UPC HOLDING B.V.

Condensed Consolidated Financial Statements
June 30, 2008

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

UPC HOLDING B.V.

INDEX

UPC HOLDING B.V.

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2008	December 31, 2007
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 146.6	€ 153.6
Trade receivables, net	302.1	401.1
Receivables – related party (note 10)	6.8	24.7
Deferred income taxes	42.8	40.2
Derivative instruments (note 5)	150.5	155.3
Other receivables, net	20.3	35.3
Other current assets	60.7	52.0
Total current assets	729.8	862.2
Restricted cash (note 8)	295.8	319.2
Investments (note 4)	31.6	24.4
Property and equipment, net (note 7)	3,897.8	3,863.2
Goodwill (note 7)	4,906.3	4,859.3
Intangible assets subject to amortization, net (note 7)	684.3	748.8
Other assets, net	271.5	279.1
Total assets	€ 10,817.1	€ 10,956.2

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

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

	June 30, 2008	December 31, 2007
	in millions	
LIABILITIES AND PARENT'S DEFICIT		
Current liabilities:		
Accounts payable:		
Third party	€ 215.8	€ 255.3
Related party (note 10)	17.5	12.3
Accrued liabilities:		
Third party	484.8	620.7
Related party (note 10)	3.7	2.8
Deferred revenue and advance payments from subscribers and others	352.6	440.0
Derivative instruments (note 5)	182.1	73.8
Current portion of debt and capital lease obligations (note 8)	5.5	5.7
Total current liabilities	1,262.0	1,410.6
Long-term debt and capital lease obligations (note 8):		
Third party	6,739.6	6,637.2
Related party (note 10)	8,758.6	9,038.2
Deferred tax liabilities	94.0	75.3
Other long-term liabilities (note 10)	875.6	531.4
Total liabilities	17,729.8	17,692.7
Commitments and contingencies (note 11)		
Minority interests in subsidiaries	147.9	155.0
Parent's deficit:		
Parent's deficit, exclusive of accumulated other comprehensive loss	(6,845.1)	(6,692.7)
Accumulated other comprehensive loss, net of taxes	(215.5)	(198.8)
Total parent's deficit	(7,060.6)	(6,891.5)
Total liabilities and parent's deficit	€ 10,817.1	€ 10,956.2

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

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

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
	in millions			
Revenue (note 10)	€ 881.8	€ 827.2	€ 1,751.9	€ 1,648.9
Operating costs and expenses:				
Operating (other than depreciation and amortization) (including stock-based compensation) (notes 9 and 10)	319.6	322.6	638.6	648.0
Selling, general and administrative (SG&A) (including stock-based compensation) (notes 9 and 10)	169.9	171.4	336.4	342.9
Related party fees and allocations, net (note 10)	(7.4)	(5.6)	(8.1)	(10.3)
Depreciation and amortization	276.2	270.7	546.5	541.2
Impairment, restructuring and other operating charges, net	2.3	1.5	5.0	4.1
	760.6	760.6	1,518.4	1,525.9
Operating income	121.2	66.6	233.5	123.0
Non-operating income (expense):				
Interest expense:				
Third party	(109.0)	(109.5)	(221.0)	(214.1)
Related Party (note 10)	(157.4)	(125.2)	(316.6)	(229.8)
Interest income (note 10)	4.9	10.4	12.1	21.7
Realized and unrealized gains (losses) on derivative instruments, net (notes 5 and 6)	231.4	59.7	(45.0)	41.6
Foreign currency transaction gains, net	69.3	39.9	250.7	58.1
Unrealized gains (losses) due to changes in fair values of certain investments, net (notes 4 and 6)	(0.1)	—	0.4	—
Losses on extinguishment of debt, net	—	(16.8)	—	(16.8)
Other expense, net	(0.1)	(0.7)	—	(0.7)
	39.0	(142.2)	(319.4)	(340.0)
Earnings (loss) before income taxes and minority interests	160.2	(75.6)	(85.9)	(217.0)
Income tax expense	(39.6)	(14.3)	(47.6)	(5.3)
Minority interests in earnings of subsidiaries, net	(12.8)	(2.4)	(13.4)	(2.8)
Net earnings (loss)	€ 107.8	€ (92.3)	€ (146.9)	€ (225.1)

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

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	in millions			
Net earnings (loss)	€ 107.8	€ (92.3)	€ (146.9)	€ (225.1)
Other comprehensive loss, net of taxes:				
Foreign currency translation adjustments	(122.7)	(36.3)	(17.0)	(67.8)
Pension related adjustments	(0.2)	—	0.3	(0.8)
Other comprehensive loss	(122.9)	(36.3)	(16.7)	(68.6)
Comprehensive loss	€ (15.1)	€ (128.6)	€ (163.6)	€ (293.7)

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

UPC HOLDING B.V.

CONDENSED CONSOLIDATED STATEMENT OF PARENT'S DEFICIT
(unaudited)

	Parent's deficit, exclusive of accumulated other comprehensive loss	Accumulated other comprehensive loss, net of taxes	Total parent's deficit
		in millions	
Balance at January 1, 2008, before effect of accounting changes	€ (6,692.7)	€ (198.8)	€ (6,891.5)
Accounting changes (note 2)	4.8	—	4.8
Balance at January 1, 2008, as adjusted for accounting changes	(6,687.9)	(198.8)	(6,886.7)
Net loss	(146.9)	—	(146.9)
Capital charge related to LGI's issuance of stock to settle stock incentive awards exercised (note 10)	(14.5)	—	(14.5)
Other comprehensive loss, net of taxes	—	(16.7)	(16.7)
Stock-based compensation, net of taxes (notes 9 and 10)	19.1	—	19.1
Carrying value of assets transferred in connection with common control transactions (note 3)	10.1	—	10.1
Adjustment to goodwill due to utilization of tax benefits by a parent company (note 7)	(25.0)	—	(25.0)
Balance at June 30, 2008	€ (6,845.1)	€ (215.5)	€ (7,060.6)

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

UPC HOLDING B.V.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six months ended June 30, 2008	2007
	in millions	
Cash flows from operating activities:		
Net loss	€ (146.9)	€ (225.1)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation expense	18.2	27.8
Related party fees and allocations, net	(8.1)	(10.3)
Depreciation and amortization	546.5	541.2
Impairment, restructuring and other operating charges, net	5.0	4.1
Amortization of deferred financing costs and non-cash interest	320.6	233.9
Realized and unrealized losses (gains) on derivative instruments, net	45.0	(41.6)
Foreign currency transaction gains, net	(250.7)	(58.1)
Unrealized gains due to changes in fair values of certain investments, net	(0.4)	—
Deferred income tax expense	40.4	0.7
Losses on extinguishment of debt, net	—	16.8
Minority interests in earnings of subsidiaries, net	13.4	2.8
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	(48.0)	(117.1)
Net cash provided by operating activities	535.0	375.1
Cash flows from investing activities:		
Capital expended for property and equipment	(440.2)	(450.6)
Cash paid in connection with acquisitions, net of cash acquired	(38.8)	(31.0)
Other investing activities, net	(0.3)	(9.1)
Net cash used by investing activities	(479.3)	(490.7)
Cash flows from financing activities:		
Repayments of debt and capital lease obligations	(458.3)	(1,600.1)
Borrowings of debt	403.2	1,263.2
Other financing activities, net	(5.1)	(12.3)
Net cash used by financing activities	(60.2)	(349.2)
Effect of exchange rates on cash	(2.5)	(10.4)
Net decrease in cash and cash equivalents	(7.0)	(475.2)
Cash and cash equivalents:		
Beginning of period	153.6	616.1
End of period	€ 146.6	€ 140.9
Cash paid for interest	€ 354.1	€ 262.7
Net cash paid for taxes	€ 5.4	€ 2.4

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

(1) Basis of Presentation

UPC Holding B.V. (UPC Holding) is a wholly owned indirect subsidiary of Liberty Global Europe, Inc. (LG Europe). LG Europe is a wholly owned indirect subsidiary of UnitedGlobalCom Inc. (UGC), which in turn is an indirect wholly owned subsidiary of Liberty Global, Inc. (LGI). UPC Holding is an international provider of advanced video, voice and broadband internet services, with consolidated broadband communications at June 30, 2008 in 10 European countries and in Chile. Our European broadband communications operations are collectively referred to as the UPC Broadband Division. Our broadband communications operations in Chile are provided through our 80%-owned indirect subsidiary, VTR Global Com S.A. (VTR). 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.

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP), however these statements do not include all of the information required by GAAP for complete financial statements. In the opinion of management, these statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included in our 2007 annual financial statements.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, the valuation of acquisition-related assets and liabilities, allowances for uncollectible accounts, deferred income taxes and related valuation allowances, loss contingencies, fair values of derivative instruments, financial instruments and investments, fair values of long-lived assets and any related impairments, capitalization of internal costs associated with construction and installation activities, useful lives of long-lived assets, actuarial liabilities associated with certain benefit plans and stock-based compensation. Actual results could differ from those estimates.

Unless otherwise indicated, convenience translations into euros are calculated as of June 30, 2008.

Certain prior period amounts have been reclassified to conform to the current year presentation, including certain cash flows related to our derivative instruments, which have been reclassified in our condensed consolidated statement of cash flows to align with the classification of the applicable underlying cash flows.

(2) Accounting Changes and Recent Accounting Pronouncements

Accounting Changes

SFAS 157

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS 157 was effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2007. However, the effective date of SFAS 157 has been deferred to fiscal years beginning after November 15, 2008 and interim periods within those years as it relates to fair value measurement requirements for (i) nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis (e.g. asset retirement obligations, restructuring liabilities and assets and liabilities acquired in business combinations) and (ii) fair value measurements required for impairments under SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142) and SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. We adopted SFAS 157 (exclusive of the deferred provisions discussed above) effective January 1, 2008. For information regarding the impacts of such adoption on our condensed consolidated financial statements, see notes 5 and 6.

SFAS 159

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure financial assets and financial liabilities at fair value on an instrument-by-instrument basis. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. Effective January 1, 2008, we adopted the fair value method of accounting for certain equity method and available-for-sale investments, and such adoption resulted in an increase to our investments and a decrease to our parent's deficit of €4.8 million. See note 4.

Recent Accounting Pronouncements

SFAS 141(R)

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS 141(R)). SFAS 141(R) replaces SFAS 141, *Business Combinations*, and generally requires an acquirer in a business combination to recognize (i) the assets acquired, (ii) the liabilities assumed (including those arising from contractual contingencies), (iii) any contingent consideration and (iv) any noncontrolling interest in the acquiree at the acquisition date, at fair values as of that date. The requirements of SFAS 141(R) will result in the recognition by the acquirer of goodwill attributable to the noncontrolling interest in addition to that attributable to the acquirer. SFAS 141(R) amends SFAS No. 109, *Accounting for Income Taxes,* to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable because of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. SFAS 141(R) also amends SFAS 142, to, among other things, provide guidance on the impairment testing of acquired research and development intangible assets and assets that the acquirer intends not to use. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We have not completed our analysis of the impact of this standard on our consolidated financial statements.

SFAS 160

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also clarifies that a noncontrolling interest in a subsidiary is an ownership interest in a consolidated entity that should be reported as equity in the consolidated financial statements. In addition, SFAS 160 requires (i) that consolidated net income include the amounts attributable to both the parent and noncontrolling interest, (ii) that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and (iii) expanded disclosures that clearly identify and distinguish between the interests of the parent owners and the interests of the noncontrolling owners of a subsidiary. SFAS 160 is effective for fiscal periods, and interim periods within those fiscal years, beginning on or after December 15, 2008. We have not completed our analysis of the impact of this standard on our consolidated financial statements.

SFAS 161

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No 133* (SFAS 161). SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We have not completed our analysis of the impact of this standard on disclosures in our consolidated financial statements.

FSP 142-3

In April 2008, the FASB issued FASB Staff Position No. 142-3, Determination of the Useful Life of Intangible Assets (FSP 142-3). FSP 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS 142. This change is intended to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R) and other GAAP. FSP 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. FSP 142-3 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008 and early adoption is prohibited. We have not completed our analysis of the impact of FSP 142-3 on our consolidated financial statements.

(3) Common Control Transfers and Acquisitions

We completed various transfers between entities under common control during 2008 and 2007. We accounted for these transfers at carryover basis and, unless otherwise indicated, our condensed consolidated financial statements have been restated to give effect to these transactions for the periods in which the transferred entities were under the control of LGI.

2008 Common Control Transfer of Chellomedia Interactive Services Group

Effective April 1, 2008, the business activities and certain assets of Chellomedia Interactive Services Group (ISG) were transferred from Chellomedia BV (Chellomedia), a subsidiary of LG Europe, to UPC Holding for no material consideration. Due to the relative immateriality of the amounts involved, we did not restate our condensed consolidated financial statements and as such we recorded the carrying value of the assets transferred of €10.1 million as a capital transaction during the three months ended June 30, 2008.

2007 Common Control Transfers and Acquisitions

We completed various acquisitions and transfers between entities under common control during 2007

During the year ended December 31, 2007, we completed the following common control transfers and acquisitions:

(i) On April 16, 2007, Liberty Global Europe N.V. (Liberty Global Europe) transferred its 100% interest in Cablecom to UPC Holding (the Cablecom Transfer);

(ii) On May 4, 2007, Liberty Global Europe transferred its 100% interest in Unite Holdco to UPC Holding;

(iii) On May 23, 2007, Liberty Global Europe transferred its indirect 80% interest in VTR to UPC Holding (the VTR Transfer); and

(iv) On October 2, 2007, our operating subsidiary in Austria acquired Telesystem Tirol GmbH & Co KG (Tirol), a broadband communications operator in Austria.

2007 Common Control Transfers of Cablecom and VTR

In April and May 2007, in conjunction with the refinancing of the UPC Broadband Holding Bank Facility, (i) a 100% ownership interest in Cablecom and (ii) an indirect 80% ownership interest in VTR were transferred by certain of UGC's subsidiaries outside of UPC Holding to subsidiaries of UPC Holding (the Cablecom Transfer and the VTR Transfer, respectively). The consideration for the Cablecom Transfer consisted of a €2,370.0 million addition to our shareholder loan payable to Liberty Global Europe Financing B.V. (LGE Financing), a direct subsidiary of LG Europe. The consideration for the VTR Transfer consisted of a €960.0 million addition to our shareholder loan with LGE Financing and acceptance of a €96.5 million intercompany payable to our subsidiary, United Chile. We recorded the consideration issued of €2,370.0 million and €960.0 million for the transfer of the Cablecom and VTR interests, respectively, as capital transactions during 2007. The net assets of Cablecom were transferred at the October 31, 2005 carrying value of €1,849.7 million.

