Holding 6.375% Senior Notes	UPC Holding 6.75% Senior Notes
2014.....	104.938%	N.A.	N.A.	N.A.
2015.....	102.469%	104.188%	N.A.	N.A.
2016.....	100.000%	102.792%	N.A.	N.A.
2017.....	100.000%	101.396%	103.188%	N.A.
2018.....	100.000%	100.000%	102.125%	103.375%
2019.....	N.A.	100.000%	101.063%	102.250%
2020.....	N.A.	100.000%	100.000%	101.125%
2021 and thereafter.....	N.A.	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 defined in the relevant UPC Holding Senior Notes) 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.

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 (€725.2 million) principal amount of 6.625% senior

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

secured notes (the UPCB Finance III Notes), \$750.0 million (€543.9 million) principal amount of 7.25% senior secured notes (the UPCB Finance V Notes) and \$750.0 million (€543.9 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) under the UPC Broadband Holding Bank Facility, with UPC Financing Partnership (UPC Financing) as the borrower. The proceeds from Facility V, Y, Z, AC and AD 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 Facilities V, Y, Z, AC and AD 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 Indenture and the applicable security interests over (i) all of the issued shares of the relevant UPCB SPE and (ii) the relevant UPCB SPE's rights under the applicable 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, 2013 are summarized in the following table:

UPCB SPEs	Maturity	Interest rate	Outstanding principal amount		Estimated fair value	Carrying value (a)
			Borrowing currency	Euro equivalent		
			in millions			
UPCB Finance I Notes.....	January 15, 2020	7.625%	€ 500.0	€ 500.0	€ 541.9	€ 497.0
UPCB Finance II Notes	July 1, 2020	6.375%	€ 750.0	750.0	805.8	750.0
UPCB Finance III Notes.....	July 1, 2020	6.625%	\$ 1,000.0	725.2	771.5	725.2
UPCB Finance V Notes	November 15, 2021	7.250%	\$ 750.0	543.9	591.8	543.9
UPCB Finance VI Notes.....	January 15, 2022	6.875%	\$ 750.0	543.9	578.9	543.9
Total.....				€ 3,063.0	€ 3,289.9	€ 3,060.0

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

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

Subject to the circumstances described below, the UPCB Finance I Notes are non-callable until January 15, 2015, the UPCB Finance II Notes and the UPCB Finance III Notes are non-callable until July 1, 2015, the UPCB Finance V Notes are non-callable until November 15, 2016 and the UPCB Finance VI Notes are non-callable until January 15, 2017 (each a UPCB SPE Notes Call Date). If, however, at any time prior to the applicable UPCB SPE Notes Call Date, all or a portion of the loans under the related 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 defined in the applicable UPCB SPE Indenture), if any, to the applicable redemption date (the Make-Whole Redemption Price). However, in the case of an Early Redemption Event with respect to Facility Z, AC or AD occurring prior to the applicable UPCB SPE Notes Call Date, the redemption price payable upon redemption of an aggregate principal amount of the relevant UPCB SPE Notes not exceeding 10% of the original aggregate principal amount of such UPCB SPE Notes during each twelve-month period commencing on February 16, 2011, in the case of Facility Z, November 16, 2011, in the case of Facility AC or February 7, 2012, in the case of Facility AD, will equal 103% of the principal amount of the relevant UPCB SPE Notes redeemed plus accrued and unpaid interest thereon and Additional Amounts, if any, to the applicable redemption date. The redemption price payable for any principal amount of such UPCB SPE Notes redeemed in excess of the 10% limitation will be the Make-Whole Redemption Price.

Upon the occurrence of an Early Redemption Event on or after the applicable UPCB SPE Notes Call Date, the applicable UPCB SPE will redeem an aggregate principal amount of its UPCB SPE Notes equal to the principal amount of the related 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, 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:

Year	Redemption Price				
	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.....	100.000%	100.000%	100.000%	100.000%	100.000%
2021 and thereafter	N.A.	N.A.	N.A.	100.000%	100.000%

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

Maturities of Debt and Capital Lease Obligations

Maturities of our debt and capital lease obligations as of December 31, 2013 are presented below and such amounts represent euro equivalents based on December 31, 2013 exchange rates:

Debt:

	Third-party debt (a)	Shareholder loan and related- party debt in millions	Total
Year ending December 31:			
2014.....	€ 309.9	€ —	€ 309.9
2015.....	111.0	—	111.0
2016.....	545.5	33.0	578.5
2017.....	—	—	—
2018.....	290.1	—	290.1
Thereafter	8,504.6	9,737.1	18,241.7
Total debt maturities	9,761.1	9,770.1	19,531.2
Unamortized discount	(30.7)	—	(30.7)
Total debt.....	<u>€ 9,730.4</u>	<u>€ 9,770.1</u>	<u>€ 19,500.5</u>
Current portion	<u>€ 309.9</u>	<u>€ —</u>	<u>€ 309.9</u>
Noncurrent portion	<u>€ 9,420.5</u>	<u>€ 9,770.1</u>	<u>€ 19,190.6</u>

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

Capital lease obligations (in millions):

Year ending December 31:	
2014	€ 3.8
2015	3.7
2016	3.6
2017	3.2
2018	2.6
Thereafter	20.0
Total principal and interest payments	36.9
Amounts representing interest	(12.6)
Present value of net minimum lease payments	<u>€ 24.3</u>
Current portion.....	<u>€ 2.0</u>
Noncurrent portion.....	<u>€ 22.3</u>

Non-cash Refinancing Transactions

During 2013, 2012 and 2011, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating €3,020.9 million, €666.6 million and €712.3 million, respectively.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

(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. The income taxes of subsidiaries not included within this fiscal unity are presented in our consolidated financial statements on a separate return basis for each tax-paying entity or group based on the local tax law.

For tax purposes, UPC Holding's net operating losses for the year can be offset with taxable income of non-UPC Holding subsidiaries within the Dutch fiscal unity. UPC Holding and Liberty Global 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,		
	2013	2012	2011
	in millions		
Domestic	€ (804.7)	€ (1,084.9)	€ (722.2)
Foreign	299.3	285.6	169.7
Total	<u>€ (505.4)</u>	<u>€ (799.3)</u>	<u>€ (552.5)</u>

Income tax expense consists of:

	Current	Deferred	Total
		in millions	
Year ended December 31, 2013:			
Domestic.....	€ —	€ (0.5)	€ (0.5)
Foreign.....	(90.2)	(6.4)	(96.6)
Total.....	€ (90.2)	€ (6.9)	€ (97.1)
Year ended December 31, 2012:			
Domestic.....	€ —	€ 0.6	€ 0.6
Foreign.....	(42.6)	(44.2)	(86.8)
Total.....	€ (42.6)	€ (43.6)	€ (86.2)
Year ended December 31, 2011:			
Domestic.....	€ —	€ —	€ —
Foreign.....	(29.1)	(212.3)	(241.4)
Total.....	€ (29.1)	€ (212.3)	€ (241.4)

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

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

	Year ended December 31,		
	2013	2012	2011
	in millions		
Computed “expected” tax benefit	€ 126.4	€ 199.8	€ 138.1
Non-deductible or non-taxable interest and other expenses (a)	(217.7)	(186.9)	(140.3)
Non-deductible or non-taxable foreign currency exchange results	(4.3)	(6.5)	(16.8)
Change in valuation allowances	(2.5)	(85.6)	(209.7)
Basis and other differences in the treatment of items associated with investments in subsidiaries and affiliates	1.6	(11.2)	(1.8)
Enacted tax law and rate changes	—	9.1	(5.4)
Other, net	(0.6)	(4.9)	(5.5)
Total income tax expense	<u>€ (97.1)</u>	<u>€ (86.2)</u>	<u>€ (241.4)</u>

- (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,	
	2013	2012
	in millions	
Current deferred tax assets	€ 24.4	€ 19.2
Non-current deferred tax assets (a)	35.2	44.4
Current deferred tax liabilities (a)	(0.6)	(1.0)
Non-current deferred tax liabilities (a)	(94.7)	(84.0)
Net deferred tax liability	<u>€ (35.7)</u>	<u>€ (21.4)</u>

- (a) Our current deferred tax liabilities are included in accrued and other 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.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

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,	
	2013	2012
	in millions	
Deferred tax assets:		
Net operating loss and other carryforwards	€ 1,120.1	€ 1,020.7
Derivative instruments	294.7	332.3
Property and equipment, net.....	185.5	227.4
Intangible assets	113.0	67.0
Debt	48.4	37.0
Other future deductible amounts	32.9	37.1
Deferred tax assets	1,794.6	1,721.5
Valuation allowance	(1,633.3)	(1,580.7)
Deferred tax assets, net of valuation allowance	161.3	140.8
Deferred tax liabilities:		
Property and equipment, net.....	(67.3)	(53.3)
Intangible assets	(63.6)	(76.9)
Other future taxable amounts	(66.1)	(32.0)
Deferred tax liabilities.....	(197.0)	(162.2)
Net deferred tax liability	€ (35.7)	€ (21.4)

Our deferred income tax valuation allowance increased €52.6 million during 2013, primarily related to our 2013 net tax expense.

The significant components of our tax loss carryforwards and related tax assets at December 31, 2013 are as follows:

Country	Tax loss carryforward	Related tax asset	Expiration date
	in millions		
The Netherlands.....	€ 2,580.5	€ 645.1	2017-2022
Luxembourg.....	697.2	203.7	Indefinite
France	485.8	167.3	Indefinite
Ireland.....	395.8	49.5	Indefinite
Hungary	162.1	30.8	Indefinite
Romania.....	68.1	10.9	2016-2020
Poland	31.9	6.1	2014-2018
Chile	18.1	3.6	Indefinite
Austria	7.6	1.9	Indefinite
Slovakia	5.5	1.2	2014-2017
Total.....	€ 4,452.6	€ 1,120.1	

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

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

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:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
	<u>in millions</u>		
Balance at January 1	€ 17.9	€ 19.0	€ 29.7
Reductions for tax positions of prior years	(5.3)	(4.3)	(17.3)
Additions for tax positions of prior years	4.2	2.1	4.7
Additions based on tax positions related to the current year	1.6	4.1	2.7
Lapse of statute of limitations	(0.6)	(3.8)	—
Foreign currency translation	(0.4)	0.8	(0.8)
Balance at December 31	<u>€ 17.4</u>	<u>€ 17.9</u>	<u>€ 19.0</u>

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

As of December 31, 2013, our unrecognized tax benefits included €12.7 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 2014.

(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, 2013 and 2012, 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.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

VTR GlobalCom Distributions. In February 2013 and September 2013, we and the 20% noncontrolling interest owner in VTR GlobalCom (the VTR NCI Owner) approved distributions of CLP 50.0 billion (€79.3 million at the applicable rate) and CLP 29.0 billion (€43.2 million at the applicable rate), respectively. The VTR NCI Owner's share of these distributions was CLP 10.0 billion (€15.9 million at the applicable rate) and CLP 5.8 billion (€8.6 million at the applicable rate), respectively. The aggregate amount of these distributions was paid during 2013.

In January 2012 and September 2012, we and the VTR NCI Owner approved distributions of CLP 35.0 billion (€54.6 million at the applicable rate) and CLP 20.0 billion (€33.1 million at the applicable rate), respectively. The VTR NCI Owner's share of these distributions was CLP 7.0 billion (€10.9 million at the applicable rate) and CLP 4.0 billion (€6.6 million at the applicable rate), respectively. The aggregate amount of these distributions was paid by VTR GlobalCom during 2012.

In March 2011 and October 2011, we and the VTR NCI Owner approved distributions of CLP 58.5 billion (€88.8 million at the applicable rate) and CLP 38.0 billion (€54.6 million at the applicable rate), respectively. The VTR NCI Owner's share of these distributions was CLP 11.7 billion (€17.4 million at the applicable rate) and CLP 7.6 billion (€11.0 million at the applicable rate), respectively. The aggregate amount of these distributions was paid by VTR GlobalCom during 2011.

(11) Share-based Compensation

Our share-based compensation expense includes amounts allocated to our company by Liberty Global and amounts that are based on share-based incentive awards related to shares of one of our subsidiaries. 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. As discussed in note 1, the Liberty Global share and share-based amounts set forth below have not been adjusted to give effect to the 2014 Share Dividend.

The following table summarizes our share-based compensation expense:

	Year ended December 31,		
	2013	2012	2011
	in millions		
Liberty Global shares:			
Performance-based incentive awards (a).....	€ 9.8	€ 7.3	€ 5.6
Other share-based incentive awards.....	14.0	9.2	7.7
Total Liberty Global shares.....	23.8	16.5	13.3
Other	3.0	1.3	0.2
Total.....	€ 26.8	€ 17.8	€ 13.5
Included in:			
Operating expense	€ 1.1	€ 0.5	€ 1.3
SG&A expense	25.7	17.3	12.2
Total.....	€ 26.8	€ 17.8	€ 13.5

- (a) Includes share-based compensation expense related to Liberty Global performance-based restricted share units (PSUs) for all years presented, the Challenge Performance Awards (as defined and described below) for the applicable 2013 period and the Liberty Global Performance Plans (as defined and described below) for 2011.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

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, 2013:

	Liberty Global ordinary shares (a)	Liberty Global performance- based awards
Total compensation expense not yet recognized (in millions).....	€ 19.4	€ 17.9
Weighted average period remaining for expense recognition (in years).....	2.7	2.0

(a) Amounts relate to awards granted or assumed by Liberty Global under the Liberty Global, Inc. 2005 Incentive Plan (as amended and restated June 7, 2013) (the Liberty Global Incentive Plan) as further described below.

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,		
	2013	2012	2011
Assumptions used to estimate fair value of options, SARs and performance-based share appreciation rights (PSARs) granted:			
Risk-free interest rate	0.36 - 1.14%	0.37 - 0.66%	0.93 - 1.42%
Expected life	3.2 - 4.0 years	3.3 - 3.9 years	3.4 - 3.7 years
Expected volatility	26.5 - 29.0%	28.0 - 40.4%	40.7 - 41.8%
Expected dividend yield.....	none	none	none
Weighted average grant-date fair value per share of awards granted:			
SARs	\$ 14.27	\$ 12.84	\$ 14.28
PSARs.....	\$ 16.64	\$ —	\$ —
Restricted shares and restricted share units (RSUs)	\$ 71.68	\$ 49.25	\$ 45.14
PSUs	\$ 70.30	\$ 50.10	\$ 39.98
Total intrinsic value of awards exercised (in millions):			
Options	€ 2.3	€ —	€ 0.4
SARs	€ 12.2	€ 12.8	€ 10.1
Cash received by Liberty Global from exercise of options (in millions)	€ 1.1	€ —	€ 1.2
Income tax benefit related to share-based compensation (in millions).....	€ 0.6	€ 0.2	€ —

Share Incentive Plans — Liberty Global Ordinary Shares

Incentive Plans

As of December 31, 2013, Liberty Global was authorized to grant incentive awards under the Liberty Global 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 the 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. As of December 31, 2013, the Liberty Global Incentive Plan had 238,907 ordinary shares available for grant.

