Offering Memorandum **Strictly Confidential**

€150,000,000
UPC HOLDING B.V.

9¾% Senior Notes due 2018 (the "Additional Notes")

Interest payable April 15 and October 15

Issue Price: 89.147% plus accrued interest from (and including)

April 30, 2009 to (but excluding) the date the Additional Notes are issued

UPC Holding B.V. (the "Issuer" or "UPC Holding") is offering €150,000,000 aggregate principal amount of its 9¾% Senior Notes due 2018 (the "Additional Notes"). The Additional Notes are being offered as additional notes under an indenture pursuant to which, on April 30, 2009, the Issuer issued €250,000,000 aggregate principal amount of 9¾% Senior Notes due 2018 (the "Original Notes" and together with the Additional Notes, the "Notes"). The Additional Notes and the Original Notes will be treated as one single class for all purposes under the indenture including, without limitation, waivers, amendments, redemptions and offers to purchase. The Notes will mature on April 15, 2018. Interest will accrue from April 30, 2009 and the Issuer will pay interest on the Notes semi-annually on each April 15 and October 15, commencing on October 15, 2009.

At any time prior to April 15, 2013, the Issuer may redeem some or all of the Notes by paying a "make whole" premium. At any time on or after April 15, 2013, the Issuer may redeem some or all of the Notes at the redemption prices set forth herein. In addition, at any time prior to April 15, 2012, the Issuer may redeem up to 35% of the Notes with the net proceeds from one or more specified equity offerings. Further, the Issuer may redeem all of the Notes at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in tax law. If the Issuer or certain of its subsidiaries sell certain of their assets or experience specific kinds of changes in control, the Issuer must offer to repurchase the Notes.

The Original Notes are, and the Additional Notes will be, senior obligations of the Issuer and will rank equally with all of the other existing and future senior debt of the Issuer, including the Existing Notes and the 9⅞% Notes (each as defined herein), and senior to all existing and future subordinated debt of the Issuer. The Original Notes are, and the Additional Notes will be, secured (on a shared basis) by a pledge over all the shares of the Issuer. The Issuer is a holding company with no operations or revenue generating assets of its own and will depend upon payments from its subsidiaries to make payment on the Notes. The Original Notes are, and the Additional Notes will be, structurally subordinated to the debt of all the Issuer's subsidiaries.

See "*Risk Factors*" beginning on page 17 for a discussion of certain risks that you should consider in connection with an investment in the Additional Notes.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction. The Issuer is offering the Additional Notes only to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act and to non-U.S. persons outside the United States in accordance with Regulation S under the U.S. Securities Act. For a description of certain restrictions on the transfer of the Notes see "*Plan of Distribution*" and "*Transfer Restrictions*".

Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. The Irish Financial Services Regulatory Authority will only approve a prospectus as meeting the requirements imposed under Irish and EU law pursuant to Directive 2003/71/EC. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

The Notes will be in registered form in the denomination of €50,000 and integral multiples of €1,000 in excess thereof. The Additional Notes will be represented on issue by one or more Global Notes which will be delivered through Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), Clearstream Banking, société anonyme ("Clearstream") on or about May 29, 2009.

Global Coordinator and Bookrunning Manager

Credit Suisse

Bookrunners

BNP PARIBAS **J.P. Morgan** **Morgan Stanley**

Co-Manager

HSBC

May 21, 2009

You should rely only on the information contained in this offering memorandum. Neither the Issuer nor any of the Initial Purchasers has authorized anyone to provide you with different information. Neither the Issuer nor any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where this offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate at any date other than the date on the front of this offering memorandum.

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We have not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this offering memorandum. You must not rely on unauthorized information or representations.

This offering memorandum does not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities.

The information in this offering memorandum is current only as of the date on the cover page, and may change after that date. For any time after the cover date of this offering memorandum, we do not represent that our affairs are the same as described or that the information in this offering memorandum is correct — nor do we imply those things by delivering this offering memorandum or selling securities to you.

The Issuer and the Initial Purchasers are offering to sell the Notes only in places where offers and sales are permitted.