Other 2007 Common Control Transfers

Unite Holdco — On May 4, 2007, Liberty Global Europe transferred its 100% interest in Unite Holdco to UPC Holding at its carrying amount in exchange for a €329.2 million increase to UPC Holding's shareholder loan with LGE Financing. At the time of the transfer, (i) we held 99% of the shares of Karneval Media s.r.o. and 97% of the shares of Forecable s.r.o. (together Karneval), which interests were transferred from LG Europe to our company in December 2006, as described below, and (ii) Unite Holdco held the remaining 1% interest in Karneval Media s.r.o., the remaining 3% interest in Forecable s.r.o, and a €344.2 million loan receivable from Liberty Global Europe. Following the transfer of Unite Holdco, UPC Holding owns 100% of Karneval. The consideration issued of €329.2 million for the shares of Unite Holdco was reflected as a capital transaction in 2007. The net assets of Unite Holdco were transferred at the September 30, 2006 carrying value of €329.2 million and this transfer was reflected as a capital transaction in 2006.

2007 Acquisition

Telesystems Tirol – On October 2, 2007, our operating subsidiary in Austria acquired Tirol, a broadband communications operator in Austria, for cash consideration of €81.5 million, including working capital adjustments and direct acquisition costs.

(4) Investments

The details of our investments are set forth below:

Accounting Method	Carrying amount June 30, 2008	Carrying amount December 31, 2007
	in millions	
Fair value (a)	€ 27.3	€ —
Equity.	3.0	22.9
Cost	1.3	1.5
Total	€ 31.6	€ 24.4

(a) As further discussed in note 2, we adopted SFAS 159 effective January 1, 2008. Pursuant to SFAS 159, we elected the fair value option for certain of our investments in broadband communications operators. The aggregate fair value of our fair value method investments as of January 1, 2008 was €26.0 million.

We have elected the fair value method for most of our investments as we believe this method generally provides the most meaningful information to our investors. However, for investments over which we have significant influence, we have considered the significance of transactions between our company and our equity affiliates and other factors in determining whether the fair value method should be applied. In general, we have not elected the fair value option for those equity method investments with which UPC Holding or its consolidated subsidiaries have significant related-party transactions. For additional information regarding our fair value method investments, see note 6.

(5) Derivative Instruments

Through our subsidiaries, we have entered into various derivative instruments to manage interest rate and foreign currency exposure with respect to the euro (€), the U.S. dollar ($), the Czech koruna (CZK), the Slovakian koruna (SKK), the Hungarian forint (HUF), the Polish zloty (PLN), the Romanian lei (RON), the Swiss franc (CHF), and the Chilean peso (CLP). We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of all other derivative instruments are recorded in realized and unrealized gains (losses) on derivative instruments, net, in our condensed consolidated statements of operations. The following table provides details of the fair value of our derivative instrument assets (liabilities), net:

	June 30, 2008	December 31, 2007
	in millions	
Cross-currency and interest rate derivative contracts (a)	€ (341.5)	€ (216.6)
Foreign exchange contracts	1.0	(0.8)
Other	5.1	3.4
Total	€ (335.4)	€ (214.0)
Current asset	€ 150.5	€ 155.3
Long-term asset	155.2	93.5
Current liability	(182.1)	(73.8)
Long-term liability	(459.0)	(389.0)
Total	€ (335.4)	€ (214.0)

(a) As of June 30, 2008, the valuation of our cross-currency and interest rate derivative contracts include a credit risk valuation adjustment of €34.3 million. This credit risk valuation adjustment primarily relates to our own nonperformance risk on liability-classified derivative contracts and therefore results in a reduction to our overall derivative liabilities. The gain resulting from this reduction of our derivative liabilities is included in realized and unrealized gains (losses) on derivative instruments, net, in our condensed consolidated statements of operations. For further information concerning our fair value measurements, see note 6.

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	in millions			
Cross-currency and interest rate derivative contracts	€ 228.6	€ 63.3	€ (51.5)	€ 39.8
Foreign exchange contracts	0.8	(4.4)	5.0	1.3
Other	2.0	0.8	1.5	0.5
Total	€ 231.4	€ 59.7	€ (45.0)	€ 41.6

The net cash received (paid) related to our derivative instruments is classified as an operating or financing activity in our condensed consolidated statements of cash flows based on the classification of the applicable underlying cash flows. The classifications of these cash flows are as follows:

	Six months ended June 30,	
	2008	2007
	in millions	
Net cash received (paid) related to derivative instruments:		
Operating activities	€ 85.1	€ (18.7)
Financing activities	—	3.0
Total	€ 85.1	€ (15.7)

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Interest Rate Swaps:

The terms of our outstanding cross-currency interest rate swap contracts at June 30, 2008 are as follows:

Subsidiary (a)	Notional amount due from counterparty		Notional amount due to counterparty		Interest rate due from counterparty (b)	Interest rate due to counterparty (b)
	in millions					
UPC Broadband Holding:						
March 2013	$	200.0	€	150.9	6 mo. LIBOR + 2.0%	5.73%
December 2014		885.0		668.0	6 mo. LIBOR + 1.75%	5.72%
	$	1,085.0	€	818.9		
February 2010	€	105.8	CZK	3,018.7	5.50%	4.88%
July 2009 – July 2010		60.0		1,703.1	5.50%	5.33%
July 2009		60.0		1,703.1	5.50%	5.15%
September 2012		200.0		5,800.0	5.46%	5.30%
February 2010 – December 2014		105.8		3,018.7	5.50%	5.80%
July 2010 – December 2014		60.0		1,703.1	5.50%	6.05%
	€	591.6	CZK	16,946.7		
July 2009	€	25.0	SKK	951.1	5.50%	6.58%
July 2009 – July 2010		25.0		951.1	5.50%	5.67%
September 2012		50.0		1,900.0	5.46%	6.04%
	€	100.0	SKK	3,802.2		
July 2009	€	260.0	HUF	75,570.0	5.50%	8.75%
July 2009 – July 2010		260.0		75,570.0	5.50%	7.80%
July 2008 – December 2014		228.0		62,867.5	5.50%	8.98%
July 2010 – December 2014		260.0		75,570.0	5.50%	9.40%
	€	1,008.0	HUF	289,577.5		
July 2009	€	245.0	PLN	1,000.6	5.50%	7.00%
July 2009 – July 2010		245.0		1,000.6	5.50%	6.52%
July 2008 – December 2014		98.4		335.0	5.50%	7.12%
July 2010 – December 2014		245.0		1,000.6	5.50%	7.60%
	€	833.4	PLN	3,336.8		
December 2010	€	200.0	RON	709.1	5.50%	10.98%
July 2008 – December 2014		89.1		320.1	5.50%	10.27%
	€	289.1	RON	1,029.2		
September 2012	€	229.1	CHF	355.8	6 mo. EURIBOR + 2.5%	6 mo. CHF LIBOR + 2.46%
December 2014		1,240.8		2,024.0	6 mo. EURIBOR + 2.0%	6 mo. CHF LIBOR + 1.95%
	€	1,469.9	CHF	2,379.8		
December 2014	$	340.0	CLP	181,322.0	6 mo. LIBOR + 1.75%	8.76%
VTR:						
September 2014	$	470.3	CLP	260,283.4	LIBOR + 3.0%	11.16%

(a) For each subsidiary, the notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. For derivative instruments that were in effect as of June 30, 2008, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to June 30, 2008, we present a range of dates that represents the period covered by the applicable derivative instrument.

(b) For certain derivative contracts that provided for the reset of contractual interest rates on July 1, 2008, we present the interest rates in effect as of that date in the above table.

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at June 30, 2008 are as follows:

Subsidiary (a)		Notional amount in millions	Interest rate due from counterparty (b)	Interest rate due to counterparty (b)
UPC Broadband Holding:				
July 2008	€	393.5	3 mo. EURIBOR	4.04%
January 2009		210.0	6 mo. EURIBOR	3.58%
January 2009		1,000.0	1 mo. EURIBOR +2.0%	6 mo. EURIBOR + 1.89%
January 2009		2,640.0	1 mo. EURIBOR + 2.12%	6 mo. EURIBOR + 2.0%
July 2008 – January 2010		250.0	1 mo. EURIBOR + 2.0%	6 mo. EURIBOR + 1.79%
January 2009 – January 2010		2,250.0	1 mo. EURIBOR + 2.0%	6 mo. EURIBOR + 1.85%
April 2010		1,000.0	6 mo. EURIBOR	3.28%
January 2011		193.5	6 mo. EURIBOR	3.83%
September 2012		500.0	3 mo. EURIBOR	2.96%
December 2013		90.5	6 mo. EURIBOR	3.84%
January 2014		185.0	6 mo. EURIBOR	4.04%
April 2010 – December 2014		1,000.0	6 mo. EURIBOR	4.66%
	€	9,712.5		
December 2010	CHF	618.5	6 mo. CHF LIBOR	2.19%
September 2012		711.5	6 mo. CHF LIBOR	2.33%
December 2014		1,050.0	6 mo. CHF LIBOR	3.47%
January 2011 – December 2014		618.5	6 mo. CHF LIBOR	3.56%
October 2012 – December 2014		711.5	6 mo. CHF LIBOR	3.65%
	CHF	3,710.0		
July 2013	CLP	55,350.0	6.68%	6 mo. TAB
July 2008 – July 2013		55,350.0	6.88%	6 mo. TAB
	CLP	110,700.0		
January 2009	$	1,900.0	1 mo. LIBOR + 1.75%	6 mo. LIBOR + 1.64%
VTR:				
July 2013	CLP	55,350.0	6 mo. TAB	7.75%
July 2008 – July 2013		55,350.0	6 mo. TAB	7.80%
	CLP	110,700.0		

(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 June 30, 2008, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to June 30, 2008, we present a range of dates that represents the period covered by the applicable derivative instrument.

(b) For certain derivative contracts that provided for the reset of contractual interest rates on July 1, 2008, we present the interest rates in effect as of that date in the above table.

Foreign Exchange Contracts

Certain of our subsidiaries have outstanding foreign currency forward contracts. Changes in the fair value of these contracts are recorded in realized and unrealized losses on derivative instruments in our condensed consolidated statements of operations. The following table summarizes our outstanding foreign currency forward contracts at June 30, 2008:

UPC Holding subsidiary		Currency purchased forward		Currency sold forward	Maturity dates
		in millions			
UPC Broadband Holding	$	3.7	€	2.5	August 2008 – November 2008
VTR	$	25.6	CLP	12,631.0	July 2008 – February 2009

(6) Fair Value Measurements

As further described in note 2, we adopted SFAS 157 and SFAS 159 effective January 1, 2008. We use the fair value method to account for (i) certain of our investments and (ii) our derivative instruments. SFAS 157 provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

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). The inputs used for these investments are almost exclusively based on unobservable inputs derived from our management's assumptions. Therefore, the valuation of these investments falls under Level 3 of the SFAS 157 fair value hierarchy.

The fair value measurements of our interest rate and foreign currency related derivative instruments are determined using cash flow valuation models. The primary inputs to the cash flow models consist of, or are derived from, observable data for substantially the full term of our various interest and foreign currency related derivative instruments. This observable data includes interest rates, swap rates and yield curves, which are retrieved from available market data and are not altered in performing our valuations. SFAS 157 requires the incorporation of 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 estimated credit spread is a Level 3 input that is used to derive the credit valuation adjustment on our liability-classified interest rate and foreign currency derivative valuations. As we would not expect changes in our credit spreads to have a significant impact on the overall valuation of our interest rate and foreign currency derivative instruments, we believe that the valuations of these instruments fall under Level 2 of the SFAS 157 fair value hierarchy.

A summary of the assets and liabilities measured at fair value that are included in our condensed consolidated balance sheet as of June 30, 2008 is as follows:

		Fair value measurements at June 30, 2008 using:	
Description	June 30, 2008	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		in millions	
Assets:			
Derivative instruments	€ 305.7	€ 305.7	€ —
Investments	27.3	—	27.3
Total assets	€ 333.0	€ 305.7	€ 27.3
Liabilities:			
Derivative instruments	€ 641.1	€ 641.1	€ —

A reconciliation of the beginning and ending balances of our assets measured at fair value using significant unobservable, or Level 3, inputs is as follows:

	Investments
	in millions
Balance at January 1, 2008	€ 26.0
Unrealized gains due to changes in fair values of certain investments, net (a)	0.4
Foreign currency translation adjustments	0.9
Balance at June 30, 2008	€ 27.3

(a) All of the gains recognized during the six months ended June 30, 2008 relate to assets that were still held as of June 30, 2008.

Our cash equivalents include amounts that are invested in money market funds. We record these funds at the net asset value reported by the investment manager.

(7) Long-lived Assets

Property and Equipment, Net

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

	June 30, 2008	December 31, 2007
	in millions	
Distribution systems	€ 5,363.6	€ 4,929.1
Support equipment, buildings and land	828.3	747.5
	6,191.9	5,676.6
Accumulated depreciation	(2,294.1)	(1,813.4)
Total property and equipment, net	€ 3,897.8	€ 3,863.2

Goodwill

Changes in the carrying amount of goodwill for the six months ended June 30, 2008 were as follows:

	January 1, 2008	Acquisition related adjustments	Release of pre-acquisition valuation allowance and other income tax related adjustments (a)	Foreign currency translation adjustments and other (b)	June 30, 2008
			in millions		
UPC Broadband Division:					
The Netherlands	€ 937.5	€ —	€ (50.8)	€ 5.9	€ 892.6
Switzerland	1,728.0	—	(4.3)	54.0	1,777.7
Austria	598.2	(1.6)	—	4.2	600.8
Ireland	178.7	—	(0.2)	—	178.5
Total Western Europe	3,442.4	(1.6)	(55.3)	64.1	3,449.6
Hungary	288.8	0.1	—	21.2	310.1
Other Central and Eastern Europe	760.4	20.5	—	42.2	823.1
Total Central and Eastern Europe	1,049.2	20.6	—	63.4	1,133.2
Total UPC Broadband Division	4,491.6	19.0	(55.3)	127.5	4,582.8
VTR (Chile)	367.7	—	—	(44.2)	323.5
Total UPC Holding	€ 4,859.3	€ 19.0	€ (55.3)	€ 83.3	€ 4,906.3

(a) The Netherlands' release includes €25.0 million related to the utilization of tax benefits by a parent company.

(b) Amounts shown with respect to the Netherlands and Austria are related to the transfer of ISG to UPC Holding. See note 3.