Awards under the Liberty Global Incentive Plan issued prior to June 2005 are fully vested and expire 10 years after the grant date. Awards (other than performance-based awards) under the Liberty Global Incentive Plan issued after June 2005 generally

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

(i) vest 12.5% on the six month anniversary of the grant date and then vest at a rate of 6.25% each quarter thereafter and (ii) expire seven years after the grant date. Restricted shares and RSUs vest on the date of the first annual meeting of Liberty Global shareholders following the grant date. These shares may be awarded at or above fair value in any class of ordinary shares.

Subsequent to December 31, 2013, Liberty Global's shareholders approved 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 this incentive plan. Ordinary shares issuable pursuant to awards made under the Liberty Global 2014 Incentive Plan 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 series 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 50 million (of which no more than 25 million shares may consist of Class B ordinary shares), subject to anti-dilution and other adjustment provisions in the respective plan. As the Liberty Global 2014 Incentive Plan has now been approved by Liberty Global's shareholders, no further awards will be granted under the Liberty Global 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, which awards were granted under the Liberty Global Incentive Plan.

Liberty Global Performance Plans. The Liberty Global Senior Executive Performance Plan and the Liberty Global Management Performance Plan (collectively the Liberty Global Performance Plans) were five-year performance-based incentive plans for Liberty Global's senior executives and certain key employees, respectively (including certain employees of our subsidiaries). The Liberty Global Performance Plans had a two-year performance period, which began January 1, 2007, and a three-year service period, which began January 1, 2009. Following completion of the performance period, on February 18, 2009, participants in the Liberty Global Performance Plans (including certain employees of our subsidiaries) that met minimum annual performance rating levels earned 87.4% of their aggregate maximum achievable awards. Earned awards were to be paid in six equal semi-annual installments on each March 31 and September 30 commencing on March 31, 2009, subject to forfeiture upon certain events of termination of employment or acceleration in certain circumstances. The six installments of the awards were settled with a combination of cash and RSUs.

Liberty Global PSUs. In March 2010, the compensation committee determined to modify the equity incentive award component of Liberty Global's executive officers' and other key employees' compensation packages (including certain employees of our subsidiaries), whereby a target annual equity value would be set for each executive or key employee, of which approximately two-thirds would be delivered in the form of an annual award of PSUs and approximately one-third in the form of an annual award of SARs. Each PSU represents the right to receive one 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 a challenge performance award plan for certain executive officers and key employees (including certain employees of our subsidiaries) (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.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

Share-Based Award Activity - Liberty Global Ordinary Shares

The following tables summarize the share-based award activity during the year ended December 31, 2013 with respect to Liberty Global ordinary shares held by employees of our subsidiaries:

<u>Options — Class A ordinary shares</u>	<u>Number of shares</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual term</u>	<u>Aggregate intrinsic value</u>
			<u>in years</u>	<u>in millions</u>
Outstanding at January 1, 2013	31,720	\$ 22.68		
Exercised.....	(31,720)	\$ 22.68		
Outstanding and exercisable at December 31, 2013	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>

<u>Options — Class C ordinary shares</u>	<u>Number of shares</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual term</u>	<u>Aggregate intrinsic value</u>
			<u>in years</u>	<u>in millions</u>
Outstanding at January 1, 2013	31,720	\$ 21.66		
Exercised.....	(31,720)	\$ 21.66		
Outstanding and exercisable at December 31, 2013	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>

<u>SARs — Class A ordinary shares</u>	<u>Number of shares</u>	<u>Weighted average base price</u>	<u>Weighted average remaining contractual term</u>	<u>Aggregate intrinsic value</u>
			<u>in years</u>	<u>in millions</u>
Outstanding at January 1, 2013	972,330	\$ 40.72		
Granted.....	400,560	\$ 74.34		
Exercised.....	(211,407)	\$ 37.22		
Forfeited or expired.....	(16,809)	\$ 48.15		
Transfers.....	(79,808)	\$ 41.45		
Outstanding at December 31, 2013 (a).....	<u>1,064,866</u>	<u>\$ 53.89</u>	<u>5.1</u>	<u>\$ 37.4</u>
Exercisable at December 31, 2013	<u>341,645</u>	<u>\$ 40.40</u>	<u>4.1</u>	<u>\$ 16.6</u>

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

<u>SARs — Class C ordinary shares</u>	Number of shares	Weighted average base price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2013	976,867	\$ 39.23		
Granted.....	400,560	\$ 69.13		
Exercised.....	(228,654)	\$ 34.69		
Forfeited or expired.....	(16,809)	\$ 46.16		
Transfers.....	(79,808)	\$ 39.93		
Outstanding at December 31, 2013 (a).....	1,052,156	\$ 51.44	5.1	\$ 34.1
Exercisable at December 31, 2013	328,935	\$ 39.61	4.2	\$ 14.2

(a) The euro equivalent amounts for aggregate intrinsic value for outstanding Liberty Global Class A SARs and outstanding Liberty Global Class C SARs are €27.1 million and €24.7 million, respectively.

<u>PSARs — Class A ordinary shares</u>	Number of shares	Weighted average base price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2013	—	\$ —		
Granted.....	442,500	\$ 69.70		
Outstanding at December 31, 2013 (a).....	442,500	\$ 69.70	6.5	\$ 8.5
Exercisable at December 31, 2013	—	\$ —	—	\$ —

<u>PSARs — Class C ordinary shares</u>	Number of shares	Weighted average base price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2013	—	\$ —		
Granted.....	442,500	\$ 65.56		
Outstanding at December 31, 2013 (a).....	442,500	\$ 65.56	6.5	\$ 8.3
Exercisable at December 31, 2013	—	\$ —	—	\$ —

(a) The euro equivalent amounts for aggregate intrinsic value for outstanding Liberty Global Class A PSARs and outstanding Liberty Global Class C PSARs are €6.2 million and €6.0 million, respectively.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

<u>Restricted shares and RSUs — Class A ordinary shares</u>	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term in years
Outstanding at January 1, 2013.....	115,827	\$ 41.23	
Granted	45,680	\$ 74.30	
Released from restrictions	(55,949)	\$ 39.08	
Forfeited	(5,449)	\$ 47.50	
Transfers	(4,404)	\$ 33.78	
Outstanding at December 31, 2013.....	95,705	\$ 57.94	2.5

<u>Restricted shares and RSUs — Class C ordinary shares</u>	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term in years
Outstanding at January 1, 2013.....	115,827	\$ 39.78	
Granted	45,680	\$ 69.06	
Released from restrictions	(55,949)	\$ 37.62	
Forfeited	(5,449)	\$ 45.60	
Transfers	(4,404)	\$ 33.52	
Outstanding at December 31, 2013.....	95,705	\$ 54.97	2.5

<u>PSUs — Class A ordinary shares</u>	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term in years
Outstanding at January 1, 2013.....	277,564	\$ 45.83	
Granted	127,939	\$ 72.56	
Released from restrictions	(115,407)	\$ 40.75	
Performance adjustment	(8,031)	\$ 40.75	
Transfers	(34,132)	\$ 45.29	
Outstanding at December 31, 2013.....	247,933	\$ 61.96	1.4

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

<u>PSUs — Class C ordinary shares</u>	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term in years
Outstanding at January 1, 2013.....	277,564	\$ 44.02	
Granted	127,939	\$ 68.04	
Released from restrictions	(115,407)	\$ 39.21	
Performance adjustment	(8,031)	\$ 39.21	
Transfers	(34,132)	\$ 43.76	
Outstanding at December 31, 2013.....	<u>247,933</u>	<u>\$ 58.84</u>	<u>1.4</u>

(12) Related-party Transactions

Our related-party transactions are as follows:

	Year ended December 31,		
	2013	2012	2011
	in millions		
Revenue.....	€ 13.3	€ 12.9	€ 11.0
Operating expenses	(47.4)	(60.2)	(62.5)
SG&A expenses	(2.1)	1.5	(1.4)
Allocated share-based compensation expense	(23.8)	(16.5)	(13.3)
Fees and allocations, net	<u>(1.8)</u>	<u>2.4</u>	<u>(5.9)</u>
Included in operating income.....	(61.8)	(59.9)	(72.1)
Interest expense.....	(863.6)	(848.5)	(655.0)
Interest income	<u>0.5</u>	<u>1.1</u>	<u>—</u>
Included in net loss	<u>€ (924.9)</u>	<u>€ (907.3)</u>	<u>€ (727.1)</u>
Property and equipment additions, net.....	<u>€ 137.0</u>	<u>€ 78.9</u>	<u>€ (8.4)</u>

General. Except as noted below, our related-party transactions are generally loan settled. Depending on the nature of our related-party transactions, the amount of the charges or allocations may be based on (i) estimated or allocated costs, (ii) estimated or allocated costs plus a mark-up or (iii) commercially negotiated rates. The amounts charged generally are based on the respective subsidiary's estimated share of the applicable costs incurred (including personnel and other costs related to the services provided) plus a mark-up. Although we believe that the related-party charges and fees 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. In addition to the net operating and SG&A expenses charged by VTR GlobalCom to VTR Wireless, as set forth below, VTR GlobalCom and VTR Wireless each pay certain operating and SG&A expenses on behalf of the other party and settle amounts due at a later date.

Revenue. Amounts consist primarily of cash settled programming services provided to Chellomedia B.V. (Chellomedia), cash settled construction and programming services provided to our affiliates and cash settled backbone capacity provided to Unitymedia KabelBW GmbH (Unitymedia KabelBW). As of December 31, 2013, Chellomedia and Unitymedia KabelBW were each subsidiaries of Liberty Global that are outside of UPC Holding. On January 31, 2014, Liberty Global completed the sale of substantially all of Chellomedia's assets. In addition, the amounts include cash settled backbone capacity provided by VTR GlobalCom to VTR Wireless of €1.1 million, €1.5 million and €0.9 million during 2013, 2012 and 2011, respectively. In January 2014, Liberty Global completed a reorganization of its credit pools that, among other matters, resulted in the extraction of VTR GlobalCom and certain of its parents and subsidiaries from the UPC Holding credit pool.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

Operating expenses. Amounts consist of (i) cash settled programming and digital interactive services provided by Chellomedia, in the aggregate amounts of €52.9 million, €58.7 million and €56.8 million during 2013, 2012 and 2011, respectively, and (ii) cash settled programming and interconnect fees charged by certain of Liberty Global's affiliates of €8.8 million, €12.3 million and €10.2 million during 2013, 2012 and 2011, respectively. In addition, amounts reflect (a) €9.9 million, €7.4 million and €4.0 million during 2013, 2012 and 2011, respectively, of cash settled encryption and other operating expenses charged to Unitymedia KabelBW, (b) €2.3 million, €2.0 million and €0.5 million during 2013, 2012 and 2011, respectively, of net cash settled facilities and other operating expenses charged by VTR GlobalCom to VTR Wireless and (c) aggregate recharges of network-related and other items to LG B.V. and Liberty Global Europe Ltd. (LGE Ltd.), a subsidiary of Liberty Global that is outside of UPC Holding, of €2.1 million, €1.4 million and nil during 2013, 2012 and 2011, respectively.

SG&A expenses. Amounts consist primarily of (i) net cash settled administrative expenses, primarily between our company, LGE Ltd., Chellomedia, LG B.V., Unitymedia KabelBW and other subsidiaries of Liberty Global that are outside of UPC Holding that resulted in charges of €6.8 million, €2.0 million and €3.0 million during 2013, 2012 and 2011, respectively, and (ii) net cash settled SG&A expenses between VTR GlobalCom and VTR Wireless that resulted in credits of €4.7 million, €3.5 million and €1.6 million during 2013, 2012 and 2011, 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. 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 €76.4 million, €53.7 million and €35.8 million during 2013, 2012 and 2011, respectively, (ii) aggregate charges from LG B.V. and LGE Ltd. of €68.7 million, €61.6 million and €56.8 million during 2013, 2012 and 2011, respectively, and (iii) recharges to (from) Liberty Global and certain other Liberty Global subsidiaries of (€9.5 million), €10.3 million and €15.1 million during 2013, 2012 and 2011, respectively. These charges generally relate to management, finance, legal, technology and other corporate and administrative services provided to or by our subsidiaries and, in the case of charges to Unitymedia KabelBW, also include charges related to marketing and other services that support Unitymedia KabelBW's broadband communications operations, including the use of the UPC trademark. The quarterly charges are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year. The annual revision to reflect actual costs for 2012, 2011 and 2010 amounted to an increase (decrease) of €2.2 million, (€0.7 million) and (€2.2 million), respectively, in our billings to Liberty Global and certain other Liberty Global subsidiaries during 2013, 2012 and 2011, respectively.

Interest expense. Amounts primarily include interest accrued on our shareholder loan. Interest expense is accrued and included in other long-term liabilities during the year, and then added to the shareholder loan balance at the end of the year. For additional information, see note 8.

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

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

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

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

	December 31,	
	2013	2012
	in millions	
Related-party receivables (a).....	€ 238.3	€ 84.1
Other noncurrent assets (b)	€ 87.0	€ 11.4
Accounts payable	€ 69.3	€ 29.4
Accrued liabilities	71.2	25.1
Shareholder loan (note 8)	9,695.4	8,712.3
Other related-party debt (note 8)	74.7	15.2
Other long-term liabilities	2.9	0.8
Total.....	<u>€ 9,913.5</u>	<u>€ 8,782.8</u>

- (a) Represents 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 amounts loaned under an agreement between VTR Wireless and our then subsidiary, UPC Chile B.V (UPC Chile), a parent company of VTR GlobalCom. At December 31, 2013, this loan bore interest at 7.5%. In January 2014, UPC Chile was renamed VTR Finance B.V. (VTR Finance) and, in connection with Liberty Global's reorganization of its credit pools (as further described in note 8), VTR Finance and certain of its subsidiaries (including VTR GlobalCom) were extracted from the UPC Holding credit pool. The December 31, 2012 amount represents amounts loaned under the UMI Loan. The principal amount outstanding under the UMI Loan, all of which was repaid during the second quarter of 2013, bore interest at an agreed upon rate that was subject to adjustment (10.0% per annum during all periods that the loan was outstanding). The net decrease in the principal amount during 2013 includes (i) cash payments of €18.1 million, (ii) cash borrowings of €8.6 million, (iii) a decrease of €3.0 million related to the non-cash settlement of a distribution from UMI and (iv) the transfer of €1.1 million in non-cash accrued interest to the loan balance. Although UPC Holding has no equity or voting interest in UMI, the transactions between UMI and certain of our subsidiaries create a variable interest in UMI for which we are the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Holding is required by the provisions of U.S. GAAP to consolidate UMI. As a result, the transactions between UMI and our subsidiaries are eliminated in our consolidated financial statements.