IN CONNECTION WITH THIS OFFERING OF NOTES, CREDIT SUISSE SECURITIES (EUROPE) LIMITED, ON BEHALF OF THE INITIAL PURCHASERS, MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAW, OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO STABILIZING OR MAINTAINING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT CREDIT SUISSE SECURITIES (EUROPE) LIMITED WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES.

The Issuer is offering the Notes in reliance on exemptions from the registration requirements of the U.S. Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "SEC") or any other securities commission or regulatory authority, nor has the SEC or any such securities commission or authority passed upon the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offence in the United States.

This offering memorandum is a confidential document that is being provided for informational use solely in connection with consideration of a purchase of the Notes (i) to U.S. investors that we reasonably believe to be qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act, and (ii) to certain persons in offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act. Its use for any other purpose is not authorized. This offering memorandum may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents be disclosed to anyone other than the qualified institutional buyers described in (i) above or to persons considering a purchase of the Notes in offshore transactions described in (ii) above.

This offering memorandum is for distribution only to persons who (i) are investment professionals, as such term is defined in Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the "Prospectus Directive"), as implemented in member states of the European Economic Area (the "EEA"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers which constitute the final placement of the Notes contemplated in this offering memorandum.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and all other applicable securities laws. See "*Transfer Restrictions*". You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

We have prepared this offering memorandum solely for use in connection with this offering and for applying to the Irish Financial Services Regulatory Authority in its capacity as competent authority in Ireland (the "Competent Authority") for the purposes of the Prospectus Directive for the Notes to be admitted to trading on the Irish Stock Exchange's regulated market and to be listed on the Official List of the Irish Stock Exchange. In the United States, you may not distribute this offering memorandum or make copies of it without our prior written consent other than to people you have retained to advise you in connection with this offering.

You are not to construe the contents of this offering memorandum as investment, legal or tax advice. You should consult your own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of a purchase of the Notes. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. We are not, and the Initial Purchasers are not, making any representation to you regarding the legality of an investment in the Notes by you.

The information contained in this offering memorandum has been furnished by us and other sources we believe to be reliable. No representation or warranty, express or implied, is made by the Initial Purchasers as to the accuracy or completeness of any of the information set out in this offering memorandum, and nothing contained in this offering memorandum is or shall be relied upon as a promise or representation by the Initial Purchasers, whether as to the past or the future. This offering memorandum contains summaries, believed to be accurate, of some of the terms of specified documents, but reference is made to the actual documents, copies of which will be made available by us upon request, for the complete information contained in those documents. Copies of such documents and other information relating to the issuance of the Notes will also be available for inspection at the specified offices of the Irish Paying Agent. All summaries of the documents contained herein are qualified in their entirety by this reference.

We accept responsibility for the information contained in this offering memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this offering memorandum with regard to us, our subsidiaries and affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held and that we are not aware of any other facts the omission of which would make this offering memorandum or any statement contained herein misleading in any material respect.

No person is authorized in connection with any offering made pursuant to this offering memorandum to give any information or to make any representation not contained in this offering memorandum, and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the Initial Purchasers. The information contained in this offering memorandum is current at the date hereof. Neither the delivery of this offering memorandum at any time nor any subsequent commitment to enter into any financing shall, under any circumstances, create any implication that there has been no change in the information set out in this offering memorandum or in our affairs since the date of this offering memorandum.

We reserve the right to withdraw this offering of the Notes at any time, and we and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to you less than the full amount of Notes subscribed for by you.

The distribution of this offering memorandum and the offer and sale of the Notes may be restricted by law in some jurisdictions. Persons into whose possession this offering memorandum or any of the Notes come must inform themselves about, and observe any restrictions on the transfer and exchange of the Notes. See "*Plan of Distribution*" and "*Transfer Restrictions*".

This offering memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this offering memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. The Issuer and the Initial Purchasers are not responsible for your compliance with these legal requirements.

The Notes are subject to restrictions on resale and transfer as described under "*Plan of Distribution*" and "*Transfer Restrictions*". By purchasing any Notes, you will be deemed to have made certain acknowledgments, representations and agreements as described in those sections of this offering memorandum. You may be required to bear the financial risks of investing in the Notes for an indefinite period of time.