Intangible Assets Subject to Amortization, Net

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

	June 30, 2008	December 31, 2007
	in millions	
Gross carrying amount:		
Customer relationships	€ 1,112.4	€ 1,087.0
Other	46.8	46.5
	€ 1,159.2	€ 1,133.5
Accumulated amortization:		
Customer relationships	€ (439.0)	€ (356.9)
Other	(35.9)	(27.8)
	€ (474.9)	€ (384.7)
Net carrying amount:		
Customer relationships	€ 673.4	€ 730.1
Other	10.9	18.7
	€ 684.3	€ 748.8

(8) Debt and Capital Lease Obligations

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

	June 30, 2008					
	Weighted average interest rate (a)	Unused borrowing capacity (b)			Carrying value	
		Borrowing currency		Euro equivalent	June 30, 2008	December 31, 2007
				in millions		
Debt:						
Parent:						
Shareholder loan	7.06%		—	€ —	€ 8,758.6	€ 9,038.2
UPC Holding 7.75% Senior Notes due 2014	7.75%		—	—	500.0	500.0
UPC Holding 8.63% Senior Notes due 2014	8.63%		—	—	300.0	300.0
UPC Holding 8.0% Senior Notes due 2016	8.00%		—	—	300.0	300.0
UPC Holding Facility (c)	—		—	—	—	250.0
Subsidiaries:						
UPC Broadband Holding Bank Facility (c)	5.94%	€	855.0	855.0	5,322.4	4,942.9
VTR Bank Facility (d)	4.38%	CLP	136,391.6	165.2	298.8	322.5
Other	6.60%		—	—	2.4	8.3
Total debt	6.69%			€ 1,020.2	15,482.2	15,661.9
Capital lease obligations					21.5	19.2
Total debt and capital lease obligations					15,503.7	15,681.1
Current maturities					(5.5)	(5.7)
Long-term debt and capital lease obligations					€ 15,498.2	€ 15,675.4

(a) Represents the weighted average interest rate in effect at June 30, 2008 for all borrowings outstanding pursuant to each debt instrument including the applicable margin. The interest rates presented do not include the impact of our interest rate derivative instruments, deferred financing costs or commitment fees, all of which affect our overall cost of borrowing. For information concerning our derivative instruments, see note 5.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at June 30, 2008 without regard to covenant compliance calculations. At June 30, 2008, the full amount of unused borrowing capacity was available to be borrowed under each of the respective facilities except the UPC Broadband Holding Bank Facility, which was limited by covenant compliance calculations. Based on the June 30, 2008 covenant compliance calculations, the aggregate amount available for borrowing under the UPC Broadband Holding Bank Facility is €732.4 million.

(c) Effective May 16, 2008, the commitments of the lenders under the €250.0 million UPC Holding Facility were rolled into Facility M under the UPC Broadband Holding Bank Facility. The new borrowings under Facility M bear interest at EURIBOR plus 2.0% and mature on December 31, 2014.

(d) Pursuant to the deposit arrangements with the lender in relation to the VTR Bank Facility, we are required to fund a cash collateral account in an amount equal to the outstanding principal and interest under the VTR Bank Facility. This cash collateral account had a balance of €298.8 million at June 30, 2008, of which €3.0 million is reflected as a current asset and €295.8 million is presented as a long-term asset in our condensed consolidated balance sheet.

Shareholder Loan

UPC Holding has an unsecured shareholder loan with LGE Financing, which is scheduled to be repaid in 2020 and which is subordinated in right of payment to the prior payment in full of the UPC Holding Senior Notes in the event of (a) a total or partial liquidation, dissolution or winding up of UPC Holding, (b) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (c) an assignment for the benefit of creditors or (d) any marshalling of UPC Holding's assets or liabilities. Accrued interest is included in other long-term liabilities and is added to the principal at the end of each fiscal year. The interest rate is 7.06% and 6.44% for the six months ended June 30, 2008 and June 30, 2007, respectively, and is reviewed on an annual basis. The net decrease in the shareholder loan includes (i) cash payments of €453.4 million and (ii) a €4.4 million net non-cash loan settlement, partially offset by general cash borrowings of €178.2 million.

Non-cash Refinancing Transactions

During the second quarter of 2007, we completed certain refinancing transactions that resulted in non-cash borrowings and repayments of debt aggregating €3,897.1 million.

(9) Stock Incentive Awards

Our stock-based compensation expense includes amounts allocated to our company by LGI and amounts that are based on stock incentive awards related to shares of our subsidiaries. The stock-based compensation expense allocated by LGI to our company is based on the stock-incentive awards held by certain employees of our subsidiaries, including awards granted to these individuals pursuant to the LGI performance-based incentive plans. As the stock incentive awards granted by LGI are denominated in U.S. dollars, the information presented in this footnote with respect to the LGI incentive plans is presented in U.S. dollars unless otherwise indicated. Stock-based compensation expense allocated to our company by LGI is reflected as a decrease to our parent's deficit. The following table summarizes the U.S. dollar and euro equivalent (convenience translations at the applicable average rate for the period) of our stock-based compensation expense:

	Three months ended June 30,				Six months ended June 30,			
	2008		2007		2008		2007	
	USD	Euro equivalent	USD	Euro equivalent	USD	Euro equivalent	USD	Euro equivalent
	in millions							
LGI common stock:								
LGI performance-based incentive plans	$ 8.5	€ 5.4	$ 10.8	€ 8.0	$ 20.5	€ 13.4	$ 25.3	€ 19.1
Stock options, SARs, restricted stock and restricted stock units	5.0	3.2	4.6	3.4	9.2	6.0	8.3	6.2
Total LGI common stock	13.5	8.6	15.4	11.4	29.7	19.4	33.6	25.3
Other	1.7	1.2	3.1	2.3	(1.8)	(1.2)	3.4	2.5
Total	$ 15.2	€ 9.8	$ 18.5	€ 13.7	$ 27.9	€ 18.2	$ 37.0	€ 27.8
Included in:								
Operating expense	$ 2.6	€ 1.7	$ 3.1	€ 2.3	$ 4.7	€ 3.1	$ 6.2	€ 4.7
SG&A expense	12.6	8.1	15.4	11.4	23.2	15.1	30.8	23.1
Total	$ 15.2	€ 9.8	$ 18.5	€ 13.7	$ 27.9	€ 18.2	$ 37.0	€ 27.8

The following table provides certain information related to stock-based compensation not yet recognized for stock incentive awards related to LGI common stock as of June 30, 2008:

	June 30, 2008			
	Stock options, SARs, restricted stock and restricted stock units (a)		LGI Performance-based Incentivce Plans (b)	
	USD	Euro Equivalent (c)	USD	Euro Equivalent (c)
	in millions			
Total compensation expense not yet recognized (in millions)	$ 46.9	€ 29.8	$ 84.7	€ 53.8
Weighted average period remaining for expense recognition (in years)	3.0		3.3	

____

(a) Amounts relate to (i) the Liberty Global, Inc. 2005 Incentive Plan (the LGI Incentive Plan) and (ii) certain UGC incentive plans. The LGI Incentive Plan had 30,446,569 shares available for grant as of June 30, 2008. These shares may be awarded at or above fair value in any series of stock, except that no more than 23,372,168 shares may be awarded in LGI Series B common stock. Any shares issued in satisfaction of our obligations under the LGI performance-based incentive plans will reduce the shares available for grant under the LGI Incentive Plan. The LGI Director Incentive Plan had 9,417,126 shares available for grant as of June 30, 2008. These shares may be awarded at or above fair value in any series of stock, except that no more than 5,000,000 shares may be awarded in LGI Series B common stock. No new grants will be made under the UGC incentive plans.

(a) Amounts relate to the LGI performance-based incentive plans. Compensation expense under these incentive plans is reported as stock-based compensation in our condensed consolidated statements of operations, notwithstanding the fact that the compensation committee of LGI's board of directors could elect at a future date to cash settle all or any portion of the vested awards under these incentive plans.

(b) The U.S. dollar amounts have been translated into euros at the June 30, 2008 spot rate.

The following table summarizes certain information related to the incentive awards granted and exercised pursuant to the LGI and UGC incentive plans:

	Six months ended June 30, 2008	Six months ended June 30, 2007
	in millions, except per share amounts	
LGI common stock:		
Assumptions used to estimate fair value of awards granted:		
Risk-free interest rate	2.85 – 3.78%	4.56%
Expected life	4.5 years	4.5 years
Expected volatility	24.60 – 25.10%	22.70%
Expected dividend yield	none	none
Weighted average grant-date fair value per share of awards granted:		
Options	$ —	$ 9.98
SARs	$ 9.93	$ 9.98
Restricted stock and restricted stock units	$ 35.58	$ 35.71
Total intrinsic value of awards exercised:		
Options	$ 1.1	$ 2.0
SARs	$ 6.1	$ 15.6
Cash received from exercise of options	$ 1.7	$ 3.7
Income tax benefit related to stock-based compensation	$ 0.6	$ 0.7

Stock Award Activity – LGI Common Stock

The following tables summarize the activity during the six months ended June 30, 2008 with respect to LGI stock awards granted to employees of our subsidiaries pursuant to the LGI and UGC incentive plans:

Options — LGI Series A common stock:	Number of shares	Weighted average exercise price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2008	791,706	$ 24.29		
Granted	—	$ —		
Expired or canceled	—	$ —		
Forfeited	(10,350)	$ 29.50		
Exercised	(39,406)	$ 22.42		
Outstanding at June 30, 2008	741,950	$ 24.32	5.06	$ 6.2
Exercisable at June 30, 2008	336,025	$ 23.69	4.92	$ 3.0

Options — LGI Series C common stock:	Number of shares	Weighted average exercise price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2008	831,216	$ 22.78		
Granted	—	$ —		
Expired or canceled	—	$ —		
Forfeited	(10,350)	$ 27.86		
Exercised	(39,406)	$ 21.33		
Outstanding at June 30, 2008	781,460	$ 22.79	5.12	$ 6.6
Exercisable at June 30, 2008	375,535	$ 22.05	5.08	$ 3.4

Restricted stock and restricted stock units — LGI Series A common stock:	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term in years
Outstanding at January 1, 2008	333,832	$ 28.60	
Granted	181,115	$ 36.73	
Transfers, net	(4,668)	$ 23.73	
Expired or canceled	—	$ —	
Forfeited	(3,462)	$ 30.76	
Released from restrictions	(58,748)	$ 27.83	
Outstanding at June 30, 2008	448,069	$ 32.11	2.93

Restricted stock and restricted stock units — LGI Series C common stock:	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term in years
Outstanding at January 1, 2008	333,788	$ 27.07	
Granted	181,115	$ 34.43	
Transfers, net	(4,668)	$ 22.72	
Expired or canceled	—	$ —	
Forfeited	(3,462)	$ 29.11	
Released from restrictions	(58,735)	$ 26.41	
Outstanding at June 30, 2008	448,038	$ 30.24	2.93

SARs — LGI Series A common stock:	Number of shares	Weighted average base price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2008	2,691,876	$ 20.00		
Granted	648,854	$ 36.72		
Transfers, net	(194,398)	$ 14.76		
Expired or canceled	—	$ —		
Forfeited	(1,787)	$ 42.11		
Exercised	(240,717)	$ 20.00		
Outstanding at June 30, 2008	2,903,828	$ 24.29	5.57	$ 20.1
Exercisable at June 30, 2008	540,245	$ 21.97	5.10	$ 5.0

SARs — LGI Series C common stock:	Number of shares	Weighted average base price	Weighted average remaining contractual term in years	Aggregate intrinsic value in millions
Outstanding at January 1, 2008	2,694,733	$ 18.90		
Granted	648,854	$ 34.43		
Transfers, net	(194,398)	$ 13.99		
Expired or canceled	—	$ —		
Forfeited	(1,787)	$ 39.89		
Exercised	(227,752)	$ 19.15		
Outstanding at June 30, 2008	2,919,650	$ 22.85	5.56	$ 19.9
Exercisable at June 30, 2008	556,036	$ 20.66	5.10	$ 5.1

At June 30, 2008, total SARs outstanding included 345,859 LGI Series A common stock capped SARs and 347,546 LGI Series C common stock capped SARs and total SARs exercisable included 38,873 LGI Series A common stock capped SARs and 40,560 LGI Series C common stock capped SARs. The holder of an LGI Series A common stock capped SAR will receive the difference between $6.84 and the lesser of $10.90 or the market price of LGI Series A common stock on the date of exercise. The holder of a LGI Series C common stock capped SAR will receive the difference between $6.48 and the lesser of $10.31 or the market price of LGI Series C common stock on the date of exercise.

(10) Related Party Transactions

The details of our related party transactions are set forth below:

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
	in millions			
Revenue	€ 0.4	€ 0.4	€ 0.8	€ 0.9
Operating expenses	(15.4)	(15.8)	(31.5)	(32.9)
SG&A expenses	(1.7)	(0.6)	(2.7)	(0.1)
Allocated stock-based compensation expense	(8.6)	(11.4)	(19.4)	(25.3)
Fees and allocations, net	7.4	5.6	8.1	10.3
Included in operating income	(17.9)	(21.8)	(44.7)	(47.1)
Interest expense	(157.4)	(125.2)	(316.6)	(229.8)
Interest income	—	5.4	—	10.9
Included in net loss	€ (175.3)	€ (141.6)	€ (361.3)	€ (266.0)

Revenue. The related party revenue is recognized from Chellomedia and its subsidiaries and equity method affiliates for programming services provided to Chellomedia.

Operating expenses. Related party operating expenses are recognized primarily for programming services provided by Chellomedia and, to a lesser extent, programming services provided by Pramer S.C.A., an indirect subsidiary of LGI, in the aggregate amounts of €13.3 million and €13.6 million during the three months ended June 30, 2008 and 2007, respectively, and €27.5 million and €28.7 million during the six months ended June 30, 2008 and 2007, respectively. In addition, operating expenses include costs for programming charged by certain of LGI's equity method affiliates of €2.1 million and €2.2 million during the three months ended June 30, 2008 and 2007, respectively, and €4.0 million and €4.2 million during the six months ended June 30, 2008 and 2007, respectively.

SG&A expenses. Related party SG&A expenses include marketing and other administrative charges between UPC Holding and Chellomedia.

Allocated stock-based compensation expense. As further described in note 9, LGI allocates stock-based compensation to our company.