During 2013, 2012 and 2011, we recorded aggregate capital charges of €35.8 million, €25.7 million and €37.4 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.

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

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

(13) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2013 is set forth in the table below:

	Employee severance and termination	Office closures	Total
	in millions		
Restructuring liability as of January 1, 2013.....	€ 4.4	€ 3.1	€ 7.5
Restructuring charges.....	10.8	0.2	11.0
Cash paid.....	(8.3)	(1.3)	(9.6)
Foreign currency translation adjustments	(0.1)	(0.1)	(0.2)
Restructuring liability as of December 31, 2013.....	<u>€ 6.8</u>	<u>€ 1.9</u>	<u>€ 8.7</u>
Current portion	€ 6.7	€ 0.7	€ 7.4
Noncurrent portion	0.1	1.2	1.3
Total	<u>€ 6.8</u>	<u>€ 1.9</u>	<u>€ 8.7</u>

Our 2013 restructuring charges for employee severance and termination costs relate to reorganization and integration activities in certain of our European operations and in Chile.

A summary of changes in our restructuring liabilities during 2012 is set forth in the table below:

	Employee severance and termination	Office closures	Programming and lease contract termination	Total
	in millions			
Restructuring liability as of January 1, 2012.....	€ 5.4	€ 2.8	€ 0.4	€ 8.6
Restructuring charges.....	6.0	1.3	—	7.3
Cash paid.....	(7.2)	(1.0)	(0.4)	(8.6)
Foreign currency translation adjustments	0.2	—	—	0.2
Restructuring liability as of December 31, 2012.....	<u>€ 4.4</u>	<u>€ 3.1</u>	<u>€ —</u>	<u>€ 7.5</u>
Current portion	€ 4.3	€ 1.6	€ —	€ 5.9
Noncurrent portion	0.1	1.5	—	1.6
Total.....	<u>€ 4.4</u>	<u>€ 3.1</u>	<u>€ —</u>	<u>€ 7.5</u>

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

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

(14) Accumulated Other Comprehensive Earnings

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

	Parent			Non-controlling interests	Total accumulated other comprehensive earnings
	Foreign currency translation adjustments	Pension related adjustments (a)	Accumulated other comprehensive earnings		
	in millions				
Balance at January 1, 2011	€ 493.0	€ 1.0	€ 494.0	€ 17.1	€ 511.1
Other comprehensive earnings	53.6	(11.6)	42.0	(8.3)	33.7
Balance at December 31, 2011	546.6	(10.6)	536.0	8.8	544.8
Other comprehensive earnings	38.8	8.9	47.7	5.5	53.2
Balance at December 31, 2012	585.4	(1.7)	583.7	14.3	598.0
Other comprehensive loss.....	(101.5)	10.3	(91.2)	(13.0)	(104.2)
Balance at December 31, 2013	€ 483.9	€ 8.6	€ 492.5	€ 1.3	€ 493.8

- (a) The pension related adjustments included in other comprehensive earnings are net of income tax benefit (expense) of (€2.2 million), (€2.9 million) and €2.4 million for the years ended December 31, 2013, 2012 and 2011, respectively.

(15) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancelable operating leases, programming contracts, satellite carriage commitments, purchases of customer premises equipment and other items. The euro equivalents of such commitments as of December 31, 2013 are presented below:

	Payments due during:						Total
	2014	2015	2016	2017	2018	Thereafter	
	in millions						
Operating leases	€ 63.5	€ 50.6	€ 41.9	€ 36.2	€ 21.9	€ 132.8	€ 346.9
Purchase commitments	196.5	26.5	22.3	—	0.1	—	245.4
Network and connectivity commitments	64.5	45.5	38.9	28.5	14.1	19.1	210.6
Programming obligations	63.0	39.8	33.6	33.2	0.2	—	169.8
Other commitments	63.3	44.3	31.4	27.6	13.4	29.7	209.7
Total.....	€ 450.8	€ 206.7	€ 168.1	€ 125.5	€ 49.7	€ 181.6	€ 1,182.4

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 €36.5 million associated with related-party purchase obligations.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

Network and connectivity commitments include (i) commitments associated with interconnect services provided to VTR GlobalCom and (ii) commitments associated with satellite carriage services provided to our company.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. The amounts reflected in the table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during 2013, 2012 and 2011, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €527.7 million, €515.4 million, and €467.0 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 a municipal authority. Commitments arising from acquisition agreements are not reflected in the above table.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments pursuant to which we expect to make payments in future periods. For information concerning our derivative instruments, including the net cash paid or received in connection with these instruments during 2013, 2012 and 2011, 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 €91.1 million, €72.8 million and €79.1 million in 2013, 2012 and 2011, 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 €19.0 million, €16.5 million and €14.3 million in 2013, 2012 and 2011, 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), formerly Onafhankelijke Post en Telecommunicatie Autoriteit, completed a market assessment of the television market in the Netherlands, concluding that there were no grounds for regulation of that market. On December 22, 2011, referring to its final assessment of the television market, ACM rejected previously filed requests from a number of providers to perform a new market analysis of the television market. This decision by ACM was appealed by such providers to the Dutch Supreme Administrative Court. On November 5, 2012, the Dutch Supreme Administrative Court rejected the appeals against ACM's decision.

In May 2012, the Dutch Senate adopted laws that (i) provide the power to ACM to impose an obligation for the mandatory resale of television services and to the Commissariaat voor de Media (CvdM) to supervise the resale obligation introduced by these new laws and (ii) provide for "net neutrality" on the internet, including limitations on the ability of broadband service providers to delay, choke or block traffic except under specific circumstances. These laws became effective on January 1, 2013 notwithstanding the above-described November 5, 2012 decision of the Dutch Supreme Administrative Court. On October 24, 2012, the European Commission opened formal infringement proceedings against the Dutch government on the basis that the new

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

laws pertaining to resale breach European Union (EU) law. The Dutch government responded to the infringement proceedings on June 25, 2013 and the European Commission is currently reviewing the response. If such response is deemed to be unsatisfactory to the European Commission, it may refer the matter to the European Court of Justice. We agree with the EU that the new laws pertaining to resale are contrary to EU law and we, along with other market participants, will contest their application. On January 29, 2014, a Dutch civil court, in a proceeding initiated by UPC Netherlands B.V., our wholly-owned subsidiary, declared the resale obligation laws non-binding because they infringe EU law. The Dutch government has three months from January 29, 2014 to appeal the decision. The infringement proceeding at the European Commission against the Dutch government is still pending. We cannot predict the outcome of any appeal by the Dutch government of the civil court decision or, if the decision was overturned, the effect on our results of operations, cash flows or financial position from any implementation of a resale regime, which would likely take several months or more.

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.

(16) 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 (as defined below). 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 public companies. Operating cash flow should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings (loss), cash flow from operating activities and other U.S. GAAP measures

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

of income or cash flows. A reconciliation of total segment operating cash flow to our earnings (loss) from continuing operations before income taxes is presented below.

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

- UPC Europe:
 - The Netherlands
 - Switzerland
 - Other Western Europe
 - Central and Eastern Europe
- Chile (VTR GlobalCom)

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. Most of our reportable segments also provide B2B services and certain of our reportable segments provide mobile services. At December 31, 2013, our operating segments in UPC Europe provided broadband communications services in nine European countries and DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia through a Luxembourg-based organization that we refer to as “UPC DTH.” Our Other Western Europe segment includes our broadband communications operating segments in Austria and Ireland. Our Central and Eastern Europe segment includes our broadband communications operating segments in the Czech Republic, Hungary, Poland, Romania and Slovakia. UPC Europe’s central and other category includes (i) the UPC DTH operating segment, (ii) costs associated with certain centralized functions, including billing systems, network operations, technology, marketing, facilities, finance and other administrative functions, and (iii) intersegment eliminations within UPC Europe. In Chile, VTR GlobalCom provides video, broadband internet and fixed-line telephony services.

Performance Measures of Our Reportable Segments

The amounts presented below represent 100% of each of our reportable segment’s revenue and operating cash flow. As we have the ability to control VTR GlobalCom, we consolidate 100% of the revenue and expenses of VTR GlobalCom in our consolidated statements of operations despite the fact that a third party owns a significant interest in VTR GlobalCom. The noncontrolling owners’ interest in the operating results of VTR GlobalCom and other less significant majority-owned subsidiaries are reflected in net earnings or loss attributable to noncontrolling interests in our consolidated statements of operations.

	Year ended December 31,					
	2013		2012		2011	
	Revenue	Operating cash flow	Revenue	Operating cash flow	Revenue	Operating cash flow
	in millions					
UPC Europe:						
The Netherlands	€ 935.3	€ 543.1	€ 955.6	€ 573.1	€ 914.9	€ 542.5
Switzerland.....	1,002.5	585.6	979.6	558.4	921.3	518.5
Other Western Europe	676.5	335.0	659.5	316.9	641.8	300.6
Total Western Europe.....	2,614.3	1,463.7	2,594.7	1,448.4	2,478.0	1,361.6
Central and Eastern Europe.....	859.1	412.9	867.5	431.7	806.6	393.5
Central and other	101.1	(144.0)	91.2	(122.2)	89.3	(95.3)
Total UPC Europe.....	3,574.5	1,732.6	3,553.4	1,757.9	3,373.9	1,659.8
Chile (VTR GlobalCom)	723.7	322.7	718.2	316.0	639.4	271.0
Total.....	€ 4,298.2	€ 2,055.3	€ 4,271.6	€ 2,073.9	€ 4,013.3	€ 1,930.8

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

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

	Year ended December 31,		
	2013	2012	2011
	in millions		
Total segment operating cash flow	€ 2,055.3	€ 2,073.9	€ 1,930.8
Share-based compensation expense	(26.8)	(17.8)	(13.5)
Related-party fees and allocations, net	(1.8)	2.4	(5.9)
Depreciation and amortization	(994.1)	(1,037.3)	(970.2)
Impairment, restructuring and other operating items, net	(7.2)	(8.2)	(26.8)
Operating income	1,025.4	1,013.0	914.4
Interest expense:			
Third-party	(593.5)	(594.1)	(518.9)
Related-party	(863.6)	(848.5)	(655.0)
Interest income	3.2	5.5	4.3
Realized and unrealized losses on derivative instruments, net.....	(51.6)	(559.7)	(3.6)
Foreign currency transaction gains (losses), net.....	42.6	197.9	(270.5)
Realized and unrealized gains (losses) due to changes in fair values of certain investments, net.....	10.3	0.2	(9.5)
Losses on debt modification and extinguishment, net.....	(75.3)	(12.7)	(11.7)
Other expense, net	(2.9)	(0.9)	(2.0)
Loss before income taxes	€ (505.4)	€ (799.3)	€ (552.5)

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,	
	2013	2012	2013	2012
	in millions			
UPC Europe:				
The Netherlands.....	€ 1,810.5	€ 1,802.1	€ 2,049.0	€ 2,052.7
Switzerland.....	3,441.7	3,550.5	3,715.5	3,826.9
Other Western Europe.....	1,426.9	1,429.8	1,482.3	1,491.3
Total Western Europe.....	6,679.1	6,782.4	7,246.8	7,370.9
Central and Eastern Europe	2,059.1	2,171.7	2,134.5	2,235.8
Central and other	347.2	262.2	1,432.2	797.1
Total UPC Europe.....	9,085.4	9,216.3	10,813.5	10,403.8
Chile (VTR GlobalCom).....	813.0	933.4	930.9	1,029.3
Total.....	€ 9,898.4	€ 10,149.7	€ 11,744.4	€ 11,433.1

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

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,		
	2013	2012	2011
	in millions		
UPC Europe:			
The Netherlands	€ 182.8	€ 172.3	€ 166.6
Switzerland.....	173.9	173.2	169.5
Other Western Europe.....	111.2	112.7	139.4
Total Western Europe.....	467.9	458.2	475.5
Central and Eastern Europe.....	188.6	176.7	144.9
Central and other	188.5	120.2	120.7
Total UPC Europe	845.0	755.1	741.1
Chile (VTR GlobalCom)	135.6	160.6	132.1
Property and equipment additions.....	980.6	915.7	873.2
Assets acquired under capital-related vendor financing arrangements	(176.9)	(160.6)	(73.2)
Assets acquired under capital leases.....	(2.4)	(1.9)	(1.4)
Assets contributed by parent company.....	(22.6)	(10.2)	—
Changes in current liabilities related to capital expenditures (including related-party amounts)	23.5	(19.2)	(17.0)
Total capital expenditures.....	€ 802.2	€ 723.8	€ 781.6

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

Revenue by Major Category

Our revenue by major category is set forth below:

	Year ended December 31,		
	2013	2012	2011
	in millions		
Subscription revenue (a):			
Video	€ 2,033.7	€ 2,064.3	€ 1,981.0
Broadband internet (b)	1,175.5	1,107.3	995.0
Fixed-line telephony (b)	608.2	612.1	570.8
Cable subscription revenue	3,817.4	3,783.7	3,546.8
Mobile	1.4	1.9	0.7
Total subscription revenue	3,818.8	3,785.6	3,547.5
B2B revenue (c)	253.9	263.9	257.3
Other revenue (b) (d)	225.5	222.1	208.5
Total revenue	€ 4,298.2	€ 4,271.6	€ 4,013.3

- (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.
- (b) During the second quarter of 2013, we determined that we would no longer externally report digital subscriber line (DSL) subscribers as revenue generating units (RGUs). Accordingly, we have reclassified the revenue from our DSL subscribers in Austria from broadband internet and fixed-line telephony subscription revenue to other revenue for all periods presented.
- (c) These amounts include B2B 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 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, €41.0 million and €35.6 million, respectively, is included in cable subscription revenue.
- (d) Other revenue includes, among other items, interconnect, installation and carriage fee revenue.

UPC Holding B.V.
Notes to Consolidated Financial Statements - (Continued)
December 31, 2013, 2012 and 2011

Geographic Segments

The revenue of our geographic segments is set forth below:

	Year ended December 31,		
	2013	2012	2011
	in millions		
Europe:			
Switzerland.....	€ 1,002.5	€ 979.6	€ 921.3
The Netherlands	935.3	955.6	914.9
Ireland	349.0	331.5	309.1
Poland.....	346.6	349.8	281.3
Austria.....	327.5	328.0	332.7
Hungary.....	193.6	193.1	194.4
The Czech Republic.....	165.4	176.1	180.8
Romania	105.6	101.1	103.1
Slovakia.....	47.9	47.4	47.0
Other (a).....	101.1	91.2	89.3
Total Europe.....	3,574.5	3,553.4	3,373.9
Chile	723.7	718.2	639.4
Total.....	€ 4,298.2	€ 4,271.6	€ 4,013.3

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

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

	December 31,	
	2013	2012
	in millions	
Europe:		
Switzerland.....	€ 3,441.7	€ 3,550.5
The Netherlands.....	1,810.5	1,802.1
Austria.....	881.9	871.2
Poland	854.6	888.7
Ireland.....	545.0	558.6
The Czech Republic.....	492.9	561.3
Hungary	464.6	472.2
Romania.....	152.0	151.7
Slovakia	95.0	97.8
Other (a).....	347.2	262.2
Total Europe.....	9,085.4	9,216.3
Chile	813.0	933.4
Total.....	€ 9,898.4	€ 10,149.7

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

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

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

- *Forward-Looking Statements.* This section provides a description of certain of the factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Results of Operations.* This section provides an analysis of our results of operations for the years ended December 31, 2013, 2012 and 2011.
- *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, 2013.