Internal Revenue Service Circular 230 Disclosure

PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Data

Unless otherwise indicated, the historical consolidated financial information presented herein has been prepared in compliance with U.S. GAAP.

This offering memorandum includes the March 31, 2009 condensed consolidated financial statements, the December 31, 2008 consolidated financial statements and the Management's Discussion and Analysis of Financial Condition and Results of Operations of the Issuer and its subsidiaries. Our historical results do not necessarily indicate results that may be expected for any future period.

Our financial results are reported in euro denominations. Unless otherwise indicated, convenience translations into euro have been calculated at the March 31, 2009 rate of $1.32 per €1.00.

The comparability of our operating results for the periods presented in this offering memorandum is affected by acquisitions and foreign currency exchange rate fluctuations. For additional information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview*"

Definitions

Unless otherwise stated or the context otherwise requires, the terms "we", "us" and "our" and "UPC Holding" as used in this offering memorandum refer to the Issuer, with or without its consolidated subsidiaries, as the context requires.

"7¾% Notes" refers to the Issuer's €500 million aggregate principal amount of 7¾% Senior Notes due 2014.

"8% Notes" refers to the Issuer's €300 million aggregate principal amount of 8% Senior Notes due 2016.

"8⅝% Notes" refers to the Issuer's €300 million aggregate principal amount of 8⅝% Senior Notes due 2014.

"9¾% Cash Notes" refers to the €65.6 million aggregate principal amount of 9¾% Notes issued for cash pursuant to the April 2009 Offering.

"9¾% Notes" or "Original Notes" refers to the Issuer's €250 million aggregate principal amount of 9¾% Senior Notes due 2018 issued pursuant to the April 2009 Offering.

"9⅞% Notes" or "Dollar Notes" refers to the Issuer's $400 million aggregate principal amount of 9⅞% Senior Notes due 2018.

"Additional Notes" refers to the €150 million aggregate principal amount of 9¾% Senior Notes offered hereby.

"April 2009 Offering" refers to the offering consummated on April 30, 2009 comprised of the issuance of €184.4 million aggregate principal amount of 9¾% Notes issued in the Exchange Offer and an issuance of €65.6 million aggregate principal amount of 9¾% Notes for cash proceeds.

"At Media" refers to At Media Sp. z o.o., with or without its consolidated subsidiaries, as the context requires.

"At Media Transfer" refers to the transfer by a subsidiary of the Issuer of its 100% interest in At Media to Chellomedia Programming B.V. effective January 1, 2007.

"Austria GmbH" refers to UPC Austria GmbH, one of our Austrian subsidiaries, with or without its consolidated subsidiaries, as the context requires.

"Cablecom" refers to Cablecom GmbH, a direct subsidiary of Cablecom Luxembourg S.C.A. and the primary operating company of the Cablecom group, with or without its consolidated subsidiaries, as the context requires.

"Cablecom Holdings" refers to Cablecom Holdings GmbH, the indirect parent of Cablecom, with or without its consolidated subsidiaries, as the context requires.

"Cablecom Transfer" refers to the transaction on April 16, 2007, pursuant to which Cablecom Holdings, the indirect parent of Cablecom, became an indirect subsidiary of the Issuer.

"Chellomedia" refers to Chellomedia B.V., with or without its consolidated subsidiaries, as the context requires.

"Chellomedia Programming" refers to Chellomedia Programming B.V., with or without its consolidated subsidiaries, as the context requires.

"Clearstream" refers to Clearstream Banking, *société anonyme*.

"December 31, 2008 consolidated financial statements" refers to our audited consolidated financial statements as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006 and the notes thereto included in this offering memorandum.

"DirecTV" refers to The DirecTV Group, Inc., with or without its consolidated subsidiaries, as the context requires.

"DTC" refers to The Depository Trust Company.

"ECOFIN" refers to the European Council of Economics and Finance Ministers.

"EU" refers to the European Union.

"Euroclear" refers to the Euroclear system.

"Exchange Notes" refers to the 9¾% Notes offered and issued pursuant to the Exchange Offer.