Fees and allocations, net. UPC Holding recorded related party credits primarily related to programming fees allocated by Chellomedia, and services provided by UPC Holding to Chellomedia, of €0.8 million and €1.0 million during the three months ended June 30, 2008 and 2007, respectively, and, €0.1 million, and €1.7 million during the six months ended June 30, 2008 and 2007, respectively. In addition, UPC Holding recorded related party credits of €6.6 million and €4.6 million during the three months ended June 30, 2008 and 2007, respectively, and €8.0 million, and €8.6 million during the six months ended June 30, 2008 and 2007, respectively, representing net cost allocations between UPC Holding and LGI related to services performed and costs incurred on behalf of the other party. The amounts allocated in connection with services performed include salary, stock-based compensation and other personnel and general and administrative costs. These allocations (i) 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, and (ii) are periodically settled in cash or, in the case of allocations of stock-based compensation costs, reflected as a reduction of our shareholder loan with LGE Financing.

Interest expense. Related party interest expense includes interest accrued on UPC Holding's shareholder loan. The interest expense is not paid in cash, but 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. See note 8.

Interest Income. Related party interest income during the three and six months ended June 30, 2007 relates to interest charged by Unite Holdco to Liberty Global Europe on related party loans.

Although we believe that the intercompany allocations and fees described above are reasonable, no assurance can be given that the costs and expenses reflected in our condensed consolidated statements of operations are reflective of the costs that we would incur on a stand-alone basis.

The following table provides details of the related party balances of UPC Holding as of June 30, 2008 and December 31, 2007:

	June 30, 2008	December 31, 2007
	in millions	
Receivables	€ 6.8	€ 24.7
Accounts payable	€ 17.5	€ 12.3
Accrued liabilities	3.7	2.8
Other long-term liabilities	316.6	—
Shareholder loan	8,758.6	9,038.2
Total	€ 9,096.4	€ 9,053.3

LGI charged €7.1 million and €32.2 million during the three months ended June 30, 2008 and 2007, respectively, and €14.5 million and €39.8 million during the six months ended June 30, 2008 and 2007, respectively, to UPC Holding, representing the market value at the date of issuance of LGI common stock issued to settle stock awards exercised by our subsidiaries' employees. This charge is reflected as an adjustment of parent's deficit in the condensed consolidated financial statements.

(11) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancellable operating leases, programming contracts, satellite carriage commitments, purchases of customer premise equipment and other items. We expect that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

Guarantees and Other Credit Enhancements

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

Legal and Regulatory Proceedings and Other Contingencies

The Netherlands Regulatory Developments — As part of the process of implementing certain directives promulgated by the European Union (EU) in 2003, the Dutch national regulatory authority (OPTA) analyzed eighteen markets predefined in the directives to determine if any operator or service provider has “significant market power” within the meaning of the EU directives. In relation to video services, OPTA analyzed market 18 (wholesale market for video services) and an additional 19th market relating to the retail delivery of radio and television packages (retail market). On March 17, 2006, OPTA announced that UPC Nederland BV (UPC NL), our Dutch subsidiary, has significant market power in the distribution of both free-to-air and pay television programming on a wholesale and retail level. The OPTA decision in relation to market 18 included the obligation to provide access to content providers and packagers that seek to distribute content over UPC NL’s network using their own conditional access platforms. The OPTA decision with respect to market 19 expired on March 17, 2007.

UPC NL appealed the OPTA decisions on April 28, 2006 with the highest administrative court. On July 24, 2007, the court rendered its decision with respect to the appeal, whereby the court annulled the OPTA decision in relation to market 18 because OPTA was not able to demonstrate that the remedies were proportionate. On December 21, 2007, OPTA issued a new decision in relation to market 18, which decision became effective on January 1, 2008. This decision imposes exactly the same obligation on UPC NL as the previous decision while at the same time purporting to address the proportionality concerns of the court. In January 2008, UPC NL filed an appeal against this new decision. A hearing on the appeal has been scheduled for September 2008.

On August 5, 2008, OPTA published draft decisions to impose a resale obligation on the two largest cable operators in the Netherlands, one of which is UPC NL, for their analog cable package. The resale obligation may also enable third parties to take over the customer relationship as far as the analog cable subscription is concerned (the obligation does not extend to digital cable, telephony or broadband internet services of the cable operator). The resale obligation is restricted to the resale of identical packages. Potential resellers would need to negotiate the relevant copyrights directly with program providers in order to resell the service. Pricing would be based on a discount to our retail rates, at a level to be determined by OPTA. OPTA proposes to require UPC NL not to discriminate amongst UPC NL and other providers (including potential resellers) with regard to the terms UPC NL offers them. In addition, UPC NL would be obliged to publish a reference offer containing the conditions on which UPC NL will offer services (including resale).

OPTA announced that given the fact that the incumbent telecommunications operator in the Netherlands has its own infrastructure, it is not expected that the incumbent telecommunications operator will be allowed to resell the analog cable package.

OPTA’s expectation is that this decision will come into force on January 1, 2009. Since the proposed resale obligation relates to a market beyond the scope of the EU recommendation on relevant markets, any final measure requires notification to and approval from the European Commission. Such notification is not expected to take place until after an extended national consultation procedure, which will run from August 6, 2008 until September 30, 2008. We currently are unable to predict the outcome of this matter.

Regulatory Issues — Video distribution, broadband internet, telephony and content businesses are regulated in each of the countries in which we operate. The scope of regulation varies from country to country, although in some significant respects regulation in European markets is harmonized under the regulatory structure of the European Union. Adverse regulatory developments could subject our businesses to a number of risks. Regulation could limit growth, revenue and the number and types of services offered. 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.

On December 12, 2006, Liberty Media Corporation (Liberty Media), the former parent company of LGI's predecessor, announced publicly that it had agreed to acquire an approximate 39% interest in The DirecTV Group, Inc. (DirecTV). On August 1, 2007, VTR received formal written notice from the FNE that Liberty Media's acquisition of the DirecTV interest would violate one of the conditions imposed by the Chilean Antitrust Court on VTR's combination with Metrópolis prohibiting VTR and its control group from participating, directly or indirectly through related persons, in Chilean satellite or microwave television businesses. On March 10, 2008, following the closing of Liberty Media's investment in DirecTV, the FNE commenced an action before the Chilean Antitrust Court against John C. Malone who is chairman of LGI's board of directors and of Liberty Media's board of directors. In this action, the FNE alleges that Mr. Malone is a controller of VTR and either controls or indirectly participates in DirecTV's satellite operations in Chile, thus violating the condition. The FNE requests the Antitrust Court to impose a fine on Mr. Malone and order him to effect the transfer of the shares, interests or other assets that are necessary to restore the independence, in ownership and administration, of VTR and DirecTV. We currently are unable to predict the outcome of this matter or its impact on VTR.

Other – In addition to the foregoing items, we have contingent liabilities related to (i) legal proceedings, (ii) wage, property, sales and other tax issues, (iii) disputes over interconnection fees and (iv) other matters arising in the ordinary course of business. Although it is reasonably possible we may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. However, it is expected that the amounts, if any, which may be required to satisfy such contingencies will not be material in relation to our financial position or results of operations.

(12) Segment Reporting

We own a variety of international subsidiaries and investments that provide broadband communications services, and to a lesser extent, video programming services. We identify our reportable segments as (i) those consolidated subsidiaries that represent 10% or more of our revenue, operating cash flow (as defined below), or total assets, and (ii) those equity method affiliates where our investment or share of operating cash flow represents 10% or more of our total assets or operating cash flow, respectively. In certain cases, we may elect to include an operating segment in our segment disclosure that does not meet the above-described criteria for a reportable segment. We evaluate performance and make decisions about allocating resources to our operating segments based on financial measures such as revenue and operating cash flow. In addition, we review non-financial measures such as subscriber growth and penetration, as appropriate.

Operating cash flow is the primary measure used by our chief operating decision maker to evaluate segment operating performance and to decide how to allocate resources to segments. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding stock-based compensation, depreciation and amortization, and impairment, restructuring and other operating charges or credits). We believe operating cash flow is meaningful because it provides investors a means to evaluate the operating performance of our segments and our company on an ongoing basis using criteria that is used by our internal decision makers. Our internal decision makers believe operating cash flow is a meaningful measure and is superior to other available GAAP measures because it represents a transparent view of our recurring operating performance and allows management to (i) readily view operating trends, (ii) perform analytical comparisons and benchmarking between segments and (iii) identify strategies to improve operating performance in the different countries in which we operate. For example, our internal decision makers believe that the inclusion of impairment and restructuring charges within operating cash flow would distort the ability to efficiently assess and view the core operating trends in our segments. In addition, our internal decision makers believe our measure of operating cash flow is important because analysts and investors use it to compare our performance to other companies in our industry. However, our definition of operating cash flow may differ from cash flow measurements provided by other public companies. A reconciliation of total segment operating cash flow to our consolidated earnings (loss) before income taxes and minority interests is presented below. 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 GAAP measures of income or cash flows.

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

- UPC Broadband Division:
  - The Netherlands
  - Switzerland
  - Austria
  - Ireland
  - Hungary
  - Other Central and Eastern Europe

- VTR (Chile)

All of the reportable segments set forth above derive their revenue primarily from broadband communications services, including video, voice and broadband internet services. Certain segments also provide Competitive Local Exchange Carrier (CLEC) and other business-to-business communications (B2B) services. At June 30, 2008, our operating segments in the UPC Broadband Division provided services in 10 European countries. Our Other Central and Eastern Europe segment includes our operating segments in the Czech Republic, Poland, Romania, Slovakia and Slovenia. VTR provides broadband communications services in Chile. The UPC Broadband Division's central and corporate operations category includes billing systems, network operations, technology, marketing, facilities, finance, legal and other administrative costs.

Performance Measures of Our Reportable Segments

The amounts presented below represent 100% of each business's revenue and operating cash flow. As we have the ability to control VTR, GAAP requires that we consolidate 100% of VTR's revenue and expenses in our condensed consolidated statements of operations despite the fact that a third party owns a significant interest in VTR. The third-party owner's interest in the operating results of VTR is reflected in minority interests in earnings of subsidiaries, net, in our condensed consolidated statements of operations. When reviewing and analyzing our operating results, it is important to note that a third party owns a significant interest in VTR.

	Revenue			
	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	in millions			
UPC Broadband Division:				
The Netherlands	€ 198.8	€ 193.3	€ 399.5	€ 385.5
Switzerland	171.8	157.5	340.0	315.6
Austria	92.1	90.7	185.3	182.2
Ireland	61.2	55.4	120.1	111.6
Total Western Europe	523.9	496.9	1,044.9	994.9
Hungary	69.4	69.6	136.1	138.3
Other Central and Eastern Europe	162.2	145.0	318.9	285.0
Total Central and Eastern Europe	231.6	214.6	455.0	423.3
Central and corporate operations	1.7	1.1	3.0	5.2
Total UPC Broadband Division	757.2	712.6	1,502.9	1,423.4
VTR (Chile)	124.6	114.6	249.0	225.5
Total UPC Holding	€ 881.8	€ 827.2	€ 1,751.9	€ 1,648.9

	Operating cash flow			
	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	in millions			
UPC Broadband Division:				
The Netherlands	€ 109.6	€ 98.4	€ 222.0	€ 196.0
Switzerland	88.3	76.1	176.6	154.8
Austria	48.9	44.1	94.7	88.2
Ireland	22.8	17.8	45.4	35.1
Total Western Europe	269.6	236.4	538.7	474.1
Hungary	35.1	36.2	69.3	70.1
Other Central and Eastern Europe	84.2	73.2	163.7	140.8
Total Central and Eastern Europe	119.3	109.4	233.0	210.9
Central and corporate operations	(39.3)	(43.0)	(79.5)	(84.9)
Total UPC Broadband Division	349.6	302.8	692.2	600.1
VTR (Chile)	52.5	44.1	102.9	85.7
Total UPC Holding	€ 402.1	€ 346.9	€ 795.1	€ 685.8

The following table provides a reconciliation of total segment operating cash flow to earnings (loss) before income taxes and minority interests:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	in millions			
Total segment operating cash flow	€ 402.1	€ 346.9	€ 795.1	€ 685.8
Stock-based compensation expense	(9.8)	(13.7)	(18.2)	(27.8)
Related party fees and allocations, net	7.4	5.6	8.1	10.3
Depreciation and amortization	(276.2)	(270.7)	(546.5)	(541.2)
Impairment, restructuring and other operating charges, net	(2.3)	(1.5)	(5.0)	(4.1)
Operating income	121.2	66.6	233.5	123.0
Interest expense:				
Third party	(109.0)	(109.5)	(221.0)	(214.1)
Related party	(157.4)	(125.2)	(316.6)	(229.8)
Interest income	4.9	10.4	12.1	21.7
Realized and unrealized gains (losses) on derivative instruments, net	231.4	59.7	(45.0)	41.6
Foreign currency transaction gains, net	69.3	39.9	250.7	58.1
Unrealized gains (losses) due to changes in fair values of certain investments, net	(0.1)	—	0.4	—
Losses on extinguishment of debt, net	—	(16.8)	—	(16.8)
Other expense, net	(0.1)	(0.7)	—	(0.7)
Earnings (loss) before income taxes and minority interests	€ 160.2	€ (75.6)	€ (85.9)	€ (217.0)

Geographic Segments

The revenue of our geographic segments is set forth below:

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
	in millions			
Europe:				
UPC Broadband Division:				
The Netherlands	€ 198.8	€ 193.3	€ 399.5	€ 385.5
Switzerland	171.8	157.5	340.0	315.6
Austria	92.1	90.7	185.3	182.2
Hungary	69.4	69.6	136.1	138.3
Ireland	61.2	55.4	120.1	111.6
Poland	53.9	40.8	102.8	78.6
Czech Republic	48.2	39.7	95.0	79.8
Romania	36.9	44.5	75.4	88.1
Slovakia	12.8	11.3	24.8	22.3
Slovenia	10.4	8.7	20.9	16.2
Central and corporate operations (a)	1.7	1.1	3.0	5.2
Total Europe	757.2	712.6	1,502.9	1,423.4
Chile	124.6	114.6	249.0	225.5
Total UPC Holding	€ 881.8	€ 827.2	€ 1,751.9	€ 1,648.9

(a) The central and corporate operations are located primarily in the Netherlands.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis, which should be read in conjunction with the discussion and analysis included in our 2007 annual financial statements, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Forward-Looking Statements.* This section provides a description of certain 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.

- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three and six months ended June 30, 2008 and 2007.

- *Material Changes in Financial Condition.* This section provides an analysis of our corporate and subsidiary liquidity, condensed consolidated cash flow statements and our off balance sheet arrangements.

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

Unless otherwise indicated, convenience translations into euros are calculated as of June 30, 2008.