Forward-Looking Statements

Certain statements in this annual report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. To the extent that statements in this annual report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* contain forward-looking statements, including statements regarding our expectations with respect to our growth prospects and our strategic initiatives over the next few years, our expectations regarding our operating cash flow margins and percentage of revenue represented by our property and equipment additions in 2014, the future projected cash flows associated with our commitments and derivative instruments, our business, product, foreign currency and finance strategies, our property and equipment additions, subscriber growth and retention rates, competitive, regulatory and economic factors, the maturity of our markets, anticipated cost increases, liquidity, credit risks, foreign currency risks and target leverage levels. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the risks and uncertainties in the following list of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the countries in which we operate;
- the competitive environment in the industries in the countries in which we operate, including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues 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;
- 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;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement our business plan with respect to, the businesses we acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in countries in which we operate;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors to timely deliver quality products, equipment, software and services;
- the availability of attractive programming for our digital video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

The broadband distribution services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this 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 in Chile and (ii) mobile services in three European countries. Our European broadband communications and DTH operations are collectively referred to as “UPC Europe.” Our broadband communications operations in Chile are provided through VTR GlobalCom.

In January 2014, Liberty Global completed a reorganization of its credit pools that, among other matters, resulted in the extraction of VTR GlobalCom and certain of its parents and subsidiaries from the UPC Holding credit pool. No effect has been given to the extraction of VTR GlobalCom and certain of its parents and subsidiaries from the UPC Holding credit pool in the following discussion and analysis. Beginning with our quarterly report for the three months ending March 31, 2014, we will account for the extraction of VTR GlobalCom and certain of its parents and subsidiaries as a common control transfer at carryover basis and, accordingly, our consolidated financial statements will be retrospectively restated to give effect to this transaction for all periods presented. For additional information, see note 8 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. Horizon TV is a family of media products that allows customers to view and share content across the television, computer, tablet and smartphone. Horizon TV is powered by a user interface that provides customers a seamless intuitive way to access linear, time-shifted, on-demand and web-based content on the television. It also features an advanced set-top box that delivers not only video, but also internet and voice connections along with a wireless network for the home. For our Horizon TV customers, we also offer applications for various services. We intend to (i) expand the availability of Horizon TV 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 the Netherlands, Switzerland, Austria, Romania, the Czech Republic and Poland 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 via cable modems connected to their personal computers at various download speeds ranging up to 250 Mbps (500 Mbps in a limited area), depending on the market and the tier of service selected. We determine pricing for each tier of broadband internet service through analysis of speed, data limits, market conditions and other factors.

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

We have completed a number of transactions that impact the comparability of our 2013, 2012 and 2011 results of operations. The most significant of these transactions was the Aster Acquisition on September 16, 2011. We also completed a number of

less significant acquisitions in Europe during 2013, 2012 and 2011. For further information regarding the Aster Acquisition, see note 3 to our consolidated financial statements.

From a strategic perspective, we are seeking to build broadband communications and DTH businesses that have strong prospects for future growth in revenue, operating cash flow (as defined in note 16 to our consolidated financial statements). As discussed further under *Liquidity and Capital Resources — Capitalization* below, we also seek to maintain our debt at levels that provide for attractive equity returns without assuming undue risk.

We 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 and fixed-line telephony services with existing customers through product bundling and upselling.

At December 31, 2013, we owned and operated networks that passed 18,487,000 homes and served 19,149,400 RGUs, consisting of 9,133,600 video subscribers, 5,752,600 broadband internet subscribers and 4,263,200 fixed-line telephony subscribers. During the second quarter of 2013, we determined that we would no longer externally report DSL subscribers as RGUs. Effective April 1, 2013, we began excluding our DSL broadband internet RGUs and DSL fixed-line telephony RGUs in Austria from our RGU counts. This adjustment reduced our customer relationships by 85,000 and our broadband internet and fixed-line telephony RGUs by 80,000 and 58,000, respectively.

Including the effects of acquisitions, we added a total of 556,900 RGUs during 2013. Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition date RGU additions, we added 539,000 RGUs on an organic basis during 2013. The organic RGU growth during 2013 is attributable to the growth of our (i) broadband internet services, which added 364,800 RGUs, (ii) digital cable services, which added 350,700 RGUs, (iii) fixed-line telephony services, which added 336,200 RGUs, and (iv) DTH video services, which added 68,500 RGUs. The growth of our broadband internet, digital cable, fixed-line telephony and DTH video services was partially offset by a decline in our analog cable RGUs of 573,600 and a less significant decline in our multi-channel multi-point (microwave) distribution system (MMDS) video RGUs.

We are experiencing significant competition from (i) 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 DSL technologies), (ii) DTH operators and/or (iii) other providers in all of our broadband communications markets. This significant competition, together with the maturation of certain of our markets, has contributed to organic declines in certain of our markets in revenue, RGUs and/or average monthly subscription revenue per average RGU (ARPU), the more notable of which include:

- (i) organic declines in total subscription revenue and overall revenue in the Netherlands during the fourth quarter of 2013, as compared to the fourth quarter of 2012;
- (ii) organic declines in subscription revenue from video and fixed-line telephony services in the Netherlands during the fourth quarter of 2013, as compared to the fourth quarter of 2012;
- (iii) organic declines in (a) video RGUs in Switzerland, the Netherlands and several of our other markets and (b) fixed-line telephony RGUs in Chile during the fourth quarter of 2013;
- (iv) organic declines in ARPU from (a) video services in several of our markets, (b) broadband internet services in the Netherlands and several of our other markets and (c) fixed-line telephony services in Switzerland, the Netherlands, Chile and most of our other markets during the fourth quarter of 2013, as compared to the fourth quarter of 2012; and
- (v) organic declines in overall ARPU in the Netherlands and most of our other markets during the fourth quarter of 2013, as compared to the fourth quarter of 2012.

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

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 the impacted markets. In addition, no assurance can be given that any future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned additions to our property and equipment, our growth could be limited and our competitive position could be harmed. For information regarding our property and equipment additions, see *Liquidity and Capital Resources — Consolidated 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 are subject to various risks, including political and economic instability, natural calamities, interruptions in transportation systems, terrorism and labor issues. As a result, we may not be able to obtain the equipment, software and services required for our businesses on a timely basis or on satisfactory terms. Any shortfall in customer premises equipment could lead to delays in connecting customers to our services, and accordingly, could adversely impact our ability to maintain or increase our RGUs, revenue and cash flows.

Results of Operations

As noted under *Overview* above, the comparability of our operating results during 2013, 2012 and 2011 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 2013 was to the

Swiss franc and the Chilean peso. In addition, our reported operating results are impacted by changes in the exchange rates of other local currencies in Europe. In this regard, 59.0% of our euro revenue during 2013 was derived from subsidiaries whose functional currency is other than the euro. The portions of the changes in the various components of our results of operations that are attributable to changes in FX are highlighted under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* below.

The amounts presented and discussed below represent 100% of each operating segment's revenue and operating cash flow. As we have the ability to control VTR GlobalCom, we consolidate 100% of the revenue and expenses of VTR GlobalCom in our consolidated statements of operations despite the fact that a third party owns a significant interest in VTR GlobalCom. The noncontrolling owners' interests in the operating results of VTR GlobalCom and other less significant majority-owned subsidiaries are reflected in net earnings or loss attributable to noncontrolling interests in our consolidated statements of operations.

Discussion and Analysis of our Reportable Segments

General

All of the reportable segments set forth below derive their revenue primarily from broadband communications services, including video, broadband internet and fixed-line telephony services. Most of our reportable segments also provide B2B services and certain of our reportable segments provide mobile services. For detailed information regarding the composition of our reportable segments, see note 16 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 allocable share-based compensation expense, as further discussed in note 16 to our consolidated financial statements) as well as an analysis of operating cash flow by reportable segment for (i) 2013, as compared to 2012, and (ii) 2012, as compared to 2011. 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 2013, 2012 and 2011 at the end of this section.

The revenue of our reportable segments includes revenue earned from subscribers for broadband communications and mobile services, revenue earned from B2B services, interconnect fees, installation fees, channel carriage fees, late fees and advertising revenue. Consistent with the presentation of our revenue categories in note 16 to our consolidated financial statements, we use the term "subscription revenue" in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees and late fees. In the following tables, mobile subscription revenue excludes the related interconnect revenue.

The rates charged for certain video services offered by our broadband communications operations in some European countries and in Chile are subject to oversight and control, either before or after the fact, based on competition law or general pricing regulations. Additionally, in Chile, our ability to bundle or discount our broadband communications and mobile services is subject to certain limitations, and in Europe, our ability to bundle or discount our services may be constrained if we are held to be dominant with respect to any product we offer. The amounts we charge and incur with respect to fixed-line telephony and mobile interconnection fees are also subject to regulatory oversight in many of our markets. Adverse outcomes from rate regulation or other regulatory initiatives could have a significant negative impact on our ability to maintain or increase our revenue. For information concerning the potential impact of adverse regulatory developments in the Netherlands, see note 15 to our consolidated financial statements.

Most of our revenue is derived from jurisdictions that administer value-added or similar revenue-based taxes. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases on to our customers. In the case of revenue-based taxes for which we are the ultimate taxpayer, we will also experience increases in our operating expenses and corresponding declines in our operating cash flow and operating

cash flow margins to the extent of any such tax increases. In this regard, value-added tax rates have increased in certain of the countries in which we operate over the past few years.

Revenue of our Reportable Segments

Revenue — 2013 compared to 2012

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2013	2012	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 935.3	€ 955.6	€ (20.3)	(2.1)	(2.2)
Switzerland.....	1,002.5	979.6	22.9	2.3	4.4
Other Western Europe	676.5	659.5	17.0	2.6	2.6
Total Western Europe	2,614.3	2,594.7	19.6	0.8	1.5
Central and Eastern Europe	859.1	867.5	(8.4)	(1.0)	—
Central and other	101.1	91.2	9.9	10.9	10.8
Total UPC Europe.....	3,574.5	3,553.4	21.1	0.6	1.4
Chile (VTR GlobalCom)	723.7	718.2	5.5	0.8	6.0
Total	€ 4,298.2	€ 4,271.6	€ 26.6	0.6	2.2

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

The Netherlands. The 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 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. The decline in the average number of analog cable RGUs led to a decline in the average number of the Netherlands' total video RGUs during 2013, as compared to 2012.

- (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 resulting primarily 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 our 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, attributable to higher proportions of digital cable, broadband internet and fixed-line telephony RGUs.
- (c) The decrease in the Netherlands' B2B revenue is primarily related to lower revenue from fixed-line telephony 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, due primarily 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.

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

Switzerland. The increase in Switzerland's revenue during 2013, as compared to 2012, includes (i) an organic increase of €43.1 million or 4.4%, (ii) the impact of acquisitions and (iii) the impact of FX, as set forth below:

	Subscription revenue	Non- subscription revenue in millions	Total
Increase in cable subscription revenue due to change in:			
Average number of RGUs (a).....	€ 23.6	€ —	€ 23.6
ARPU (b).....	16.4	—	16.4
Total increase in cable subscription revenue	40.0	—	40.0
Decrease in B2B revenue.....	—	(1.5)	(1.5)
Increase in other non-subscription revenue (c).....	—	4.6	4.6
Total organic increase.....	40.0	3.1	43.1
Impact of acquisitions.....	1.8	(0.8)	1.0
Impact of FX.....	(18.2)	(3.0)	(21.2)
Total	<u>€ 23.6</u>	<u>€ (0.7)</u>	<u>€ 22.9</u>

- (a) The increase in Switzerland's cable subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of digital cable, broadband internet and fixed-line telephony RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the average number of analog cable RGUs led to a decline in the average number of Switzerland's total video RGUs during 2013, as compared to 2012.
- (b) The increase in Switzerland's cable subscription revenue related to a change in ARPU is due to (i) an improvement in RGU mix, attributable to higher proportions of digital cable, broadband internet and fixed-line telephony RGUs, and (ii) a net increase resulting primarily 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 our 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.

- (c) The increase in Switzerland's other non-subscription revenue is primarily attributable to the net effect of (i) an increase in installation revenue of €6.4 million, (ii) a decrease in sales of customer premises equipment, primarily due to the unencryption described below, (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, as further described below.

In October 2012, we announced an agreement with the Swiss Price Regulator pursuant to which we will make certain changes to Switzerland's service offerings in exchange for progressive increases in the price of Switzerland's basic cable connection. In this regard, (i) effective November 1, 2012, we began offering a basic tier of digital television channels on an unencrypted basis in our Switzerland footprint and (ii) effective January 3, 2013, for video subscribers who pay the required upfront activation fee, we made available, at no additional monthly charge, a 2.0 Mbps internet connection, which was an increase from the previously-offered 300 Kbps internet connection. In addition, the monthly price for a cable connection increased by CHF 0.90 (€0.73) effective January 1, 2013 and a further increase of CHF 0.60 (€0.49) took effect on January 1, 2014.

Other Western Europe. The increase in Other Western Europe's revenue during 2013, as compared to 2012 is set forth below:

	Subscription revenue	Non- subscription revenue in millions	Total
Increase (decrease) in cable subscription revenue due to change in (a):			
Average number of RGUs (b).....	€ 33.7	€ —	€ 33.7
ARPU (c)	(15.2)	—	(15.2)
Total increase in cable subscription revenue.....	18.5	—	18.5
Decrease in B2B revenue.....	—	(0.6)	(0.6)
Decrease in other non-subscription revenue (a) (d).....	—	(0.9)	(0.9)
Total.....	€ 18.5	€ (1.5)	€ 17.0

- (a) During the second quarter of 2013, we determined that we would no longer externally report DSL subscribers as RGUs. Accordingly, we have reclassified the revenue from our DSL subscribers in Austria from broadband internet and fixed-line telephony subscription revenue to other non-subscription revenue for all periods presented.
- (b) The increase in Other Western Europe'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 in each of Ireland and Austria that were only partially offset by a decline in the average number of analog cable RGUs in each of Austria and Ireland and, to a lesser extent, MMDS video RGUs in Ireland. The declines in the average numbers of analog cable and MMDS video RGUs led to a decline in the average number of total video RGUs in each of Ireland and Austria during 2013, as compared to 2012.
- (c) The decrease in Other Western Europe's cable subscription revenue related to a change in ARPU is attributable to a decrease in ARPU in each of Ireland and Austria. Other Western Europe's overall ARPU was impacted by an adverse change in RGU mix, primarily attributable to a lower proportion of digital cable RGUs in Ireland. The lower ARPU in Ireland is also due to the net effect of (i) lower ARPU due to the impact of bundling discounts and (ii) higher ARPU due to the inclusion of higher-priced tiers of broadband internet and digital cable services in our promotional bundles. The decrease in Austria's ARPU is primarily due to the net effect of (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 our promotional bundles.