"Exchange Offer" refers to our offer, announced on April 16, 2009 and closed on April 30, 2009, to exchange up to a target amount of €200 million of our outstanding 7¾% Notes and 8⅝% Notes for an equal aggregate principal amount of Exchange Notes. We accepted €184.4 million aggregate principal amount of validly tendered 7¾% Notes and 8⅝% Notes in the Exchange Offer.

"Existing Notes" or the "UPC Holding Senior Notes" refers to the 7¾% Notes, the 8⅝% Notes, the 8% Notes and the 9¾% Notes.

"Existing 2014 Notes" refers to the 7¾% Notes and the 8⅝% Notes outstanding following the consummation of the Exchange Offer.

"Indenture" refers to the indenture governing the Notes.

"Initial Purchasers" refers to the Initial Purchasers named in "*Plan of Distribution*" herein.

"INODE" refers to INODE Telekommunikationsdienstleistungs GmbH, with or without its consolidated subsidiaries, as the context requires.

"Intercreditor Agreement" refers to the Intercreditor Agreement, as amended, which was originally entered into on July 29, 2005 among LGE Financing, the trustee on behalf of the holders of the 7¾% Notes and acceded to on October 10, 2005, April 17, 2007 and April 30, 2009 by the trustee on behalf of the holders of the 8⅝% Notes, the 8% Notes and the 9¾% Notes and June 14, 2007 by the security agent on behalf of the lenders under the UPC Holding Facility (to the extent any amounts are outstanding thereunder from time to time).

"Issuer" refers to UPC Holding B.V. and not its subsidiaries.

"LG Europe" refers to Liberty Global Europe, Inc., with or without its consolidated subsidiaries, as the context requires.

"LGE Financing" refers to Liberty Global Europe Financing B.V., the direct parent of the Issuer, with or without its consolidated subsidiaries, as the context requires.

"LGI" refers to Liberty Global Inc., with or without its consolidated subsidiaries, as the context requires.

"LGI Combination" refers to the combination of LGI International and UGC on June 15, 2005.

"LGI International" refers to LGI International, Inc. (formerly Liberty Media International, Inc.), with or without its consolidated subsidiaries, as the context requires.

"Liberty Global Europe" refers to Liberty Global Europe N.V., with or without its consolidated subsidiaries, as the context requires.

"Liberty Global Europe Management" refers to Liberty Global Europe Management B.V. (formerly UGC Europe Management B.V.), with or without its consolidated subsidiaries, as the context requires.

"Liberty Media" refers to Liberty Media Corporation, with or without its consolidated subsidiaries, as the context requires.

"March 31, 2009 condensed consolidated financial statements" refers to our unaudited condensed consolidated financial statements as of March 31, 2009 and 2008 and for the three months ended March 31, 2009 and 2008 and the notes thereto included in this offering memorandum.

"Metrópolis" refers to Metrópolis Intercom S.A., with or without its consolidated subsidiaries, as the context requires.

"Notes" collectively refers to the Additional Notes and the Original Notes.

"NTL Ireland" refers to NTL Communications (Ireland) Limited, NTL Irish Networks Limited and certain related assets.

"Priority Telecom" refers to Priority Telecom N.V., with or without its consolidated subsidiaries, as the context requires.

"Share Pledge" refers to a pledge over all of the shares of the Issuer held by LGE Financing.

"Telenet" refers to Telenet Group Holding N.V., with or without its consolidated subsidiaries, as the context requires.

"Tirol" refers to Telesystem Tirol GmbH & Co. KG, with or without its consolidated subsidiaries, as the context requires.

"Tirol Acquisition" refers to the acquisition of Tirol by our operating subsidiary in Austria on October 2, 2007.

"Trustee" refers to The Bank of New York Mellon.

"UGC" refers to UnitedGlobalCom, Inc., with or without its consolidated subsidiaries, as the context requires.

"Unite Holdco Acquisition" refers to the transfer by LG Europe of its 100% interest in Unite Holdco III B.V. to a subsidiary of UPC Broadband Holding on May 4, 2007.

"UPC Belgium Disposal" refers to the disposal by LGI of UPC Belgium N.V./S.A. to Telenet Group Holding N.V. on December 31, 2006.