Forward-Looking Statements

Certain statements in this quarterly report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* contain forward-looking statements, including statements regarding business, product, acquisition, disposition and finance strategies, our capital expenditure priorities, subscriber growth and retention rates, competition, the maturity of our markets, anticipated cost increases 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. The following are 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, and the entities in which we have interests, operate;

- the competitive environment in the broadband communications and programming industries in the countries in which we, and the entities in which we have interests, operate;

- competitor responses to our products and services, and the products and services of the entities in which we have interests;

- fluctuations in currency exchange rates and interest rates;

- 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 existing service offerings, including our digital video, voice and broadband internet services;

- consumer acceptance of new technology, programming alternatives and broadband services that we may offer;
- our ability to manage rapid technological changes;
- our ability to increase the number of subscriptions to our digital video, voice and broadband internet services and our average revenue per household;
- the outcome of any pending or threatened litigation;
- continued consolidation of the foreign broadband distribution industry;
- changes in, or failure or inability to comply with, government regulations in the countries in which we, and the entities in which we have interests, operate and adverse outcomes from regulatory proceedings;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions, as well as our ability to satisfy conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- government intervention that opens our broadband distribution networks to competitors;
- our ability to successfully negotiate rate increases with local authorities;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in countries in which we, or the entities in which we have interests, operate;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- our ability to successfully integrate and recognize anticipated efficiencies from the businesses we acquire;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- the ability of suppliers and vendors to timely deliver products, equipment, software or services;
- the availability of attractive programming for our digital video services at reasonable costs;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint ventures; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics or other similar events.

The broadband communications services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this quarterly report are subject to a significant degree of risk. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this quarterly report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

Overview

We are an indirect wholly owned subsidiary of LGI and an international provider of advanced video, voice and broadband internet services with consolidated broadband communications at June 30, 2008 in 10 European countries and Chile. Our European broadband communications operations are collectively referred to as the UPC Broadband Division. Our broadband communications operations in Chile are provided through VTR. As further described in note 3 to our condensed consolidated financial statements, our condensed consolidated financial statements give retroactive effect to various common control transfers that were completed during 2007.

From a strategic perspective, we are seeking to build broadband communications and video programming businesses that have strong prospects for future growth in revenue and operating cash flow (as defined in note 12 to our condensed consolidated financial statements). As discussed further under *Material Changes in Financial Condition — Capitalization* below, we also seek to maintain our debt at levels that provide for attractive equity returns without assuming undue risk.

From an operational perspective, we focus on achieving organic revenue and customer growth in our broadband communications operations by developing and marketing bundled entertainment and information and communications services, and extending and upgrading the quality of our networks where appropriate. As we use the term, organic growth excludes the effects of foreign currency exchange rate fluctuations and acquisitions. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our digital cable, broadband internet and telephony services with existing customers through product bundling and upselling, or by migrating analog cable customers to digital cable services that include various incremental service offerings, such as video-on-demand, digital video recorders and high definition programming. We plan to continue to employ this strategy to achieve organic revenue and customer growth.

At June 30, 2008, our consolidated subsidiaries owned and operated networks that passed 16,196,000 homes and served 15,658,400 revenue generating units (RGUs), consisting of 9,947,500 video subscribers, 3,468,500 broadband internet subscribers and 2,242,400 telephony subscribers.

Including the effects of acquisitions, we added a total of 127,800 and 320,100 RGUs during the three and six months ended June 30, 2008, respectively. Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition RGU additions, we added 87,700 and 258,700 RGUs during the three and six months ended June 30, 2008, respectively, as compared to 110,400 and 336,300 RGUs that were added on an organic basis during the respective 2007 periods. Our organic RGU growth during the three and six months ended June 30, 2008 is attributable to the growth of our broadband internet services, which added 92,200 and 220,500 RGUs, respectively, and our digital telephony services, which added 97,400 and 203,600 RGUs, respectively. We experienced a net organic decline of 101,900 and 165,400 video RGUs during the three and six months ended June 20, 2008, respectively, as decreases in our analog cable RGUs of 320,600 and 532,600, respectively, and our multi-channel multi-point (microwave) distribution system (MMDS) video RGUs of 6,100 and 10,100, respectively, were not fully offset by increases in our digital cable RGUs of 221,900 and 363,200, respectively, and our direct-to-home (DTH) video RGUs of 2,900 and 14,100 respectively.

We are experiencing increasing competition in all of our broadband communications markets, particularly in the Netherlands, Austria, Romania, Hungary, the Czech Republic and other parts of Europe. This increasing competition has contributed to:

(i) a decline in the organic growth rate for our consolidated revenue from 7.8% during the year ended December 31, 2007 to 4.8% during the three months ended June 30, 2008, each as compared to the corresponding prior year period;

(ii) a decrease in the number of our consolidated net organic RGU additions during the three months ended June 30, 2008, as compared to the corresponding prior year period;

(iii) slight organic declines in RGUs in Ireland, Romania, Slovakia, the Netherlands and Slovenia during the three months ended June 30, 2008;

(iv) organic declines in revenue in Austria, Romania and Hungary during the three months ended June 30, 2008, as compared to the corresponding prior year period;

(v) organic declines in the average monthly subscription revenue earned per average RGU (ARPU) in Austria, Hungary, the Czech Republic and Romania during the three months ended June 30, 2008, as compared to the corresponding prior year period; and

(vi) declines in subscriber retention rates in certain European markets during the three months ended June 30, 2008, as compared to the corresponding prior year period.

The negative impact of the continuing decline of ARPU from internet and telephony services during the first six months of 2008 was mitigated somewhat by improvements in our RGU mix and the implementation of rate increases for video and, to a lesser extent, other product offerings in certain of our broadband communications markets. We believe that we will continue to be challenged to maintain or improve recent historical organic revenue and RGU growth rates in future periods as we expect that competition will continue to grow and that the markets for certain of our service offerings will continue to mature. Although we monitor and respond to competition in each of our markets, no assurance can be given that our efforts to improve our competitive position will be successful, and accordingly, that we will be able to reverse negative trends such as those described above. For additional information concerning the revenue trends of our reportable segments, see *Discussion and Analysis of our Reportable Segments* below.

Despite the competitive pressures that we experienced during the first six months of 2008, we were able to control our operating and SG&A expenses such that we experienced expansion in the operating cash flow margins (operating cash flow divided by revenue) of each of our reportable segments, as compared to the operating cash flow margins we achieved during the corresponding 2007 period. No assurance can be given that we will be able to maintain or continue to expand our operating cash flow margins in future periods. For additional information, see the discussion of the operating and SG&A expenses and the operating cash flow margins of our reportable segments under *Discussion and Analysis of our Reportable Segments* below.

Our analog video service offerings include basic programming and expanded basic programming in some markets. 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 video service offerings include basic and premium programming and, in some markets, incremental product and service offerings such as enhanced pay-per-view programming (including video-on-demand and near video-on-demand), digital video recorders and high definition television 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 speeds depending on the tier of service selected. We determine pricing for each different tier of broadband internet service through analysis of speed, data limits, market conditions and other factors.

We offer telephony services in all of our broadband communications markets. In Austria, Chile, Hungary, Ireland and the Netherlands, we provide circuit switched telephony services and voice-over-internet-protocol, or "VoIP" telephony services. Telephony services in the remaining markets are provided using VoIP technology. In select markets, we also offer mobile telephony services using third-party networks.

Effective January 1, 2008, we adopted SFAS 157. SFAS 157 provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. As of June 30, 2008, we considered Level 3 inputs to be significant factors in the valuation of less than 1% of our assets and we therefore do not expect variations in our unobservable inputs to have a material impact on our results of operations, liquidity or capital resources. For additional information regarding our fair value measurements, see notes 5 and 6 to our condensed consolidated financial statements.

Material Changes in Results of Operations

The comparability of our operating results during the 2008 and 2007 interim periods is affected by acquisitions. In the following discussion, we quantify the 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 the timing of 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.

Changes in foreign currency exchange rates have a significant impact on our operating results as certain of our operating segments have functional currencies other than the euro. Our primary exposure to foreign currency risk from a translation perspective is currently to the Swiss franc and the Chilean peso. In addition, our operating results are impacted by changes in the exchange rates for the Hungarian forint, the Romania lei, the Polish zloty, the Czech koruna and other local currencies in Europe. In this regard, 58.7% of our euro revenue during the three months ended June 30, 2008 and 58.4% of our euro revenue during the six months ended June 30, 2008 were 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 foreign currency exchange rates 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 business's revenue and operating cash flow. As we have the ability to control VTR, GAAP requires that we consolidate 100% of VTR's revenue and expenses in our condensed consolidated statements of operations despite the fact that a third party owns a significant interest in VTR. The third-party owner's interest in the operating results of VTR is reflected in minority interests in earnings of subsidiaries, net, in our condensed consolidated statements of operations. When reviewing and analyzing our operating results, it is important to note that a third party owns a significant interest in VTR.

Discussion and Analysis of our Reportable Segments

All of the reportable segments set forth below derive their revenue primarily from broadband communications services, including video, voice and broadband internet services. Certain segments also provide CLEC and other B2B services. At June 30, 2008, our operating segments in the UPC Broadband Division provided services in 10 European countries. Our Other Central and Eastern Europe segment includes our operating segments in the Czech Republic, Poland, Romania, Slovakia and Slovenia. VTR provides broadband communications services in Chile. The UPC Broadband Division's central and corporate operations category includes billing systems, network operations, technology, marketing, facilities, finance, legal and other administrative costs.

For additional information concerning our reportable segments, including a discussion of our performance measures and a reconciliation of total segment operating cash flow to our consolidated earnings (loss) before income taxes and minority interests, see note 12 to our condensed consolidated financial statements.

The tables presented below in this section provide a separate analysis of each of the line items that comprise operating cash flow (revenue, operating expenses and SG&A expenses, excluding allocable stock-based compensation expense in accordance with our definition of operating cash flow) as well as an analysis of operating cash flow by reportable segment for the three and six months ended June 30, 2008, as compared to the corresponding prior year periods. In each case, the 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 percentage change from period to period, after removing foreign currency effects (FX). The comparisons that exclude FX assume that exchange rates remained constant during the periods that are included in each table. We have significant exposure to movements in foreign currency rates. We also provide a table showing the operating cash flow margins of our reportable segments for the three and six months ended June 30, 2008 and 2007 at the end of this section.

The revenue of our reportable segments includes amounts received from subscribers for ongoing services, installation fees, advertising revenue, mobile telephony revenue, channel carriage fees, telephony interconnect fees, late fees and amounts received for CLEC and other B2B services. In the following discussion, we use the term "subscription revenue" to refer to amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile telephony revenue.

The rates charged for certain video services offered by our broadband communications operations in Europe and Chile are subject to rate regulation. Additionally, in Europe, our ability to bundle or discount our services may be constrained if we are held to be dominant with respect to any product we offer. The amounts we charge and incur with respect to telephony interconnection fees are also subject to regulatory oversight in many of our markets. Adverse outcomes from rate regulation or other regulatory initiatives could have a significant negative impact on our ability to maintain or increase our revenue. For information concerning regulatory proceedings in the Netherlands, see note 11 to our condensed consolidated financial statements.

Revenue of our Reportable Segments

	Three months ended June 30, 2008	Three months ended June 30, 2007	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %
	in millions				
UPC Broadband Division:					
The Netherlands	€ 198.8	€ 193.3	€ 5.5	2.8	2.8
Switzerland	171.8	157.5	14.3	9.1	6.8
Austria	92.1	90.7	1.4	1.5	1.5
Ireland	61.2	55.4	5.8	10.5	10.5
Total Western Europe	523.9	496.9	27.0	5.4	4.7
Hungary	69.4	69.6	(0.2)	(0.3)	(0.4)
Other Central and Eastern Europe	162.2	145.0	17.2	11.9	6.2
Total Central and Eastern Europe	231.6	214.6	17.0	7.9	4.1
Central and corporate operations	1.7	1.1	0.6	54.5	54.5
Total UPC Broadband Division	757.2	712.6	44.6	6.3	4.6
VTR (Chile)	124.6	114.6	10.0	8.7	12.7
Total UPC Holding	€ 881.8	€ 827.2	€ 54.6	6.6	5.7

	Six months ended June 30, 2008	Six months ended June 30, 2007	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %
	in millions				
UPC Broadband Division:					
The Netherlands	€ 399.5	€ 385.5	€ 14.0	3.6	3.6
Switzerland	340.0	315.6	24.4	7.7	6.0
Austria	185.3	182.2	3.1	1.7	1.7
Ireland	120.1	111.6	8.5	7.6	7.6
Total Western Europe	1,044.9	994.9	50.0	5.0	4.5
Hungary	136.1	138.3	(2.2)	(1.6)	(0.3)
Other Central and Eastern Europe	318.9	285.0	33.9	11.9	7.2
Total Central and Eastern Europe	455.0	423.3	31.7	7.5	4.8
Central and corporate operations	3.0	5.2	(2.2)	(42.3)	(42.3)
Total UPC Broadband Division	1,502.9	1,423.4	79.5	5.6	4.4
VTR (Chile)	249.0	225.5	23.5	10.4	11.3
Total UPC Holding	€ 1,751.9	€ 1,648.9	€ 103.0	6.2	5.3

The Netherlands. The Netherlands' revenue increased €5.5 million or 2.8% and €14.0 million or 3.6% during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. These increases are attributable to increases in subscription revenue, due to (i) higher ARPU and (ii) higher numbers of average RGUs during the 2008 periods, as compared to the corresponding prior year periods. ARPU was higher during the 2008 periods, as the positive impacts of (i) an improvement in the Netherlands' RGU mix, attributable to a higher proportion of telephony, broadband internet and digital cable RGUs, (ii) January 2008 price increases for certain video, broadband internet and telephony services and (iii) growth in the Netherlands' digital cable services, including increased revenue from premium digital services and products, were only partially offset by the negative impacts of (a) increased competition and (b) lower ARPU from telephony services due primarily to changes in subscriber calling patterns and an increase in the proportion of subscribers selecting fixed-rate calling plans. The increases in average RGUs, which include the negative impact of slight organic declines in the Netherlands' total RGUs during the first and second quarters of 2008, are attributable to increases in average telephony, broadband internet and digital cable RGUs that were only partially offset by declines in average analog cable RGUs. The declines in the Netherlands' average analog cable RGUs are largely due to the effects of increasing competition from the incumbent telecommunications operator in the Netherlands. We expect that we will continue to face significant competition from the incumbent telecommunications operator in future periods. The increases in the Netherlands' subscription revenue during the 2008 periods, as compared to the corresponding periods in 2007, were partially offset by decreases in non-subscription revenue, primarily attributable to (i) lower revenue from installation fees as a result of higher discounting and lower subscriber additions and (ii) a decrease in revenue from B2B services due in part to increased competition.