- (d) The decrease in Other Western Europe's non-subscription revenue is due to individually insignificant changes in various non-subscription revenue categories.

Central and Eastern Europe. The decrease in Central and Eastern Europe's revenue during 2013, as compared to 2012, includes (i) an organic increase of €0.2 million, (ii) the impact of an acquisition and (iii) the impact of FX, as set forth below:

	Subscription revenue	Non- subscription revenue in millions	Total
Increase (decrease) in cable subscription revenue due to change in:			
Average number of RGUs (a).....	€ 20.2	€ —	€ 20.2
ARPU (b).....	(21.7)	—	(21.7)
Total decrease in cable subscription revenue.....	(1.5)	—	(1.5)
Decrease in mobile subscription revenue	(1.0)	—	(1.0)
Total decrease in subscription revenue	(2.5)	—	(2.5)
Increase in non-subscription revenue (c)	—	2.7	2.7
Total organic increase (decrease).....	(2.5)	2.7	0.2
Impact of an acquisition.....	2.4	0.1	2.5
Impact of FX.....	(9.6)	(1.5)	(11.1)
Total	€ (9.7)	€ 1.3	€ (8.4)

- (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 increases in the average numbers of digital cable, fixed-line telephony and broadband internet RGUs in Poland, Romania, Hungary and Slovakia that were only partially offset by a decline in the average numbers of (i) analog cable RGUs in each country within our Central and Eastern Europe segment and (ii) digital cable, fixed-line telephony and broadband internet RGUs in the Czech Republic. As a result of the declines in analog cable RGUs, each country within our Central and Eastern Europe segment experienced a decline in the average number of total video RGUs during 2013, as compared to 2012.
- (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 our 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, primarily attributable to higher proportions of digital cable and, to a lesser extent, broadband internet RGUs.
- (c) The increase in Central and Eastern Europe's non-subscription revenue is due to individually insignificant changes in various non-subscription revenue categories.

Chile (VTR GlobalCom). The increase in VTR GlobalCom's revenue during 2013, as compared to 2012, includes (i) an organic increase of €43.1 million or 6.0% and (ii) the impact of FX, as set forth below:

	Subscription revenue	Non- subscription revenue in millions	Total
Increase in cable subscription revenue due to change in:			
Average number of RGUs (a)	€ 35.3	€ —	€ 35.3
ARPU (b)	10.5	—	10.5
Total increase in cable subscription revenue	45.8	—	45.8
Decrease in non-subscription revenue (c)	—	(2.7)	(2.7)
Total organic increase (decrease)	45.8	(2.7)	43.1
Impact of FX	(35.1)	(2.5)	(37.6)
Total	€ 10.7	€ (5.2)	€ 5.5

- (a) The increase in VTR GlobalCom's cable subscription revenue related to a change in the average number of RGUs is due to increases in the average numbers of digital cable, broadband internet and fixed-line telephony RGUs that were only partially offset by a decline in the average number of analog cable RGUs.
- (b) The increase in VTR GlobalCom's cable subscription revenue related to a change in ARPU is due to (i) a net increase resulting from the following factors: (a) higher ARPU due to the impact of lower bundling and promotional discounts, (b) higher ARPU due to semi-annual inflation and other price adjustments for video, broadband internet and fixed-line telephony services, (c) lower ARPU from analog and digital cable services, largely due to a higher proportion of subscribers receiving lower-priced tiers of services, (d) higher ARPU from broadband internet services and (e) lower ARPU due to a decrease in fixed-line telephony call volume for customers on usage-based plans and (ii) improvements in RGU mix, primarily attributable to a higher proportion of digital cable RGUs.
- (c) The decrease in VTR GlobalCom's non-subscription revenue is attributable to the net effect of (i) an increase in advertising revenue, (ii) a decrease in fixed-line telephony interconnect revenue, (iii) a decrease in installation revenue and (iv) a net decrease resulting from individually insignificant changes in various other non-subscription revenue categories.

Revenue — 2012 compared to 2011

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

The Netherlands. The increase in the Netherlands' revenue during 2012, as compared to 2011, includes (i) an organic increase of €40.1 million or 4.4% and (ii) the impact of an acquisition, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
	in millions		
Increase in cable subscription revenue due to change in:			
Average number of RGUs (a)	€ 29.2	€ —	€ 29.2
ARPU (b)	5.6	—	5.6
Total increase in cable subscription revenue	34.8	—	34.8
Increase in B2B revenue (c)	—	2.3	2.3
Increase in other non-subscription revenue (d)	—	3.0	3.0
Total organic increase	34.8	5.3	40.1
Impact of an acquisition	0.6	—	0.6
Total	€ 35.4	€ 5.3	€ 40.7

- (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 fixed-line telephony, digital cable and broadband internet RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the average number of analog cable RGUs in the Netherlands led to a decline in the average number of total video RGUs during 2012, as compared to 2011.
- (b) The increase in the Netherlands' cable subscription revenue related to a change in ARPU is due to the net effect of (i) an improvement in RGU mix, attributable to higher proportions of digital cable, broadband internet and fixed-line telephony RGUs, and (ii) a net decrease resulting primarily from the following factors: (a) lower ARPU due to a decrease in fixed-line telephony call volume, including the impact of higher proportions of customers selecting usage-based calling plans, (b) lower ARPU due to the impact of bundling and promotional discounts and (c) higher ARPU due to January 2012 price increases for certain video services and, to a lesser extent, July 2012 price increases for bundled services.
- (c) The increase in the Netherlands' B2B revenue is primarily related to higher revenue from business telephony services.

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

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

Switzerland. The increase in Switzerland's revenue during 2012, as compared to 2011, includes (i) an organic increase of €34.3 million or 3.7%, (ii) the impact of acquisitions and (iii) the impact of FX, as set forth below:

	Subscription revenue	Non- subscription revenue in millions	Total
Increase in cable subscription revenue due to change in:			
Average number of RGUs (a).....	€ 29.5	€ —	€ 29.5
ARPU (b).....	2.8	—	2.8
Total increase in cable subscription revenue	32.3	—	32.3
Decrease in B2B revenue (c)	—	(0.2)	(0.2)
Increase in other non-subscription revenue (d)	—	2.2	2.2
Total organic increase	32.3	2.0	34.3
Impact of acquisitions	3.2	—	3.2
Impact of FX	17.6	3.2	20.8
Total	€ 53.1	€ 5.2	€ 58.3

- (a) The increase in Switzerland's cable subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of digital cable, broadband internet and fixed-line telephony RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the average number of Switzerland's analog cable RGUs led to a decline in the average number of total video RGUs during 2012, as compared to 2011.
- (b) The increase in Switzerland's cable subscription revenue related to a change in ARPU is due to the net effect of (i) an improvement in RGU mix, attributable to higher proportions of digital cable, broadband internet and fixed-line telephony RGUs, and (ii) a net decrease resulting primarily from the following factors: (a) higher ARPU from broadband internet services and, to a lesser extent, digital cable services, largely due to a higher proportion of subscribers receiving lower-priced tiers of services, (b) lower ARPU due to the impact of bundling discounts and (c) lower ARPU due to a decrease in fixed-line telephony call volume for customers on usage-based calling plans.
- (c) The slight decrease in Switzerland's B2B revenue is primarily attributable to the net effect of (i) lower revenue from construction and equipment sales and (ii) growth in B2B broadband internet and fixed-line telephony services.
- (d) The increase in Switzerland's other non-subscription revenue is attributable to the net effect of (i) an increase in installation revenue, (ii) a decline in revenue from usage-based wholesale residential fixed-line telephony services and (iii) a net increase resulting from various individually insignificant changes.

Other Western Europe. The increase in Other Western Europe's revenue during 2012, as compared to 2011, is set forth below:

	Subscription revenue	Non- subscription revenue in millions	Total
Increase (decrease) in cable subscription revenue due to change in (a):			
Average number of RGUs (b).....	€ 40.2	€ —	€ 40.2
ARPU (c)	(20.5)	—	(20.5)
Total increase in cable subscription revenue	19.7	—	19.7
Decrease in B2B revenue (d).....	—	(3.2)	(3.2)
Increase in other non-subscription revenue (a) (e)	—	1.2	1.2
Total.....	€ 19.7	€ (2.0)	€ 17.7

- (a) During the second quarter of 2013, we determined that we would no longer externally report DSL subscribers as RGUs. Accordingly, we have reclassified the revenue from our DSL subscribers in Austria from broadband internet and fixed-line telephony subscription revenue to other non-subscription revenue for all periods presented.
- (b) The increase in Other Western Europe'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 in each of Ireland and Austria that were only partially offset by a decline in the average number of analog cable RGUs in each of Austria and Ireland and, to a lesser extent, MMDS video RGUs in Ireland. The declines in the average numbers of analog cable and MMDS video RGUs led to a decline in the average number of total video RGUs in each of Ireland and Austria during 2012, as compared to 2011.
- (c) The decrease in Other Western Europe's cable subscription revenue related to a change in ARPU is attributable to a decrease in ARPU in each of Ireland and Austria. The decrease in Ireland's ARPU is mostly due to (i) lower ARPU due to the impact of bundling discounts, (ii) lower ARPU from digital cable services and (iii) lower ARPU due to a decrease in fixed-line telephony call volume for customers on usage-based calling plans, including the impact of higher proportions of customers selecting usage-based calling plans. The decrease in Austria's ARPU is primarily due to (a) lower ARPU due to the impact of bundling discounts, (b) lower ARPU from broadband internet services, largely due to a higher proportion of subscribers receiving lower-priced tiers of services, (c) higher ARPU due to the third quarter 2011 implementation of an additional charge for broadband internet services and (d) lower ARPU due to a decrease in fixed-line telephony call volume for customers on usage-based calling plans. In addition, Other Western Europe's overall ARPU was impacted by adverse changes in RGU mix, primarily attributable to a lower proportion of digital cable RGUs in Ireland.
- (d) The decrease in Other Western Europe's B2B revenue is primarily due to a decrease in revenue from data services in Austria.
- (e) The increase in Other Western Europe's other non-subscription revenue is due primarily to an increase in installation revenue in each of Austria and Ireland.

Central and Eastern Europe. The increase in Central and Eastern Europe's revenue during 2012, as compared to 2011, includes (i) an organic decrease of €2.3 million or 0.3%, (ii) the impact of acquisitions and (iii) the impact of FX, as set forth below:

	Subscription revenue	Non- subscription revenue in millions	Total
Increase (decrease) in cable subscription revenue due to change in:			
Average number of RGUs (a).....	€ 21.0	€ —	€ 21.0
ARPU (b).....	(25.0)	—	(25.0)
Total decrease in cable subscription revenue.....	(4.0)	—	(4.0)
Decrease in mobile subscription revenue	(0.8)	—	(0.8)
Total decrease in subscription revenue.....	(4.8)	—	(4.8)
Increase in B2B revenue	—	1.0	1.0
Increase in other non-subscription revenue (c).....	—	1.5	1.5
Total organic increase (decrease).....	(4.8)	2.5	(2.3)
Impact of acquisitions.....	73.6	9.1	82.7
Impact of FX.....	(17.6)	(1.9)	(19.5)
Total	€ 51.2	€ 9.7	€ 60.9

- (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 increases in the average numbers of digital cable, fixed-line telephony and broadband internet RGUs that were only partially offset by declines in the average numbers of analog cable and, to a much lesser extent, MMDS video RGUs in Slovakia. In each country within our Central and Eastern Europe segment, a decline in the average number of analog cable RGUs led to a decline in the average number of total video RGUs during 2012, as compared to 2011.
- (b) The decrease in Central and Eastern Europe's cable subscription revenue related to a change in ARPU is primarily due to (i) lower ARPU from video, broadband internet and fixed-line telephony services, largely due to a higher proportion of subscribers receiving lower-priced tiers of services, (ii) lower ARPU due to the impact of higher bundling discounts and (iii) lower ARPU due to a decrease in 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, primarily attributable to a higher proportion of digital cable and, to a lesser extent, broadband internet RGUs.
- (c) The increase in Central and Eastern Europe's other non-subscription revenue is due primarily to the net effect of (i) an increase in sales of customer premises equipment, primarily in the Czech Republic, (ii) a decrease in installation revenue, primarily in Poland, and (iii) a net decrease resulting from individually insignificant changes in other non-subscription revenue categories.

Chile (VTR GlobalCom). The increase in VTR GlobalCom's revenue during 2012, as compared to 2011, includes (i) an organic increase of €27.8 million or 4.3% and (ii) the impact of FX, as set forth below:

	Subscription revenue	Non- subscription revenue	Total
		in millions	
Increase in cable subscription revenue due to change in:			
Average number of RGUs (a).....	€ 27.9	€ —	€ 27.9
ARPU (b).....	1.9	—	1.9
Total increase in cable subscription revenue.....	29.8	—	29.8
Decrease in non-subscription revenue (c)	—	(2.0)	(2.0)
Total organic increase (decrease)	29.8	(2.0)	27.8
Impact of FX	47.1	3.9	51.0
Total	€ 76.9	€ 1.9	€ 78.8

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

Operating Expenses of our Reportable Segments

Operating expenses — 2013 compared to 2012

	Year ended December 31,		Increase (decrease)		Organic increase
	2013	2012	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 283.4	€ 275.6	€ 7.8	2.8	2.8
Switzerland	275.3	279.7	(4.4)	(1.6)	0.4
Other Western Europe.....	251.9	251.7	0.2	0.1	0.1
Total Western Europe.....	810.6	807.0	3.6	0.4	1.1
Central and Eastern Europe	330.0	325.3	4.7	1.4	2.2
Central and other.....	101.8	87.1	14.7	16.9	16.7
Total UPC Europe	1,242.4	1,219.4	23.0	1.9	2.5
Chile (VTR GlobalCom).....	291.4	288.7	2.7	0.9	6.1
Total operating expenses excluding share-based compensation expense.....	1,533.8	1,508.1	25.7	1.7	3.2
Share-based compensation expense	1.1	0.5	0.6	120.0	
Total	€ 1,534.9	€ 1,508.6	€ 26.3	1.7	

General. 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 service rate increases would result in increased pressure on our operating margins.