Switzerland. Switzerland's revenue increased €14.3 million or 9.1% and €24.4 million or 7.7% during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. Excluding the effects of foreign currency exchange rate fluctuations, Switzerland's revenue increased €10.7 million or 6.8% and €19.0 million or 6.0%, respectively. Most of these increases are attributable to increases in subscription revenue, due to (i) higher numbers of average RGUs and (ii) higher ARPU during the 2008 periods. The increases in average RGUs are attributable to increases in average digital cable, broadband internet and telephony RGUs that were only partially offset by declines in average analog cable RGUs. ARPU was higher during the 2008 periods, as the positive impacts of (i) an improvement in Switzerland's RGU mix, attributable to a higher proportion of digital cable, telephony and broadband internet RGUs, (ii) a January 2008 price increase for analog cable services and (iii) Switzerland's digital migration efforts were only partially offset by the negative impacts of (a) increased competition, (b) lower telephony call volumes, (c) customers selecting lower-priced tiers of broadband internet services and (d) with respect to the six-month period, a lower-priced tier of digital cable services and a decrease in the rental price charged for digital cable set top boxes that Switzerland began offering in April 2007 to comply with the regulatory framework established by the Swiss Price Regulator in November 2006. Increases in non-subscription revenue from B2B services also contributed to the increases in Switzerland's revenue.

Austria. Austria's revenue increased €1.4 million or 1.5% and €3.1 million or 1.7% during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. These increases include €5.5 million and €10.7 million, respectively, attributable to the impacts of the October 2007 Tirol acquisition and another less significant acquisition. Excluding the effects of acquisitions, Austria's revenue decreased €4.1 million or 4.5% and €7.6 million or 4.2%, respectively. These decreases are attributable to decreases in subscription revenue, primarily attributable to the negative impacts of lower ARPU. Although Austria experienced a slight organic decline in RGUs during the first six months of 2008, the average number of RGUs remained relatively constant over the 2008 and 2007 periods, as increases in average digital cable, telephony and broadband internet RGUs were offset by declines in average analog cable RGUs. The declines in subscription revenue, which, as discussed under *Overview* above, are largely related to the increasing competition we are experiencing in Austria, include declines in revenue from broadband internet and telephony services that were only partially offset by an increase in revenue from video services. ARPU decreased during the 2008 periods as compared to the corresponding periods in 2007, as the positive impacts of (i) an improvement in Austria's RGU mix, primarily attributable to a higher proportion of digital cable RGUs, and (ii) a January 2008 rate increase for analog cable services were more than offset by the negative impacts of (a) increased competition, (b) a higher proportion of customers selecting lower-priced tiers of broadband internet and digital cable services, (c) lower telephony call volumes and (d) an increase in the proportion of subscribers selecting VoIP telephony service, which generally is priced lower than Austria's circuit switched telephony service. Non-subscription revenue in Austria was relatively unchanged during the 2008 and 2007 periods, as decreases in installation revenue were offset by individually insignificant increases in other components of non–subscription revenue.

Ireland. Ireland's revenue increased €5.8 million or 10.5% and €8.5 million or 7.6% during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. These increases are attributable to increases in subscription revenue as a result of (i) higher ARPU and (ii) higher numbers of average RGUs during the 2008 periods, as compared to the corresponding periods in 2007. ARPU increased during the 2008 periods, as the positive impacts of (i) an improvement in Ireland's RGU mix, primarily attributable to a higher proportion of digital cable RGUs, (ii) a January 2008 price increase for certain analog cable and MMDS video services and (iii) an increase in the proportion of broadband internet customers selecting higher-priced tiers of service were only partially offset by the negative effects of increased competition. The increases in average RGUs, which include the negative impact of a slight organic decline in Ireland's RGUs during the second quarter of 2008, primarily are attributable to increases in the average number of broadband internet, digital cable and telephony RGUs that were only partially offset by a decline in average analog cable and MMDS video RGUs.

Hungary. Hungary's revenue decreased €0.2 million or 0.3% and €2.2 million or 1.6% during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. Excluding the effects of foreign currency exchange rate fluctuations, Hungary's revenue decreased €0.3 million or 0.4% and €0.4 million or 0.3%, respectively. These decreases are attributable to decreases in subscription revenue, as the negative impact of lower ARPU was only partially offset by higher numbers of average RGUs. The declines in subscription revenue, which, as discussed under *Overview* above, are largely related to the increasing competition we are experiencing in Hungary, includes declines in revenue from video services that were only partially offset by increases in revenue from broadband internet and telephony services. The increases in average RGUs are attributable to increases in average broadband internet, telephony and, to a lesser extent, digital cable and DTH RGUs that were only partially offset by a decline in average analog cable RGUs. Hungary is continuing to experience organic declines in analog cable RGUs, primarily due to (i) the migration of analog cable subscribers to digital cable following the second quarter 2008 launch of digital cable services and (ii) the effects of competition from an alternative provider. ARPU declined during the 2008 periods as compared to the corresponding periods in 2007, as the positive effects of (i) improvements in Hungary's RGU mix, primarily attributable to a higher proportion of broadband internet and digital cable RGUs, and (ii) a January 2008 rate increase for analog cable services were more than offset by the negative impacts of (a) increased competition, (b) a higher proportion of customers selecting lower-priced tiers of broadband internet and video services and (c) lower ARPU from telephony services due primarily to changes in subscriber calling patterns and an increase in the proportion of subscribers selecting fixed-rate calling plans. Increases in B2B and other non-subscription revenue offset the majority of the decreases in Hungary's subscription revenue during the 2008 periods.

Other Central and Eastern Europe. Other Central and Eastern Europe's revenue increased €17.2 million or 11.9% and €33.9 million or 11.9% during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. These increases include €2.5 million and €5.9 million, respectively, attributable to the aggregate impact of acquisitions. Excluding the effects of acquisitions and foreign currency exchange rate fluctuations, Other Central and Eastern Europe's revenue increased €6.5 million or 4.5% and €14.7 million or 5.1%, respectively. Most of these increases are attributable to increases in subscription revenue as a result of higher average RGUs during the 2008 periods, as compared to the 2007 periods. The increases in average RGUs are attributable to increases in average broadband internet RGUs (mostly in Poland, Romania and the Czech Republic) and telephony RGUs (mostly related to the expansion of VoIP telephony services in the Czech Republic, Poland and Romania), that were only partially offset by declines in average video RGUs. The declines in average video RGUs are attributable to decreases in Romania and, to a much lesser extent, the Czech Republic, Slovakia and, during the three-month period, Slovenia, that were only partially offset by small increases in Poland. ARPU in our Other Central and Eastern Europe segment decreased during the 2008 periods, as compared to the corresponding periods in 2007, as the positive effects of (i) an improvement in RGU mix, primarily attributable to a higher proportion of digital cable (due in part to the second quarter 2008 launch of digital cable services in Poland and Slovakia) and broadband internet RGUs and (ii) January 2008 rate increases for video services in certain countries were more than offset by the negative effects of (a) increased competition, (b) a higher proportion of broadband internet and video subscribers selecting lower-priced tiers and (c) lower ARPU from telephony services due primarily to changes in subscriber calling patterns and an increase in the proportion of subscribers selecting fixed-rate calling plans.

Although competition is a factor throughout our Other Central and Eastern Europe markets, we are experiencing particularly intense competition in Romania and the Czech Republic. In the case of the Czech Republic, the competition has contributed to (i) organic declines in video RGUs during the three months ended June 30, 2008 and (ii) declines in (a) ARPU from all product categories and (b) revenue from video services during the three and six months ended June 30, 2008, as compared to the corresponding prior year periods. In Romania, the competition has contributed to declines in ARPU, video revenue and overall revenue during the three and six months ended June 30 2008, as compared to the corresponding prior year periods. We expect that we will continue to experience significant competition in future periods in Romania, the Czech Republic and other markets within our Other Central and Eastern Europe segment.

VTR (Chile). VTR's revenue increased €10.0 million or 8.7% and €23.5 million or 10.4% during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. Excluding the effects of foreign currency exchange rate fluctuations, VTR's revenue increased €14.6 million or 12.7% and €25.4 million or 11.3%, respectively. Most of these increases are attributable to increases in subscription revenue, due primarily to higher average numbers of broadband internet, telephony and video RGUs during the 2008 periods. ARPU remained relatively unchanged during the 2008 periods as compared to the corresponding periods in 2007, as the positive impacts of (i) an improvement in VTR's RGU mix, attributable to a higher proportion of digital cable RGUs, (ii) September 2007 and March 2008 inflation adjustments to rates for certain video, broadband internet and telephony services and (iii) the migration of certain telephony subscribers to an unlimited fixed-rate calling plan was offset by the negative effects of (a) increased competition, particularly from the incumbent telecommunications operator in Chile, and (b) an increase in the proportion of subscribers selecting lower-priced tiers of analog video services.

Operating Expenses of our Reportable Segments

	Three months ended June 30,		Increase (decrease)		Increase (decrease) excluding FX
	2008	2007	€	%	%
		in millions			
UPC Broadband Division:					
The Netherlands	€ 63.9	€ 67.4	€ (3.5)	(5.2)	(5.2)
Switzerland	55.1	53.9	1.2	2.2	(0.1)
Austria	28.6	32.5	(3.9)	(12.0)	(12.0)
Ireland	30.8	29.0	1.8	6.2	6.2
Total Western Europe	178.4	182.8	(4.4)	(2.4)	(3.1)
Hungary	26.3	25.1	1.2	4.8	4.4
Other Central and Eastern Europe	57.6	53.4	4.2	7.9	4.0
Total Central and Eastern Europe	83.9	78.5	5.4	6.9	4.2
Central and corporate operations	10.0	14.1	(4.1)	(29.1)	(29.1)
Total UPC Broadband Division	272.3	275.4	(3.1)	(1.1)	(2.4)
VTR (Chile)	45.6	44.9	0.7	1.6	5.3
Total operating expenses excluding stock-based compensation expense	317.9	320.3	(2.4)	(0.7)	(1.3)
Stock-based compensation expense	1.7	2.3	(0.6)	(26.1)	
Total UPC Holding	€ 319.6	€ 322.6	€ (3.0)	(0.9)	

	Six months ended June 30,		Increase (decrease)		Increase (decrease) excluding FX
	2008	2007	€	%	%
		in millions			
UPC Broadband Division:					
The Netherlands	€ 127.9	€ 134.3	€ (6.4)	(4.8)	(4.8)
Switzerland	106.7	107.6	(0.9)	(0.8)	(2.5)
Austria	60.7	65.7	(5.0)	(7.6)	(7.6)
Ireland	58.9	58.7	0.2	0.3	0.3
Total Western Europe	354.2	366.3	(12.1)	(3.3)	(3.8)
Hungary	51.1	50.7	0.4	0.8	2.0
Other Central and Eastern Europe	115.0	105.4	9.6	9.1	5.9
Total Central and Eastern Europe	166.1	156.1	10.0	6.4	4.6
Central and corporate operations	21.7	28.7	(7.0)	(24.4)	(24.4)
Total UPC Broadband Division	542.0	551.1	(9.1)	(1.7)	(2.5)
VTR (Chile)	93.5	92.2	1.3	1.4	2.2
Total operating expenses excluding stock-based compensation expense	635.5	643.3	(7.8)	(1.2)	(1.8)
Stock-based compensation expense	3.1	4.7	(1.6)	(34.0)	
Total UPC Holding	€ 638.6	€ 648.0	€ (9.4)	(1.5)	

General. Operating expenses include programming, network operations, interconnect, customer operations, customer care, stock-based compensation expense and other direct costs. We do not include stock-based compensation in the following discussion and analysis of the operating expenses of our reportable segments as stock-based compensation expense is not included in the performance measures of our reportable segments. Stock-based compensation expense is discussed under the *Discussion and Analysis of Our Consolidated Operating Results* below. Programming costs, which represent a significant portion of our operating costs, are expected to rise in future periods as a result of the expansion of service offerings and the potential for price increases. In addition, our labor and other costs are subject to increasing inflationary pressures, particularly in Romania, Slovenia, Hungary, the Czech Republic, and Chile. 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 Broadband Division. The UPC Broadband Division's operating expenses (exclusive of stock-based compensation expense) decreased €3.1 million or 1.1% and €9.1 million or 1.7% during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. These decreases are net of €3.0 million and €6.3 million increases, respectively, attributable to the aggregate impact of Tirol and other less significant acquisitions. Excluding the effects of these acquisitions and foreign currency exchange rate fluctuations, the UPC Broadband Division's operating expenses decreased €9.5 million or 3.5% and €19.9 million or 3.6%, respectively, primarily due to the net effect of the following factors:

- Decreases in personnel costs of €4.4 million or 6.4% and €9.6 million or 6.9%, respectively, due largely to (i) decreased staffing levels, particularly in (a) the Netherlands, in connection with the integration of certain components of the Netherlands' operations, and (b) Switzerland, in connection with the increased usage of third parties to manage excess call volume, and (ii) increases in personnel and related costs allocable to capital activities, such as the installation of customer premise equipment for digital cable services;

- Decreases in interconnect costs of €1.7 million or 3.7% and €4.4 million or 5.0%, respectively, due primarily to (i) lower interconnect rates related to favorable tariff decreases in Switzerland and the Netherlands and (ii) decreased telephony usage in Austria;

- Increases in outsourced labor and consulting fees of €2.8 million or 21.2% and €4.0 million or 15.6%, respectively, associated with the use of third parties to manage excess call center volume associated with growth in digital video and broadband Internet services, primarily in Austria, Switzerland and the Czech Republic. These increases were partially offset by decreases in Ireland associated with higher costs during the 2007 periods related to a billing system conversion and the integration of certain call center operations;

- Decreases in management fees of €3.0 million or 71.6% and €3.2 million or 38.6%, respectively, primarily due to the renegotiation of an agreement with the minority interest owners of our primary operating subsidiary in Austria; and

- Individually insignificant net decreases in other operating expense categories.

VTR (Chile). VTR's operating expenses (exclusive of stock-based compensation expense) increased €0.7 million or 1.6% and €1.3 million or 1.4%, during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. Excluding the effects of foreign currency exchange rate fluctuations, VTR's operating expenses increased €2.4 million or 5.3% and €2.0 million or 2.2%, respectively. These increases include the following factors:

- Increases in interconnect charges of €1.1 million or 11.2% and €2.2 million or 10.9%, respectively, due primarily to the higher volume of traffic associated with the increase in VTR's telephony RGUs;

- Increases in programming costs of €2.2 million or 18.0% and €1.9 million or 7.2%, respectively, as the effect of an increase in VTR's digital cable RGUs was only partially offset by foreign currency exchange rate fluctuations with respect to VTR's programming contracts, most of which are denominated in U.S. dollars; and

- Decreases in bad debt expense of €1.5 million and €1.2 million, respectively, as a decrease associated with the reversal of a €2.4 million bad debt reserve in connection with the settlement of an interconnect fee dispute during the second quarter of 2008 was only partially offset by increases associated with the growth in VTR's RGUs.

SG&A Expenses of our Reportable Segments

	Three months ended June 30, 2008	Three months ended June 30, 2007	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %
	in millions				
UPC Broadband Division:					
The Netherlands	€ 25.3	€ 27.5	€ (2.2)	(8.0)	(8.0)
Switzerland	28.4	27.5	0.9	3.3	0.9
Austria	14.6	14.1	0.5	3.5	3.5
Ireland	7.6	8.6	(1.0)	(11.6)	(11.6)
Total Western Europe	75.9	77.7	(1.8)	(2.3)	(3.2)
Hungary	8.0	8.3	(0.3)	(3.6)	(4.8)
Other Central and Eastern Europe	20.4	18.4	2.0	10.9	5.9
Total Central and Eastern Europe	28.4	26.7	1.7	6.4	2.6
Central and corporate operations	31.0	30.0	1.0	3.3	3.3
Total UPC Broadband Division	135.3	134.4	0.9	0.7	(0.6)
VTR (Chile)	26.5	25.6	0.9	3.5	7.6
Total SG&A expenses excluding stock-based compensation expense	161.8	160.0	1.8	1.1	0.7
Stock-based compensation expense	8.1	11.4	(3.3)	(28.9)	
Total UPC Holding	€ 169.9	€ 171.4	€ (1.5)	(0.9)	

	Six months ended June 30, 2008	Six months ended June 30, 2007	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %
	in millions				
UPC Broadband Division:					
The Netherlands	€ 49.6	€ 55.2	€ (5.6)	(10.1)	(10.1)
Switzerland	56.7	53.2	3.5	6.6	4.7
Austria	29.9	28.3	1.6	5.7	5.7
Ireland	15.8	17.8	(2.0)	(11.2)	(11.2)
Total Western Europe	152.0	154.5	(2.5)	(1.6)	(2.3)
Hungary	15.7	17.5	(1.8)	(10.3)	(9.6)
Other Central and Eastern Europe	40.2	38.8	1.4	3.6	0.4
Total Central and Eastern Europe	55.9	56.3	(0.4)	(0.7)	(2.7)
Central and corporate operations	60.8	61.4	(0.6)	(1.0)	(1.0)
Total UPC Broadband Division	268.7	272.2	(3.5)	(1.3)	(2.1)
VTR (Chile)	52.6	47.6	5.0	10.5	11.5
Total SG&A expenses excluding stock-based compensation expense	321.3	319.8	1.5	0.5	—
Stock-based compensation expense	15.1	23.1	(8.0)	(34.6)	
Total UPC Holding	€ 336.4	€ 342.9	€ (6.5)	(1.9)	

General. SG&A expenses include human resources, information technology, general services, management, finance, legal and marketing costs, stock-based compensation and other general expenses. We do not include stock-based compensation in the following discussion and analysis of the SG&A expenses of our reportable segments as stock-based compensation expense is not included in the performance measures of our reportable segments. Stock-based compensation expense is discussed under the *Discussion and Analysis of Our Consolidated Operating Results* below. As noted under *Operating Expenses* above, our labor and other costs are subject to increasing inflationary pressures.

UPC Broadband Division. The UPC Broadband Division's SG&A expenses (exclusive of stock-based compensation expense) increased €0.9 million or 0.7% during the three months ended June 30, 2008 and decreased €3.5 million or 1.3%, during the six months ended June 30, 2008, as compared to the corresponding prior year periods. These changes include €1.0 million and €2.0 million increases, respectively, attributable to the aggregate impact of the Tirol and other less significant acquisitions. Excluding the effects of these acquisitions and foreign currency exchange rate fluctuations, the UPC Broadband Division's SG&A expenses decreased €1.7 million or 1.3% and €7.6 million or 2.8%, respectively. The decreases in the UPC Broadband Division's SG&A expenses primarily are attributable to the net effect of the following factors:

- Decreases in outsourced labor and professional fees of €1.2 million or 12.3% and €4.2 million or 22.6%, respectively, including decreases in certain central and corporate costs and certain costs incurred by the Netherlands; and

- Decreases in sales and marketing costs of €2.8 million or 7.7% and €3.9 million or 5.3%, respectively, as decreases due to (i) the Netherlands' continued emphasis during the 2008 periods on more selective marketing strategies and (ii) decreased costs due to a UPC rebranding campaign during the 2007 periods, partially offset by increases in the costs incurred in certain markets, including Switzerland, Austria, Poland, and the Czech Republic, in response to competition and/or to support the launch or further penetration of digital cable services.

Personnel costs remained relatively constant during the three-month period and decreased slightly during the six-month period, as the impacts of increases in staffing levels were largely offset by increases in personnel and related costs allocable to capital activities, such as the installation of billing and support systems.

VTR (Chile). VTR's SG&A expenses (exclusive of stock-based compensation expense) increased €0.9 million or 3.5% and €5.0 million or 10.5% during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. Excluding the effects of foreign currency exchange rate fluctuations, VTR's SG&A expenses increased €1.9 million or 7.6% and €5.5 million or 11.5%, respectively. These increases include (i) increases in labor and related costs of €1.2 million or 14.7% and €1.6 million or 10.8%, respectively, due primarily to annual wage increases, (ii) increases in legal fees of €1.0 million and €0.9 million respectively, due primarily to a fee paid during the second quarter of 2008 in connection with the settlement of an interconnect fee dispute and (iii) individually insignificant net changes in other expense categories. The increase during the six-month period also includes a €1.1 million or 13.7% increase in marketing and advertising costs, due primarily to increased marketing activity during the first quarter of 2008.

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 and to decide how to allocate resources to segments. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding stock-based compensation, depreciation and amortization, and impairment, restructuring and other operating charges or credits). For additional information concerning this performance measure and for a reconciliation of total segment operating cash flow to our consolidated earnings (loss) before income taxes and minority interests, see note 12 to our condensed consolidated financial statements.

Operating Cash Flow

	Three months ended June 30,		Increase (decrease)		Increase (decrease) excluding FX
	2008	2007	€	%	%
	in millions				
UPC Broadband Division:					
The Netherlands	€ 109.6	€ 98.4	€ 11.2	11.4	11.4
Switzerland	88.3	76.1	12.2	16.0	13.9
Austria	48.9	44.1	4.8	10.9	10.9
Ireland	22.8	17.8	5.0	28.1	28.1
Total Western Europe	269.6	236.4	33.2	14.0	13.4
Hungary	35.1	36.2	(1.1)	(3.0)	(2.8)
Other Central and Eastern Europe	84.2	73.2	11.0	15.0	7.8
Total Central and Eastern Europe	119.3	109.4	9.9	9.0	4.3
Central and corporate operations	(39.3)	(43.0)	3.7	8.6	8.6
Total UPC Broadband Division	349.6	302.8	46.8	15.5	13.2
VTR (Chile)	52.5	44.1	8.4	19.0	23.3
Total UPC Holding	€ 402.1	€ 346.9	€ 55.2	15.9	14.5

	Six months ended June 30,		Increase (decrease)		Increase excluding FX
	2008	2007	€	%	%
	in millions				
UPC Broadband Division:					
The Netherlands	€ 222.0	€ 196.0	€ 26.0	13.3	13.3
Switzerland	176.6	154.8	21.8	14.1	12.4
Austria	94.7	88.2	6.5	7.4	7.4
Ireland	45.4	35.1	10.3	29.3	29.3
Total Western Europe	538.7	474.1	64.6	13.6	13.1
Hungary	69.3	70.1	(0.8)	(1.1)	0.4
Other Central and Eastern Europe	163.7	140.8	22.9	16.3	10.1
Total Central and Eastern Europe	233.0	210.9	22.1	10.5	6.8
Central and corporate operations	(79.5)	(84.9)	5.4	6.4	6.4
Total UPC Broadband Division	692.2	600.1	92.1	15.3	13.6
VTR (Chile)	102.9	85.7	17.2	20.1	20.9
Total UPC Holding	€ 795.1	€ 685.8	€ 109.3	15.9	14.5

Operating Cash Flow Margin

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	%	%	%	%
UPC Broadband Division:				
The Netherlands	55.1	50.9	55.6	50.8
Switzerland	51.4	48.3	51.9	49.0
Austria	53.1	48.6	51.1	48.4
Ireland	37.3	32.1	37.8	31.5
Total Western Europe	51.5	47.6	51.6	47.7
Hungary	50.6	52.0	50.9	50.7
Other Central and Eastern Europe	51.9	50.5	51.3	49.4
Total Central and Eastern Europe	51.5	51.0	51.2	49.8
Total UPC Broadband Division, including central and corporate costs	46.2	42.5	46.1	42.2
VTR (Chile)	42.1	38.5	41.3	38.0

The improvement in the operating cash flow margins of our reportable segments during the 2008 periods, as compared to the respective 2007 periods, are generally attributable to improved operational leverage resulting from revenue growth that is more than offsetting the accompanying increases in our operating and SG&A expenses. Cost containment efforts and cost savings resulting from the continued integration of acquisitions have also positively impacted the operating cash flow margins of our reportable segments, particularly in Western Europe and Chile. 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. As discussed under *Overview* and *Revenue of our Reportable Segments* above, our broadband communications operations are experiencing significant competition, particularly in Europe. Sustained or increased competition could adversely affect our ability to maintain or improve the operating cash flow margins of our reportable segments. In this regard, the decrease in the operating cash flow margin of Hungary during the three-month period is primarily attributable to the effects of competition.

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 Reportable Segments* that appears above.

Revenue

Our total consolidated revenue increased €54.6 million and €103.0 million during the three and six months ended June 30, 2008, respectively, compared to the corresponding prior year periods. These increases include €8.0 million and €16.6 million, respectively, attributable to the impact of acquisitions. Excluding the effects of acquisitions and foreign currency exchange rate fluctuations, total consolidated revenue increased €39.4 million or 4.8% and €71.4 million or 4.3%, respectively, during the 2008 periods, as compared to the corresponding period in 2007. As discussed in greater detail under *Discussion and Analysis of Reportable Segments – Revenue* above, these increases are primarily attributable to RGU growth. For information regarding the competitive environment in certain of our markets, see *Overview* and *Discussion and Analysis of our Reportable Segments – Revenue* above.

Operating expenses

Our total consolidated operating expenses decreased €3.0 million and €9.4 million during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. These decreases are net of €3.0 million and €6.3 million increases, respectively, attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which decreased €0.6 million and €1.6 million, respectively. For additional information, see discussion following *SG&A expenses* below. Excluding the effects of acquisitions, foreign currency exchange rate fluctuations and stock-based compensation expense, total consolidated operating expenses decreased €7.1 million or 2.2% and €17.9 million or 2.8%, respectively. For additional information, see *Discussion and Analysis of Reportable Segments – Operating Expenses* above.

SG&A expenses

Our total consolidated SG&A expenses decreased €1.5 million and €6.5 million during the three and six months ended June 30, 2008, as compared to the corresponding prior year periods. These decreases are net of €1.0 million and €2.0 million increases attributable to the impact of acquisitions. Our SG&A expenses include stock-based compensation expense, which decreased €3.3 million and €8.0 million, respectively. For additional information, see discussion in the following paragraph. Excluding the effects of acquisitions, foreign currency exchange rate fluctuations and stock-based compensation expense, total consolidated SG&A expenses increased €0.2 million or 0.1% during the three months ended June 30, 2008 and decreased €2.1 million or 0.7% during the six months ended June 30, 2008, respectively. For additional information, see *Discussion and Analysis of Reportable Segments – SG&A Expenses* above.

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

Our stock-based compensation expense includes amounts allocated to our company by LGI and amounts that are based on stock incentive awards related to shares of our subsidiaries. The stock-based compensation expense allocated by LGI to our company is based on stock incentive awards held by certain employees of our subsidiaries, including awards granted to these individuals pursuant to the LGI performance-based incentive plans. A summary of the aggregate stock-based compensation expense that is included in our operating and SG&A expenses is set forth below:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	in millions			
LGI common stock:				
LGI performance-based incentive plans	€ 5.4	€ 8.0	€ 13.4	€ 19.1
Stock options, SARs, restricted stock and restricted stock units	3.2	3.4	6.0	6.2
Total LGI common stock	8.6	11.4	19.4	25.3
Other	1.2	2.3	(1.2)	2.5
Total	€ 9.8	€ 13.7	€ 18.2	€ 27.8
Included in:				
Operating expense	€ 1.7	€ 2.3	€ 3.1	€ 4.7
SG&A expense	8.1	11.4	15.1	23.1
Total	€ 9.8	€ 13.7	€ 18.2	€ 27.8

Depreciation and amortization expense

Our total consolidated depreciation and amortization expense increased €5.5 million and €5.3 million during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. Excluding the effect of foreign currency exchange rate fluctuations, depreciation and amortization expense increased €3.1 million or 1.1% and €1.0 million or 0.2%, respectively. These increases are due primarily to the net effect of (i) increases associated with capital expenditures related to the installation of customer premise equipment, the expansion and upgrade of our networks and other capital initiatives, (ii) increases associated with acquisitions and (iii) decreases associated with certain of VTR's and Cablecom's assets becoming fully depreciated.

Interest expense – third-party

Our total consolidated third-party interest expense decreased €0.5 million during the three months ended June 30, 2008 and increased €6.9 million during the six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. Excluding the effects of foreign currency exchange rate fluctuations, interest expense decreased €0.6 million or 0.5% during the three months ended June 30, 2008 and increased €6.9 million or 3.2% during the six months ended June 30, 2008. The increase during the six-month period reflects the net effect of an increase in our average outstanding indebtedness and a slight decrease in our weighted average interest rate. The decrease during the three-month period reflects a slight decrease in our weighted average interest rate, partially offset by an increase in our average outstanding indebtedness. The decrease in our weighted average interest rate is due primarily to a decrease in the weighted average interest rate of our UPC Broadband Holding Bank Facility. For additional information, see note 8 to our condensed consolidated financial statements.