UPC Europe. UPC Europe's 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, UPC Europe's 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%, due primarily 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 €14.8 million or 13.8%, due primarily 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%, due primarily to (i) increased staffing levels, primarily in UPC Europe's 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%, due primarily 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 UPC Europe's central operations, primarily related to the Horizon TV platform. These increases were partially offset by lower call center costs in Hungary due primarily to a reduced proportion of calls handled by third parties.

Chile (VTR GlobalCom). VTR GlobalCom's operating expenses (exclusive of share-based compensation expense) increased €2.7 million or 0.9% during 2013, as compared to 2012. Excluding the effects of FX, VTR GlobalCom's operating expenses increased €17.6 million or 6.1%. This increase includes the following factors:

- An increase in programming and copyright costs of €9.9 million or 9.1%, primarily associated with growth in digital cable services;
- An increase in personnel costs of €4.4 million or 13.1%, due largely to higher bonus accruals; and
- An increase in outsourced labor and professional fees of €3.1 million or 16.4%. This increase is primarily attributable to a €2.3 million non-recurring charge recorded during the second quarter of 2013 to provide for VTR GlobalCom's mandated share of severance and other labor-related obligations that were incurred by a VTR GlobalCom contractor in connection with such contractor's bankruptcy.

Operating expenses — 2012 compared to 2011

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2012	2011	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 275.6	€ 269.8	€ 5.8	2.1	2.1
Switzerland	279.7	267.1	12.6	4.7	2.2
Other Western Europe.....	251.7	250.7	1.0	0.4	0.4
Total Western Europe.....	807.0	787.6	19.4	2.5	1.6
Central and Eastern Europe	325.3	312.9	12.4	4.0	(3.0)
Central and other.....	87.1	76.4	10.7	14.0	14.7
Total UPC Europe	1,219.4	1,176.9	42.5	3.6	1.2
Chile (VTR GlobalCom).....	288.7	263.0	25.7	9.8	2.0
Total operating expenses excluding share-based compensation expense.....	1,508.1	1,439.9	68.2	4.7	1.4
Share-based compensation expense	0.5	1.3	(0.8)	(61.5)	
Total	€ 1,508.6	€ 1,441.2	€ 67.4	4.7	

UPC Europe. UPC Europe's operating expenses (exclusive of share-based compensation expense) increased €42.5 million or 3.6% during 2012, as compared to 2011. This increase includes €31.0 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's operating expenses increased €14.5 million or 1.2%. This increase includes the following factors:

- An increase in programming and related costs of €24.1 million or 6.5%, primarily due to growth in digital video services, predominantly in Switzerland, Austria and the Netherlands. The increase in programming and related costs also reflects a decrease of €2.7 million due to the net impact of accrual releases in Poland in the fourth quarter of 2012 and the Netherlands during 2012 and 2011. These accrual releases primarily relate to the settlement or reassessment of operational contingencies;
- An increase in network-related expenses of €11.5 million or 5.8%, due largely to (i) increased network maintenance costs, largely in Poland, the Netherlands, UPC DTH and Ireland, (ii) higher outsourced labor costs associated with customer-facing activities in Ireland and Switzerland, (iii) higher duct and pole rental costs, primarily in Romania, (iv) higher costs of €1.0 million due to the net impact of settlements in 2012 and 2011 of claims for costs incurred in connection with faulty customer premises equipment, primarily in the Netherlands, Switzerland and Poland, and (v) increased encryption costs, due largely to increased numbers of installed digital cable set-top boxes in Switzerland. In addition, in UPC Europe's central operations, the impact of a fourth quarter 2011 settlement of a dispute with a third party contributed €2.1 million to the overall increase in network-related expenses;
- A decrease in bad debt and collection expenses of €5.5 million or 14.1%, primarily in Poland, the Czech Republic, Ireland and Austria. The decrease in bad debt and collection expenses is largely attributable to (i) improved collection experience and (ii) the €1.9 million impact of a nonrecurring increase to bad debt expense that was recorded in the Netherlands during the first quarter of 2011;
- An increase in personnel costs of €4.8 million or 2.2%, primarily due to (i) annual wage increases, with the largest impacts occurring in the Netherlands, Switzerland and Austria, and (ii) increased staffing levels in UPC Europe's central operations and the Netherlands. The increased staffing levels in UPC Europe's central operations are due in part to increased numbers of strategic initiatives;

- A decrease in outsourced labor and professional fees of €4.4 million or 8.1%, largely due to lower call center costs in Switzerland;
- A decrease of €1.0 million associated with certain telecommunications taxes in Hungary; and
- A net decrease resulting from individually insignificant changes in other operating expense categories.

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

- An increase in programming and related costs of €10.2 million or 10.7%, primarily associated with growth in digital cable services;
- A decrease in personnel costs of €5.2 million or 13.5%, primarily related to lower bonus costs;
- An increase in interconnect and access costs of €1.7 million or 3.9%, due primarily to higher costs associated with broadband internet services, as the impact of higher traffic was only partially offset by lower average rates; and
- A decrease in outsourced labor and professional fees of €0.8 million or 4.3%, due primarily to a decrease in customer-facing activities.

SG&A Expenses of our Reportable Segments

SG&A expenses — 2013 compared to 2012

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2013	2012	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 108.8	€ 106.9	€ 1.9	1.8	1.6
Switzerland	141.6	141.5	0.1	0.1	2.1
Other Western Europe.....	89.6	90.9	(1.3)	(1.4)	(1.4)
Total Western Europe.....	340.0	339.3	0.7	0.2	1.0
Central and Eastern Europe	116.2	110.5	5.7	5.2	6.1
Central and other.....	143.3	126.3	17.0	13.5	13.4
Total UPC Europe	599.5	576.1	23.4	4.1	4.7
Chile (VTR GlobalCom).....	109.6	113.5	(3.9)	(3.4)	1.2
Total SG&A expenses excluding share-based compensation expense.....	709.1	689.6	19.5	2.8	4.1
Share-based compensation expense	25.7	17.3	8.4	48.6	
Total.....	€ 734.8	€ 706.9	€ 27.9	3.9	

General. 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.

UPC Europe. UPC Europe's 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, UPC Europe's 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%, due primarily to (i) increased staffing levels, primarily in UPC Europe's central operations, Switzerland, Hungary, Poland and Ireland, and (ii) annual wage increases, primarily in the Netherlands, Switzerland and UPC Europe's central operations;
- A decrease in sales and marketing costs of €9.8 million or 6.5%, due primarily 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 UPC Europe's central operations;
- An increase in information technology-related expenses of €7.8 million or 29.6%, due primarily to higher software and other information technology-related maintenance costs, primarily in UPC Europe's 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 UPC Europe's central operations and the Netherlands.

Chile (VTR GlobalCom). VTR GlobalCom's SG&A expenses (exclusive of share-based compensation expense) decreased €3.9 million or 3.4% during 2013, as compared to 2012. Excluding the effects of FX, VTR GlobalCom's SG&A expenses increased €1.4 million or 1.2%. This increase includes the following factors:

- An increase in personnel costs of €3.1 million or 8.5%, primarily attributable to (i) higher bonus accruals, (ii) a combination of increased staffing levels and higher salaries and (iii) higher severance; and
- A decrease in facilities expenses of €1.2 million or 7.3%, primarily attributable to (i) lower rental costs and (ii) lower insurance expenses.

SG&A expenses — 2012 compared to 2011

	Year ended December 31,		Increase		Organic increase
	2012	2011	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 106.9	€ 102.6	€ 4.3	4.2	3.9
Switzerland	141.5	135.7	5.8	4.3	1.5
Other Western Europe	90.9	90.5	0.4	0.4	0.4
Total Western Europe	339.3	328.8	10.5	3.2	1.9
Central and Eastern Europe	110.5	100.2	10.3	10.3	4.5
Central and other	126.3	108.2	18.1	16.7	16.8
Total UPC Europe	576.1	537.2	38.9	7.2	5.4
Chile (VTR GlobalCom)	113.5	105.4	8.1	7.7	0.2
Total SG&A expenses excluding share-based compensation expense	689.6	642.6	47.0	7.3	4.6
Share-based compensation expense	17.3	12.2	5.1	41.8	
Total	€ 706.9	€ 654.8	€ 52.1	8.0	

UPC Europe. UPC Europe's SG&A expenses (exclusive of share-based compensation expense) increased €38.9 million or 7.2% during 2012, as compared to 2011. This increase includes €9.5 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's SG&A expenses increased €29.1 million or 5.4%. This increase includes the following factors:

- An increase in personnel costs of €22.6 million or 9.2%, due largely to (i) increased staffing levels at UPC Europe's central operations due largely to increased numbers of strategic initiatives and (ii) annual wage increases, predominantly in the Netherlands, UPC Europe's central operations and Switzerland. The increase in personnel costs also includes the impact of a new employee wage tax in the Netherlands. This new employee wage tax, which was authorized in September 2012, is based on wages for the year ended December 31, 2012; and
- An increase in facilities expenses of €3.1 million or 6.4%, due primarily to increases in costs related to the rental of office space in UPC Europe's central operations and the Netherlands.

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

- A decrease in personnel costs of €2.8 million or 7.2%, primarily resulting from lower bonus costs and, to a lesser extent, lower staffing levels;
- An increase in facilities expenses of €2.6 million or 19.2%, due primarily to higher rental and related costs associated with increases in office and other space; and
- An increase in sales and marketing costs of €0.2 million or 0.7%, due primarily to the net effect of (i) higher sales commissions paid to third parties and (ii) decreased advertising campaigns. The higher sales commissions are primarily attributable to a higher proportion of sales generated by third-party dealers.

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 16 to our consolidated financial statements.

Operating Cash Flow — 2013 compared to 2012

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2013	2012	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 543.1	€ 573.1	€ (30.0)	(5.2)	(5.3)
Switzerland.....	585.6	558.4	27.2	4.9	7.0
Other Western Europe.....	335.0	316.9	18.1	5.7	5.7
Total Western Europe.....	1,463.7	1,448.4	15.3	1.1	1.9
Central and Eastern Europe.....	412.9	431.7	(18.8)	(4.4)	(3.1)
Central and other	(144.0)	(122.2)	(21.8)	(17.8)	(17.8)
Total UPC Europe.....	1,732.6	1,757.9	(25.3)	(1.4)	(0.5)
Chile (VTR GlobalCom)	322.7	316.0	6.7	2.1	7.6
Total.....	€ 2,055.3	€ 2,073.9	€ (18.6)	(0.9)	0.8

Operating Cash Flow — 2012 compared to 2011

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

Operating Cash Flow Margin — 2013, 2012 and 2011

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,		
	2013	2012	2011
	%		
UPC Europe:			
The Netherlands	58.1	60.0	59.3
Switzerland	58.4	57.0	56.3
Other Western Europe	49.5	48.1	46.8
Total Western Europe	56.0	55.8	54.9
Central and Eastern Europe	48.1	49.8	48.8
Total UPC Europe, including central and other	48.5	49.5	49.2
Chile (VTR GlobalCom)	44.6	44.0	42.4

With the exception of the Netherlands and Central and Eastern Europe, the operating cash flow margins of our reportable segments improved during 2013 as compared to 2012. As discussed above under *Overview*, the Netherlands is experiencing significant competition from the incumbent telecommunications operator, who is overbuilding our network in the Netherlands using FTTx and advanced DSL technologies. As a result, the Netherlands experienced a decline in revenue in 2013, which resulted in a lower operating cash flow margin during 2013 as compared to 2012. We believe the Netherlands will be challenged to maintain its current operating cash flow margin in future periods. In Central and Eastern Europe, competitive, economic and other factors contributed to the decline in the operating cash flow margin. In addition, the operating cash flow margin of UPC Europe during 2013 was negatively impacted by an increase in the operating cash flow deficit of UPC Europe's central and other category, which is primarily attributable to higher personnel and consulting costs, due in part to increased levels of strategic initiatives.

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

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, see the *Discussion and Analysis of our Reportable Segments* above.

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.....	€ 2,033.7	€ 2,064.3	€ (30.6)	(1.5)	(0.2)
Broadband internet (b).....	1,175.5	1,107.3	68.2	6.2	8.0
Fixed-line telephony (b).....	608.2	612.1	(3.9)	(0.6)	1.1
Cable subscription revenue.....	3,817.4	3,783.7	33.7	0.9	2.4
Mobile.....	1.4	1.9	(0.5)	(26.3)	(48.7)
Total subscription revenue.....	3,818.8	3,785.6	33.2	0.9	2.4
B2B revenue (c).....	253.9	263.9	(10.0)	(3.8)	(2.6)
Other revenue (b) (d).....	225.5	222.1	3.4	1.5	3.6
Total revenue.....	€ 4,298.2	€ 4,271.6	€ 26.6	0.6	2.2

- (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.
- (b) During the second quarter of 2013, we determined that we would no longer externally report DSL subscribers as RGUs. Accordingly, we have reclassified the revenue from our DSL subscribers in Austria from broadband internet and fixed-line telephony subscription revenue to other revenue for all periods presented.
- (c) These amounts include B2B 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.
- (d) Other revenue includes, among other items, interconnect, installation and carriage fee revenue.

Total revenue. Our consolidated revenue increased €26.6 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 €92.4 million or 2.2%.

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

Increase (decrease) in cable subscription revenue due to change in:

Average number of RGUs.....	€	124.3
ARPU		(32.1)
Total increase in cable subscription revenue.....		92.2
Decrease in mobile revenue.....		(1.0)
Total increase in subscription revenue.....		91.2
Impact of acquisitions.....		4.6
Impact of FX.....		(62.6)
Total.....	€	33.2

Excluding the effects of acquisitions and FX, our consolidated cable subscription revenue increased €92.2 million or 2.4% 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 €89.1 million or 8.0%, attributable to an increase in the average number of broadband internet RGUs and, to a lesser extent, higher ARPU from broadband internet services, (ii) an increase in subscription revenue from fixed-line telephony services of €6.6 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, and (iii) a decrease in subscription revenue from video services of €3.5 million or 0.2%, as the decline in the average number of video RGUs was only partially offset by the impact of higher ARPU from video 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 the net effect of (i) decreases in the Netherlands, Switzerland and Austria.

Other revenue. Excluding the effects of acquisitions and FX, our consolidated other revenue increased €8.0 million or 3.6% 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. For information regarding the competitive environment in certain of our markets, see *Overview* above.

Operating expenses

Our operating expenses increased €26.3 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 increased €0.6 million 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 €48.3 million or 3.2% 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) an increase in personnel costs, (iii) a decrease in interconnect 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 €27.9 million during 2013, as compared to 2012. This increase includes €0.6 million attributable to acquisitions. Our SG&A expenses include share-based compensation expense, which increased €8.4 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 €28.4 million or 4.1% 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)

Our share-based compensation expense includes amounts allocated to our company by Liberty Global and amounts that are based on share-based incentive awards related to shares of one of our subsidiaries. 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 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)	€ 9.8	€ 7.3
Other share-based incentive awards	14.0	9.2
Total Liberty Global shares	23.8	16.5
Other	3.0	1.3
Total	€ 26.8	€ 17.8
Included in:		
Operating expense	€ 1.1	€ 0.5
SG&A expense	25.7	17.3
Total	€ 26.8	€ 17.8

- (a) Includes share-based compensation expense related to Liberty Global PSUs for both years presented and the Challenge Performance Awards for the applicable 2013 period.

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

Depreciation and amortization expense

Our depreciation and amortization expense decreased €43.2 million during 2013, as compared to 2012. Excluding the effects of FX, depreciation and amortization expense decreased €29.3 million or 2.8%. This decrease is due primarily to the net effect of (i) increases associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives, (ii) decreases associated with certain assets becoming fully depreciated, largely in Chile, 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, Romania and Chile.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €7.2 million during 2013, as compared to €8.2 million during 2012. These amounts primarily are related to restructuring charges associated with reorganization and integration activities in certain of our European operations and in Chile.

For additional information regarding our restructuring charges, see note 13 to our consolidated financial statements.

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. 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 €0.6 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.

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 our 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 our shareholder loan. For additional information, see note 8 to our consolidated financial statements.

Realized and unrealized losses on derivative instruments, net

Our realized and unrealized gains or losses on derivative instruments include (i) unrealized changes in the fair values of our derivative instruments that are non-cash in nature until such time as the derivative contracts are fully or partially settled and (ii) realized gains or losses upon the full or partial settlement of the derivative contracts. The details of our realized and unrealized losses on derivative instruments, net, are as follows:

	Year ended December 31,	
	2013	2012
	in millions	
Cross-currency and interest rate derivative contracts (a)	€ (43.7)	€ (559.1)
Foreign currency forward contracts	(8.8)	(3.4)
Embedded derivatives	0.9	2.8
Total	€ (51.6)	€ (559.7)

- (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, (iv) losses associated with increases in the values of the euro and Swiss franc relative to the U.S. dollar and (v) gains associated with a decrease in value of the Chilean peso relative to the dollar. In addition, the loss during 2013 includes a net loss of €20.1 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 Chilean peso, euro and Swiss franc 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 €60.2 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, net

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

	Year ended December 31,	
	2013	2012
	in millions	
U.S. dollar denominated debt issued by European subsidiaries	€ 72.1	€ 32.7
Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a)	(30.0)	159.6
Cash and restricted cash denominated in a currency other than the entity's functional currency	1.9	5.3
Other	(1.4)	0.3
Total	€ 42.6	€ 197.9

- (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 and Chile.

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

Our realized and unrealized gains or losses due to changes in fair values of certain investments, net, include unrealized gains or losses associated with changes in fair values that are non-cash in nature until such time as these gains or losses are realized through cash transactions. We recognized realized and unrealized gains due to changes in fair values of certain investments, net, of €10.3 million and €0.2 million during 2013 and 2012, respectively. The 2013 amount mostly reflects an increase in the fair value of our investment in a broadband communications operator in Switzerland.

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

Losses on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of €75.3 million and €12.7 million during 2013 and 2012, respectively. The loss during 2013 includes (i) aggregate debt extinguishment losses of UPC Holding of €65.9 million during the first quarter, which include (a) €27.5 million of aggregate redemption premiums related to the UPC Holding 8.0% Senior Notes and the UPC Holding 9.75% Senior Notes, (b) the write-off of €18.9 million of unamortized discount related to the UPC Holding 9.75% Senior Notes, (c) 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 (d) €4.8 million of aggregate accrued 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 (ii) losses on debt modification and extinguishment of €9.0 million during the second quarter in connection with the prepayment of amounts outstanding under certain facilities of the UPC Broadband Holding Bank Facility, including (1) €5.8 million of third-party costs and (2) €3.2 million associated with the write-off of deferred financing costs and an unamortized discount.

The loss during 2012 includes (i) a loss of €9.8 million associated with the write-off of deferred financing costs and an unamortized discount during the fourth quarter in connection with the prepayment of Facility AB under the UPC Broadband Holding Bank Facility, (ii) the incurrence of third-party costs of €1.5 million during the first quarter associated with the execution of Facility AE under the UPC Broadband Holding Bank Facility and (iii) the write-off of €1.5 million of deferred financing costs during the first quarter in connection with the prepayment of amounts outstanding under certain facilities of the UPC Broadband Holding Bank Facility.

Income tax expense

We recognized income tax expense of €97.1 million and €86.2 million during 2013 and 2012, respectively.

The income tax expense during 2013 differs from the expected income tax benefit of €126.4 million (based on the Dutch 25.0% income tax rate) due primarily 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 €199.8 million (based on the Dutch 25.0% income tax rate) due primarily to the negative impacts of (i) certain permanent differences between the financial and tax accounting treatment of interest and other items, (ii) a net increase in valuation allowances and (iii) certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries. The negative impacts of these items were partially offset by the positive impact of an increase in certain net deferred tax assets due to an enacted increase in Chilean tax law.

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 €602.5 million and €885.5 million, respectively, including (i) operating income of €1,025.4 million and €1,013.0 million, respectively, (ii) non-operating expense of €1,530.8 million and €1,812.3 million, respectively, and (iii) income tax expense of €97.1 million and €86.2 million, respectively.

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

Due largely to the fact that we seek to maintain our debt at levels that provide for attractive returns, as discussed under *Liquidity and Capital Resources - Capitalization* below, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information concerning our expectations with respect to trends that may affect certain aspects of our operating results in future periods, see the discussion under *Overview* above. For information concerning the reasons for changes in specific line items in our consolidated statements of operations, see the discussion under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* above.

Net earnings attributable to noncontrolling interests

Net earnings attributable to noncontrolling interests decreased €2.4 million during 2013, as compared to 2012, due primarily to a decline in the results of operations of VTR GlobalCom.

2012 compared to 2011

Revenue

Our revenue by major category is set forth below:

	Year ended December 31,		Increase		Organic increase (decrease)
	2012	2011	€	%	%
	in millions				
Subscription revenue (a):					
Video	€ 2,064.3	€ 1,981.0	€ 83.3	4.2	0.7
Broadband internet (b)	1,107.3	995.0	112.3	11.3	7.6
Fixed-line telephony (b)	612.1	570.8	41.3	7.2	4.3
Cable subscription revenue.....	3,783.7	3,546.8	236.9	6.7	3.2
Mobile	1.9	0.7	1.2	N.M.	N.M.
Total subscription revenue.....	3,785.6	3,547.5	238.1	6.7	3.2
B2B revenue (c).....	263.9	257.3	6.6	2.6	(0.1)
Other revenue (b) (d)	222.1	208.5	13.6	6.5	3.7
Total revenue	€ 4,271.6	€ 4,013.3	€ 258.3	6.4	3.0

- (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.
- (b) During the second quarter of 2013, we determined that we would no longer externally report DSL subscribers as RGUs. Accordingly, we have reclassified the revenue from our DSL subscribers in Austria from broadband internet and fixed-line telephony subscription revenue to other revenue for all periods presented.
- (c) These amounts include B2B 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 €41.0 million and €35.6 million, respectively, is included in cable subscription revenue.
- (d) Other revenue includes, among other items, interconnect, installation and carriage fee revenue.

N.M. — Not Meaningful.

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

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

Increase (decrease) in cable subscription revenue due to change in:	
Average number of RGUs.....	€ 159.0
ARPU	(44.2)
Total increase in cable subscription revenue.....	114.8
Decrease in mobile revenue.....	(0.8)
Total increase in subscription revenue.....	114.0
Impact of acquisitions.....	77.4
Impact of FX.....	46.7
Total.....	€ 238.1

Excluding the effects of acquisitions and FX, our consolidated cable subscription revenue increased €114.8 million or 3.2% during 2012, as compared to 2011. This increase is attributable to (i) an increase in subscription revenue from broadband internet services of €76.1 million or 7.6%, as the impact of an increase in the average number of broadband internet RGUs was only partially offset by lower ARPU from broadband internet services, (ii) an increase in subscription revenue from fixed-line telephony services of €24.7 million or 4.3%, 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 €14.0 million or 0.7%, as the impact of higher ARPU from video services was only partially offset by a decline in the average number of video RGUs.

B2B revenue. Excluding the effects of acquisitions and FX, our consolidated B2B revenue decreased €0.1 million or 0.1% during 2013, as compared to 2012. This decrease is primarily due to the net effect of (i) a decrease in Austria and (ii) an increase in the Netherlands.

Other revenue. Excluding the effects of acquisitions and FX, our consolidated other revenue increased €6.3 million or 3.7% during 2012, as compared to 2011. This increase is primarily attributable to the net impact of (i) an increase in revenue from late fees, (ii) a decrease in interconnect revenue, (iii) an increase in installation revenue and (iv) an increase in revenue from equipment sales.

For additional information concerning the changes in our subscription and other revenue, see *Discussion and Analysis of our Reportable Segments — Revenue — 2012 compared to 2011* above.

Operating expenses

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

SG&A expenses

Our SG&A expenses increased €52.1 million during 2012, as compared to 2011. This increase includes €9.5 million attributable to the impact of acquisitions. Our SG&A expenses include share-based compensation expense, which increased €5.1 million during 2012. For additional information, see the discussion in the following paragraph. Excluding the effects of acquisitions, FX and share-based compensation expense, our SG&A expenses increased €29.3 million or 4.6% during 2012, as

compared to 2011. This increase primarily reflects increases in (i) personnel costs and (ii) facilities expenses. For additional information regarding the changes in our SG&A expenses, see *Discussion and Analysis of our Reportable Segments — SG&A Expenses 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 and amounts that are based on share-based incentive awards related to shares of one of our subsidiaries. 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 that is included in our operating and SG&A expenses is set forth below:

	Year ended December 31,	
	2012	2011
	in millions	
Liberty Global shares:		
Performance-based incentive awards (a).....	€ 7.3	€ 5.6
Other share-based incentive awards	9.2	7.7
Total Liberty Global shares.....	16.5	13.3
Other	1.3	0.2
Total.....	€ 17.8	€ 13.5
Included in:		
Operating expense	€ 0.5	€ 1.3
SG&A expense	17.3	12.2
Total.....	€ 17.8	€ 13.5

- (a) Includes share-based compensation expense related to Liberty Global PSUs for both years presented and the Liberty Global Performance Plans for 2011.

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

Depreciation and amortization expense

Our depreciation and amortization expense increased €67.1 million during 2012 as compared to 2011. Excluding the effects of FX, depreciation and amortization expense increased €56.8 million or 5.9%. This increase is due primarily to the net effect of (i) an increase associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives, (ii) a decrease associated with certain assets becoming fully depreciated, largely in Switzerland, Chile and the Netherlands, and (iii) an increase associated with acquisitions.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €8.2 million during 2012, as compared to €26.8 million during 2011. The 2012 amount primarily is related to restructuring charges associated with reorganization and integration activities in Europe. The 2011 amount includes (i) €5.7 million of direct acquisition costs, primarily attributable to the Aster Acquisition, and (ii) restructuring charges of €14.9 million, primarily related to reorganization and integration activities in Europe and Chile.

For additional information regarding our restructuring charges, see note 13 to our consolidated financial statements.

Interest expense - third-party

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

Interest expense - related-party

Our related-party interest expense primarily relates to the interest expense on our shareholder loan. Our related-party interest expense increased €193.5 million during 2012, as compared to 2011. This increase is primarily due to (i) an increase in the weighted average interest rate on our shareholder loan from 7.75% during 2011 to 9.79% during 2012 and (ii) an increase in the average outstanding balance of our shareholder loan during 2012, as compared to 2011. For additional information, see notes 8 and 12 to our consolidated financial statements.

Realized and unrealized losses on derivative instruments, net

Our realized and unrealized gains or losses on derivative instruments include (i) unrealized changes in the fair values of our derivative instruments that are non-cash in nature until such time as the derivative contracts are fully or partially settled and (ii) realized gains or losses upon the full or partial settlement of the derivative contracts. The details of our realized and unrealized losses on derivative instruments, net, are as follows:

	Year ended December 31,	
	2012	2011
	in millions	
Cross-currency and interest rate derivative contracts (a)	€ (559.1)	€ 5.5
Foreign currency forward contracts	(3.4)	(9.0)
Embedded derivatives	2.8	(0.1)
Total	<u>€ (559.7)</u>	<u>€ (3.6)</u>

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

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

Foreign currency transaction gains (losses), net

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

	Year ended December 31,	
	2012	2011
	in millions	
Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a)	€ 159.6	€ (214.2)
U.S. dollar denominated debt issued by European subsidiaries	32.7	(52.0)
Cash and restricted cash denominated in a currency other than the entity's functional currency ...	5.3	(0.1)
Other	0.3	(4.2)
Total	€ 197.9	€ (270.5)

- (a) Amounts primarily relate to (i) loans between 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 and Chile.

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

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

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

Losses on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of €12.7 million and €11.7 million during 2012 and 2011, respectively. The loss during 2012 includes (i) a loss of €9.8 million associated with the write-off of deferred financing costs and an unamortized discount during the fourth quarter in connection with the prepayment of Facility AB under the UPC Broadband Holding Bank Facility, (ii) the incurrence of third-party costs of €1.5 million during the first quarter associated with the execution of Facility AE under the UPC Broadband Holding Bank Facility and (iii) the write-off of €1.5 million of deferred financing costs during the first quarter in connection with the prepayment of amounts outstanding under certain facilities of the UPC Broadband Holding Bank Facility. The loss during 2011 includes the write-off of €11.3 million of deferred financing costs and an unamortized discount during the first quarter in connection with the prepayment of amounts outstanding under certain facilities of the UPC Broadband Holding Bank Facility. For additional information, see note 8 to our consolidated financial statements.

Income tax expense

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

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

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

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

Net loss

During 2012 and 2011, we reported net losses of €885.5 million and €793.9 million, respectively, including (i) operating income of €1,013.0 million and €914.4 million, respectively, (ii) non-operating expense of €1,812.3 million and €1,466.9 million, respectively, and (iii) income tax expense of €86.2 million and €241.4 million, respectively.

Net earnings attributable to noncontrolling interests

Net earnings attributable to noncontrolling interests increased €14.2 million during 2012, as compared to 2011, due primarily to an improvement in the results of operations of VTR GlobalCom.

Liquidity and Capital Resources

Sources and Uses of Cash

As a holding company, UPC Holding's primary assets are its investments in consolidated subsidiaries. UPC Holding's primary subsidiary is UPC Broadband Holding, which owns all of the operating subsidiaries that are consolidated by UPC Holding. Although our consolidated operating subsidiaries have generated cash from operating activities, the terms of the instruments governing the indebtedness of UPC Broadband Holding may restrict our ability to access the assets of these subsidiaries. As set forth in the table below, these subsidiaries accounted for substantially all of our consolidated cash and cash equivalents at December 31, 2013. 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.