Interest expense – related party

Our consolidated related party interest expense relates to the interest expense on our shareholder loan. Our total consolidated related party interest expense increased €32.2 million and €86.8 million during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. These increases are primarily attributable to (i) a higher average outstanding balance of our shareholder loan during the 2008 period, as compared to the corresponding prior year period, and (ii) an increase in the interest rate on our shareholder loan from 6.44% during the 2007 periods to 7.06% during the 2008 periods. For additional information, see note 8 to our condensed consolidated financial statements.

Interest income

Our total consolidated interest income decreased €5.5 million and €9.6 million during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. These decreases are primarily attributable to decreases in related party interest income of €5.4 million and €10.9 million, respectively, partially offset by higher third-party weighted average interest rates. These higher rates are due primarily to the interest rate earned on our cash collateral account with respect to the VTR Bank Facility. This cash collateral account, which was initially funded in May 2007, earns interest at a rate that is significantly higher than the average rate earned by the remainder of our cash and cash equivalent and restricted cash balances.

Realized and unrealized gains (losses) on derivative instruments, net

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

	Three months ended June 30,		Six months ended June 30,	
	2008	**2007**	**2008**	**2007**
	in millions			
Cross-currency and interest rate derivative contracts (a)	€ 228.6	€ 63.3	€ (51.5)	€ 39.8
Foreign exchange contracts	0.8	(4.4)	5.0	1.3
Other	2.0	0.8	1.5	0.5
Total	€ 231.4	€ 59.7	€ (45.0)	€ 41.6

(a) The gains during the 2008 periods primarily are attributable to the net effect of (i) gains associated with increases in market interest rates in all relevant currencies, (ii) losses associated with increases in the values of the Czech koruna, Hungarian forint, Polish zloty and certain other currencies in central and eastern Europe relative to the euro, (iii) gains associated with a decrease in the value of the Chilean peso relative to the U.S. dollar and (iv) gains during the three-month period and losses during the six-month period associated with changes in the values of the Swiss franc and the U.S. dollar relative to the euro. In addition, the gains during the 2008 periods include a €34.3 million credit risk valuation adjustment, as further described in notes 5 and 6 to our condensed consolidated financial statements. The gains during the 2007 periods primarily are attributable to the net effect of (i) gains associated with increases in market interest rates in all relevant currencies, (ii) losses associated with increases in the values of the Romanian lei, Hungarian forint and certain other currencies in central and eastern Europe relative to the euro, and (iii) gains associated with decreases in the values of the Swiss franc and the Czech koruna relative to the euro.

For additional information concerning our derivative instruments, see note 5 to our condensed consolidated financial statements.

Foreign currency transaction gains, net

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	in millions			
U.S. dollar denominated debt issued by a European subsidiary	€ (5.5)	€ 15.8	€ 95.5	€ 34.0
Intercompany notes denominated in a currency other than the entity's functional currency (a)	128.5	10.8	186.1	12.1
Cash denominated in a currency other than the entity's functional currency	4.2	(6.7)	(20.5)	(7.1)
U.S. dollar debt issued by a Latin American subsidiary	(56.7)	8.4	(14.4)	4.2
Swiss franc debt issued by a European subsidiary	—	11.5	—	16.1
Other	(1.2)	0.1	4.0	(1.2)
Total	€ 69.3	€ 39.9	€ 250.7	€ 58.1

(a) The significant gains during the 2008 periods primarily are related to (i) loans between our non-operating and operating subsidiaries in Europe, which generally are denominated in the currency of the applicable operating subsidiary and (ii) U.S. dollar denominated loans between certain of our non-operating subsidiaries in the U.S. and Europe. Accordingly, these gains are a function of movements of the euro against (a) the U.S. dollar and (b) other local currencies in Europe.

Income tax expense

We recognized income tax expense of €39.6 million and €14.3 million during the three months ended June 30, 2008 and 2007, respectively.

The income tax expense for the three months ended June 30, 2008 differs from the expected income tax expense of €40.9 million (based on the Dutch 25.5% income tax rate) due primarily to the positive impacts of a net decrease in valuation allowances previously established against deferred tax assets in certain tax jurisdictions. The positive impacts of these items were partially offset by the negative impacts of certain permanent differences between the financial and tax accounting treatment of interest, dividends and other items associated with intercompany loans.

The income tax expense for the three months ended June 30, 2007 differs from the expected income tax benefit of €19.3 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of certain permanent differences between the financial and tax accounting treatment of interest, dividends and intercompany loans and other items that resulted in nondeductible expenses or basis differences in the tax jurisdiction.

We recognized income tax expense of €47.6 million and €5.3 million during the six months ended June 30, 2008 and 2007, respectively.

The income tax expense for the six months ended June 30, 2008 differs from the expected income tax benefit of €21.9 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of certain permanent differences between the financial and tax accounting treatment of interest, dividends and other items associated with intercompany loans.

The income tax expense for the six months ended June 30, 2007 differs from the expected income tax benefit of €55.3 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of certain permanent differences between the financial and tax accounting treatment of interest, dividends and intercompany loans and other items that resulted in nondeductible expenses or basis differences in the tax jurisdiction.

Minority interests in earnings of subsidiaries, net

Our minority interests in earnings of subsidiaries, net, increased €10.4 million and €10.6 million during the three and six months ended June 30, 2008, respectively, as compared to the corresponding prior year periods. These increases are attributable to increases in the earnings of VTR.

Net earnings (loss)

During the three months ended June 30, 2008 and 2007, we reported net earnings of €107.8 million and a net loss of €92.3 million, respectively, including (i) operating income of €121.2 million and €66.6 million, respectively, (ii) interest expense of €266.4 million and €234.7 million, respectively, (iii) other net non-operating income of €305.4 million and €92.5 million, respectively, (iv) income tax expense of €39.6 million and €14.3 million, respectively, and (v) minority interests in earnings of subsidiaries, net, of €12.8 million and €2.4 million, respectively. During the six months ended June 30, 2008 and 2007, we reported net losses of €146.9 million and €225.1 million, respectively, including (i) operating income of €233.5 million and €123.0 million, respectively, (ii) interest expense of €537.6 million and €443.9 million, respectively, (iii) other net non-operating income of €218.2 million and €103.9 million, respectively, (iv) income tax expense of €47.6 million and €5.3 million, respectively, and (v) minority interests in earnings of subsidiaries, net, of €13.4 million and €2.8 million, respectively. The net earnings that we reported during the three months ending June 30, 2008 is primarily attributable to the fact that our operating income and our other net non-operating income more than offset our interest, income tax expense and minority interests in earnings of subsidiaries, net. Our other net non-operating income for the 2008 three-month period includes significant gains associated with changes in the fair value of our derivative instruments and movements in foreign currency exchange rates, both of which are subject to a high degree of volatility, and as such, do not represent a reliable source of income. In the absence of significant gains in the future in connection with (i) any dispositions of assets, (ii) changes in the fair value of our derivative instruments, (iii) changes in foreign currency exchange rate or (iv) other non-operating items, our ability to achieve net earnings is largely dependent on our ability to increase the aggregate operating cash flow of our operating segments to a level that more than offsets the aggregate amount of our (a) stock-based compensation expense, (b) depreciation and amortization, (c) impairment, restructuring and other operating charges, net, (d) interest expense, (e) other net non-operating expenses, (f) income tax expenses and (g) minority interests in earnings of subsidiaries, net. Due largely to the fact that we seek to maintain our debt at levels that provide for attractive equity returns, as discussed under *Material Changes in Financial Condition – 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 condensed consolidated statements of operations, see the discussion under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* above.

Material Changes in Financial Condition

Sources and Uses of Cash

As a holding company, UPC Holding's primary assets are its investments in consolidated subsidiaries. UPC Holding's primary subsidiary is UPC Broadband Holding, which owns all of the operating subsidiaries that are consolidated by UPC Holding. Although our consolidated operating subsidiaries have generated cash from operating activities and have borrowed funds under their respective bank facilities, the terms of the instruments governing the indebtedness of certain of our subsidiaries, including UPC Broadband Holding and VTR, may restrict our ability to access the assets of these subsidiaries. As set forth in the table below, these subsidiaries accounted for a significant portion of our consolidated cash and cash equivalents at June 30, 2008. In addition, our ability to access the liquidity of these and other subsidiaries may be limited by tax considerations, the presence of minority interest owners and other factors.

Cash and cash equivalents

The details of the euro equivalent balances of our consolidated cash and cash equivalents at June 30, 2008 are set forth in the following table. With the exception of UPC Holding, which is reported on a stand-alone basis, the amounts presented below include the cash and cash equivalents of the named entity and its subsidiaries unless otherwise noted (in millions):

Cash and cash equivalents held by:		
UPC Holding	€	0.1
UPC Broadband Holding (excluding VTR)		88.5
VTR		58.0
Total cash and cash equivalents	€	146.6

Liquidity of UPC Holding

At June 30, 2008 UPC Holding and its subsidiaries held cash and cash equivalents of €146.6 million. As noted above, various factors may limit our ability to access the cash of our consolidated operating subsidiaries.

As described in greater detail below, our primary source of corporate liquidity is the cash and cash equivalents held by UPC Holding. From time to time, this source of liquidity may be supplemented by proceeds received in forms of loans or distributions from our subsidiaries.

The ongoing cash needs of UPC Holding include (i) corporate general and administrative expenses and (ii) interest payments on the UPC Holding's Senior Notes. From time to time, UPC Holding may also make loans or distributions to LG Europe or other subsidiaries within the LGI consolidated group to fund acquisitions or other investment opportunities. From time to time, UPC Holding may also require funding in connection with the satisfaction of contingent liabilities, acquisitions or other investment opportunities. In light of current market conditions, no assurance can be given that any external funding would be available on favorable terms, or at all.

Liquidity of Operating 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 operating subsidiaries are cash provided by operations and, in the case of UPC Broadband Holding and VTR, borrowing availability under their respective debt instruments. For the details of the borrowing availability of such entities at June 30, 2008, see note 8 to our condensed consolidated financial statements. Our operating subsidiaries' liquidity generally is used to fund capital expenditures and debt service requirements. From time to time, our operating subsidiaries may also require funding in connection with acquisitions, capital distributions, or other investment opportunities. In light of current market conditions, no assurance can be given that any external funding would be available on favorable terms, or at all. For a discussion of our consolidated capital expenditures and cash provided by operating activities, see the discussion under *Condensed Consolidated Cash Flow Statements* below.

Capitalization

We seek to maintain our debt at levels that provide for attractive equity returns without assuming undue risk. In this regard, we strive to maintain our and our operating subsidiaries' debt at levels that result in a consolidated debt balance that is between four and five times our annualized consolidated operating cash flow. The ratio of our June 30, 2008 Senior Debt to Annualized EBITDA (last two quarters annualized) for UPC Holding, as defined and calculated in accordance with the UPC Broadband Holding Bank Facility agreement was 3.55. The ratio of Total Debt to Annualized EBITDA (last two quarters annualized), as defined and calculated in accordance with the UPC Broadband Holding Bank Facility agreement, was 4.23.

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 subsidiaries' borrowings. As further discussed note 5 to our condensed consolidated financial statements, we may also use derivative instruments to mitigate currency and interest rate risk associated with our debt instruments. Our ability to service or refinance our debt is dependent primarily on our ability to maintain or increase our cash provided by operations and to achieve adequate returns on our capital expenditures and acquisitions.

At June 30, 2008, our outstanding consolidated third-party debt and capital lease obligations aggregated €6,745.1 million, including €5.5 million that is classified as current in our condensed consolidated balance sheet. We believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations during the next 12 months and to fund our foreseeable liquidity requirements. Accordingly, we do not believe that the recent adverse changes in the credit markets will adversely impact our ability to meet our foreseeable financial obligations.

At June 30, 2008, our consolidated debt and capital lease obligations owed to third parties included €5,645.1 million that had been borrowed or incurred by our subsidiaries. For additional information concerning our debt balances at June 30, 2008, see note 8 to our condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statements

Our cash flows are subject to significant variations based on foreign currency exchange rates. See our *Discussion and Analysis of our Consolidated Operating Results* above.

General. During the six months ended June 30, 2008, we used net cash provided by our operating activities of €535.0 million and €4.5 million of our existing cash and cash equivalent balances (excluding a €2.5 million decrease due to changes in foreign currency exchange rates) to fund net cash used by our investing activities of €479.3 million and net cash used by our financing activities of €60.2 million.

Operating Activities. Net cash flows from operating activities increased €159.9 million, from €375.1 million during the six months ended June 30, 2007 to €535.0 million during the corresponding 2008 period. This increase primarily is attributable to the net effect of (i) an increase in the cash generated by our video, voice and broadband internet services, (ii) an increase in cash received related to certain derivative instruments and (iii) an increase in cash paid for interest.

Investing Activities. Net cash used by investing activities decreased €11.4 million, from €490.7 million during the six months ended June 30, 2007 to €479.3 million during the corresponding 2008 period. This decrease is due primarily to a €10.4 million decrease in capital expenditures.

The UPC Broadband Division accounted for €380.1 million and €389.9 million of our consolidated capital expenditures during the six months ended June 30, 2008 and 2007, respectively. The decrease in the capital expenditures of the UPC Broadband Division is due primarily to the net effect of (i) decreases in expenditures for the purchase and installation of customer premise equipment, (ii) increases in expenditures for support capital such as information technology upgrades and expenditures for general support systems and (iii) decreases in expenditures for new build and upgrade projects.

VTR accounted for €60.1 million and €60.7 million of our consolidated capital expenditures during the six months ended June 30, 2008 and 2007, respectively. The decrease in the capital expenditures of VTR is due primarily to the net effect of (i) decreases in expenditures for the purchase and installation of customer premise equipment, (ii) increases in expenditures for support capital such as information technology upgrades and expenditures for general support systems and (iii) increases in expenditures for new build and upgrade projects.

We continue to expect, as previously disclosed in our 2007 annual financial statements, that the percentage of revenue represented by the full year 2008 capital expenditures (including capital lease additions) of the UPC Broadband Division and VTR will approximate the comparable 2007 percentage for each entity.

Financing Activities. Net cash used by financing activities decreased €289.0 million, from €349.2 million during the six months ended June 30, 2007, to €60.2 million during the corresponding 2008 period. This change primarily is attributable to a €281.8 million decrease in net borrowings of debt and capital lease obligations.

Off Balance Sheet Arrangements

For a description of our outstanding guarantees and other off balance sheet arrangements at June 30, 2008, see note 11 to our condensed consolidated financial statements.