Cash and cash equivalents

The details of the euro equivalent balances of our consolidated cash and cash equivalents at December 31, 2013 are set forth in the following table. With the exception of UPC Holding, which is reported on a standalone basis, the amounts presented below include the cash and cash equivalents of the named entity and its subsidiaries unless otherwise noted (in millions):

Cash and cash equivalents held by:

UPC Holding.....	€	—
UPC Broadband Holding (excluding VTR GlobalCom).....		468.0
VTR GlobalCom.....		21.4
Total cash and cash equivalents.....	€	<u>489.4</u>

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. For information concerning capital distributions of VTR GlobalCom, see note 10 to our consolidated financial statements.

The ongoing cash needs of UPC Holding include (i) corporate general and administrative expenses, (ii) interest payments on the UPC Holding Senior Notes and (iii) payments required by UPC Holding's derivative instruments. From time to time, UPC Holding may also require cash in connection with (a) the repayment of outstanding debt (including the repurchase or exchange of outstanding debt securities in the open market or privately-negotiated transactions and net repayments to LGE Financing pursuant to the shareholder loan, 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

The cash and cash equivalents of our significant subsidiaries are detailed in the table above. In addition to cash and cash equivalents, the primary sources of liquidity of our subsidiaries are cash provided by operations and, in the case of UPC Broadband Holding, borrowing availability under the UPC Broadband Holding Bank Facility. For the details of the borrowing availability under the UPC Broadband Holding Bank Facility at December 31, 2013, see note 8 to our consolidated financial statements. Our subsidiaries' liquidity generally is used to fund property and equipment additions and debt service requirements. From time to time, our subsidiaries may also require funding in connection with (i) acquisitions and other investment opportunities, (ii) loans to UPC Holding or other 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 concerning our consolidated capital expenditures and cash provided by operating activities, see the discussion under *Consolidated Statements of Cash Flows* below.

Capitalization

At December 31, 2013, our outstanding consolidated third-party debt and capital lease obligations aggregated €9,754.7 million, including €311.9 million that is classified as current in our consolidated balance sheet and €8,779.9 million that is not due until 2018 or thereafter.

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.

With regard to our leverage covenants, the ratio of our December 31, 2013 Senior Debt (after deducting cash and cash equivalent investments) to our annualized EBITDA (last two quarters annualized) for UPC Holding was 3.4x. In addition, the ratio of our December 31, 2013 Total Debt (after deducting cash and cash equivalent investments) to our annualized EBITDA (last two quarters annualized) was 4.5x, with each ratio defined and calculated in accordance with the UPC Broadband Holding Bank Facility. At December 31, 2013, UPC Holding was in compliance with its 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.

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, 2013.

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 — 2013 compared to 2012

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

	Year ended December 31,		Change
	2013	2012	
	in millions		
Net cash provided by operating activities	€ 1,204.4	€ 1,237.3	€ (32.9)
Net cash used by investing activities	(887.9)	(761.3)	(126.6)
Net cash provided (used) by financing activities	117.6	(551.2)	668.8
Effect of exchange rate changes on cash	(3.0)	7.0	(10.0)
Net increase (decrease) in cash and cash equivalents	<u>€ 431.1</u>	<u>€ (68.2)</u>	<u>€ 499.3</u>

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, (iii) a decrease in cash provided due to higher net cash payments for taxes, (iv) a decrease in the reported net cash provided by operating activities due to FX and (v) an increase in cash provided due to lower cash payments for interest.

Investing Activities. The increase in net cash used by our investing activities is due primarily to the net effect of (i) an increase in cash used of €78.4 million associated with higher capital expenditures, (ii) an increase in cash used of €72.4 million associated with higher cash paid in connection with advances and contributions to related-parties and affiliates and (iii) a decrease in cash used of €35.8 million associated with lower cash paid in connection with acquisitions.

The capital expenditures that we report in our consolidated statements of cash flows do not include (i) amounts that our company has financed under vendor financing or capital lease arrangements or (ii) purchased assets transferred to our company by another entity under the common control of Liberty Global in exchange for non-cash increases to our shareholder loan or non-cash contributions from our parent (non-cash related-party capital additions). Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and in the case of vendor financing and capital lease arrangements and non-cash related-party capital additions that are settled through increases to our 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 vendor financing or capital lease arrangements, and (ii) our total property and equipment additions, which include our capital expenditures on an accrual basis, non-cash related-party capital additions and amounts financed under vendor financing or capital lease arrangements. For additional information, see notes 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 the consolidated statements of cash flows is set forth below:

	Year ended December 31,	
	2013	2012
	in millions	
Property and equipment additions.....	€ 980.6	€ 915.7
Assets acquired under capital-related vendor financing arrangements (a)	(176.9)	(160.6)
Assets acquired under capital leases	(2.4)	(1.9)
Assets contributed by parent company	(22.6)	(10.2)
Changes in current liabilities related to capital expenditures (including related-party amounts).....	23.5	(19.2)
Capital expenditures	<u>€ 802.2</u>	<u>€ 723.8</u>

- (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 our 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.

UPC Europe accounted for €845.0 million and €755.1 million of our consolidated property and equipment additions during 2013 and 2012, respectively. The increase in UPC Europe's property and equipment additions is due primarily 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, UPC Europe's property and equipment additions represented 23.6% and 21.3% of its revenue, respectively.

VTR GlobalCom accounted for €135.6 million and €160.6 million of our consolidated property and equipment additions during 2013 and 2012, respectively. The decrease in the property and equipment additions of VTR GlobalCom is due primarily to the net effect of (i) a decrease in expenditures for the purchase and installation of customer premises equipment, (ii) a decrease in expenditures for new build and upgrade projects, (iii) a decrease due to FX and (iv) an increase in expenditures for support capital, such as information technology upgrades and general support systems. During 2013 and 2012, VTR GlobalCom's property and equipment additions represented 18.7% and 22.4% of its revenue, respectively.

As further described in note 8 to our consolidated financial statements, VTR GlobalCom and certain of its parents and subsidiaries were extracted from the UPC Holding credit pool in January 2014. Excluding the impacts of VTR GlobalCom, we expect the percentage of revenue represented by our aggregate 2014 consolidated property and equipment additions to range from 23% to 25%. The actual amount of our 2014 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 or (c) our current or expected future operating results and (ii) the availability of sufficient capital. Accordingly, no assurance can be given that our actual property and equipment additions will not vary materially from our expectations.

Financing Activities. The 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 increase in cash used of €455.8 million related to lower net borrowings of third-party debt, (iii) a decrease in cash used of €51.6 million due to lower cash payments related to derivative instruments, (iv) a decrease in cash provided of €49.6 million related to changes in cash collateral and (v) an increase in cash used of €43.2 million due to higher payments for financing costs and debt premiums.

Consolidated Statements of Cash Flows — 2012 compared to 2011

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

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

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

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

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,	
	2012	2011
	in millions	
Property and equipment additions.....	€ 915.7	€ 873.2
Assets acquired under capital-related vendor financing arrangements (a)	(160.6)	(73.2)
Assets acquired under capital leases	(1.9)	(1.4)
Assets contributed by parent company	(10.2)	—
Changes in current liabilities related to capital expenditures (including related-party amounts).....	(19.2)	(17.0)
Capital expenditures	<u>€ 723.8</u>	<u>€ 781.6</u>

- (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 our 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.

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

VTR GlobalCom accounted for €160.6 million and €132.1 million of our consolidated property and equipment additions during 2012 and 2011, respectively. The increase in the property and equipment additions of VTR GlobalCom is due primarily to the net effect of (i) an increase in expenditures for the purchase and installation of customer premises equipment, (ii) an increase in expenditures for new build and upgrade projects, (iii) an increase due to FX and (iv) a decrease in expenditures for support capital, such as information technology upgrades and general support systems. During 2012 and 2011, VTR GlobalCom's property and equipment additions represented 22.4% and 20.7% of its revenue, respectively.

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

Off Balance Sheet Arrangements

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

Contractual Commitments

The euro equivalents of our commitments as of December 31, 2013, are presented below:

	Payments due during:						Total
	2014	2015	2016	2017	2018	Thereafter	
	in millions						
Debt (excluding interest):							
Third-party	€ 309.9	€ 111.0	€ 545.5	€ —	€ 290.1	€ 8,504.6	€ 9,761.1
Related-party	—	—	33.0	—	—	9,737.1	9,770.1
Capital leases (excluding interest)	2.0	2.2	2.2	2.0	1.5	14.4	24.3
Operating leases	63.5	50.6	41.9	36.2	21.9	132.8	346.9
Purchase commitments	196.5	26.5	22.3	—	0.1	—	245.4
Network and connectivity commitments	64.5	45.5	38.9	28.5	14.1	19.1	210.6
Programming obligations	63.0	39.8	33.6	33.2	0.2	—	169.8
Other commitments	63.3	44.3	31.4	27.6	13.4	29.7	209.7
Total (a)	<u>€ 762.7</u>	<u>€ 319.9</u>	<u>€ 748.8</u>	<u>€ 127.5</u>	<u>€ 341.3</u>	<u>€ 18,437.7</u>	<u>€ 20,737.9</u>
Projected cash interest payments on third-party debt and capital lease obligations (b)	<u>€ 558.0</u>	<u>€ 552.7</u>	<u>€ 557.6</u>	<u>€ 525.4</u>	<u>€ 510.9</u>	<u>€ 1,299.3</u>	<u>€ 4,003.9</u>

- (a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2013 consolidated balance sheet other than debt and capital lease obligations. Our liability for uncertain tax positions in the various jurisdictions in which we operate (€12.4 million at December 31, 2013) 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, 2013. 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 €36.5 million related to related-party purchase obligations.

Network and connectivity commitments relates primarily to (i) commitments associated with interconnect services provided to VTR GlobalCom and (ii) commitments associated with satellite carriage services provided to our company.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. The amounts reflected in the table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during 2013, 2012 and 2011, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €527.7 million, €515.4 million, and €467.0 million respectively.

Other commitments relate primarily to certain fixed minimum contractual commitments associated with our agreements with franchise or municipal authorities. Commitments arising from acquisition agreements are not reflected in the above table.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments pursuant to which we expect to make payments in future periods. For information concerning projected cash flows associated with these derivative instruments, see *Projected Cash Flows Associated with Derivatives* below. For information concerning our derivative instruments, including the net cash paid or received in connection with these instruments during 2013, 2012 and 2011, see note 5 to our consolidated financial statements.

We also have commitments pursuant to (i) pension and similar agreements and (ii) 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, 2013. The euro equivalents presented below are based on interest rates and exchange rates that were in effect as of December 31, 2013. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. For additional information regarding our derivative instruments, see note 5 to our consolidated financial statements.

	Payments (receipts) due during:						Total
	2014	2015	2016	2017	2018	Thereafter	
	in millions						
Projected derivative cash payments (receipts), net:							
Interest-related (a)	€ 268.5	€ 189.7	€ 157.8	€ 54.7	€ 29.6	€ 19.6	€ 719.9
Principal-related (b)	12.9	192.6	34.8	106.7	12.1	107.8	466.9
Other	2.3	—	(0.4)	(0.7)	(7.5)	—	(6.3)
Total	<u>€ 283.7</u>	<u>€ 382.3</u>	<u>€ 192.2</u>	<u>€ 160.7</u>	<u>€ 34.2</u>	<u>€ 127.4</u>	<u>€ 1,180.5</u>

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

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

Critical Accounting Policies, Judgments and Estimates

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

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

For additional information concerning our significant accounting policies, see note 2 to our consolidated financial statements.

Impairment of Property and Equipment and Intangible Assets

Carrying Value. The aggregate carrying value of our property and equipment and intangible assets (including goodwill) that were held for use comprised 84% of our total assets at December 31, 2013.

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

We evaluate goodwill and other indefinite-lived intangible assets for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill and other indefinite-lived intangible assets may not be recoverable. For impairment evaluations with respect to both goodwill and other indefinite-lived intangibles, we first make a qualitative assessment to determine if the goodwill or other indefinite-lived intangible may be impaired. In the case of goodwill, 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. With respect to other indefinite-lived intangible assets, if it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying value, we then estimate its fair value and any excess of the carrying value over the fair value of the other indefinite-lived intangible asset is also charged to operations as an impairment loss.

When required, considerable management judgment is necessary to estimate the fair value of reporting units and underlying long-lived and indefinite-lived assets. We typically determine fair value using an income-based approach (discounted cash

flows) based on assumptions in our long-range business plans and, in some cases, a combination of an income-based approach and a market-based approach. With respect to our discounted cash flow analysis used in the income-based approach, the timing and amount of future cash flows under these business plans require estimates, among other items, of subscriber growth and retention rates, rates charged per product, expected gross margin and operating cash flow margins and expected 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 2013 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, 2013, we recorded no impairments of our property and equipment and intangible assets (including goodwill).

If, among other factors, (i) 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 2013, 2012 and 2011 was €994.1 million, €1,037.3 million and €970.2 million, respectively. A 10% increase in the aggregate amount of the depreciation and amortization expense during 2013 would have resulted in a €99.4 million or 9.7% decrease in our 2013 operating income.

Fair Value Measurements

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

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

Changes in the fair values of our derivative instruments and fair value method investments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During 2013, 2012 and 2011, our results of operations included net losses of €41.3 million, €559.5 million and €13.1 million, respectively, attributable to changes in the fair values of these items.

As further described in note 6 to our consolidated financial statements, actual amounts received or paid upon the settlement of our derivative instruments or disposal of our fair value method investments may differ materially from the recorded fair values at December 31, 2013.

Nonrecurring Valuations. Our nonrecurring valuations are primarily associated with (i) the application of acquisition accounting and (ii) impairment assessments, both of which require that we make fair value determinations as of the applicable valuation date. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, market comparables and discount rates, remaining useful lives of long-lived assets, replacement or reproduction costs of property and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. To assist us in making these fair value determinations, we may engage third-party valuation specialists. Our estimates in this area impact, among other items, the amount of depreciation and amortization, impairment charges and income tax expense or benefit that we report. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain. A significant portion of our long-lived assets were initially recorded through the application of acquisition accounting and all of our long-lived assets are subject to impairment assessments. For additional information, see notes 3, 6 and 7 to our consolidated financial statements.

Income Tax Accounting

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

Net deferred tax assets are reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Establishing or reducing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. At December 31, 2013, the aggregate valuation allowance provided against deferred tax assets was €1,633.3 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, 2013 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 operate are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. The determination of whether the tax position meets the more-likely-than-not threshold requires a facts-based judgment using all information available. In a number of cases, we have concluded that the more-likely-than-not threshold is not met, and accordingly, the amount of tax benefit recognized in our consolidated financial statements is different than the amount taken or expected to be taken in our tax returns. As of December 31, 2013, the amount of unrecognized tax benefits for financial reporting purposes, but taken or expected to be taken on tax returns, was €17.4 million, of which €12.7 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.