"UPC Broadband Division" refers to UPC Holding's European broadband communications operations.

"UPC Broadband Holding" refers to UPC Broadband Holding B.V., with or without its consolidated subsidiaries, as the context requires.

"UPC Broadband Holding Bank Facility" refers to the senior secured credit facility agreement entered into on January 16, 2004, as amended or supplemented from time to time, including as amended and restated pursuant to a deed of amendment and restatement dated May 10, 2006 and further amended pursuant to amendment letters dated December 11, 2006 and April 16, 2007, between, among others, UPC Broadband Holding, as borrower, Toronto Dominion (Texas), Inc., as facility agent, TD Bank Europe Limited, as security trustee, and certain banks and financial institutions as lenders.

"UPC France" refers to UPC France S.A., with or without its consolidated subsidiaries, as the context requires, which we sold to a consortium of unrelated third parties on July 19, 2006.

"UPCH Notes" refers to the Existing Notes and the Notes offered hereby.

"UPC Holding Facility" refers to the €250 million term loan facility agreement dated June 14, 2007 among the Issuer, as borrower, TD Securities (USA) LLC and JP Morgan plc, as mandated lead arrangers, Toronto Dominion (Texas) LLC, as facility agent, and The Bank of New York, as security trustee. Effective May 16, 2008, amounts outstanding under the €250 million UPC Holding Facility were rolled into the UPC Broadband Holding Bank Facility.

"UPC Holding Subordinated Loans" refers to related-party loans provided under a master (loan) agreement dated February 28, 2001 under which LGE Financing, another subsidiary of LG Europe, from time to time provides loans to the Issuer. See "*Description of Other Indebtedness — UPC Holding Subordinated Loans*".

"UPC NL" refers to UPC Nederland B.V.

"UPC Norway" refers to UPC Norge A.S., with or without its consolidated subsidiaries, as the context requires, which we sold to an unrelated third party on December 19, 2005.

"UPC Sweden" refers to NBS Nordic Broadband Services AB (publ), with or without its consolidated subsidiaries, as the context requires, which we sold to a consortium of unrelated third parties on April 4, 2006.

"U.S. Exchange Act" refers to the U.S. Securities Exchange Act of 1934, as amended.

"U.S. GAAP" refers to generally accepted accounting principles in the United States.

"VTR" refers to VTR GlobalCom S.A., with or without its consolidated subsidiaries, as the context requires.

"VTR Bank Facility" refers to the amended and restated $475 million senior secured credit facility agreement dated as of May 18, 2007 among VTR as borrower, Citibank N.A. and other lenders party thereto from time to time as lenders and Toronto Dominion (Texas) LLC as facility agent (which was replaced by Citibank, N.A. on June 25, 2007 pursuant to a resignation letter).

"VTR Transfer" refers to the transfer by LG Europe of its 80% interest in VTR to a subsidiary of UPC Broadband Holding on May 23, 2007.

All references in this offering memorandum to "EUR" or "€" are to euro, to "U.S.$" or "$" are to U.S. dollars, to "CHF" are to Swiss francs, to "CLP" are to Chilean Pesos, to "HUF" are to Hungarian forints and to "PLN" are to Polish zloty.

For an explanation or definition of certain other terms used in this offering memorandum, see "*Glossary*".

SUBSCRIBER, MARKET AND INDUSTRY DATA

Subscriber Data

Each subscriber is counted as a revenue generating unit ("RGU") for each service subscribed. Thus, a subscriber who receives cable television, broadband internet and telephony services from us (regardless of their number of telephony access lines) would be counted as three RGUs. The subscriber data included in this offering memorandum, including penetration rates, average monthly subscription revenue earned per average RGU ("ARPU") are determined by management, are not part of our financial statements and have not been audited or otherwise reviewed by an outside auditor, consultant or expert or by any of the Initial Purchasers.

Market and Industry Data

We operate in an industry in which it is difficult to obtain precise market and industry information. We have generally obtained the market and competitive position data in this offering memorandum from industry publications and from surveys or studies conducted by third party sources that we believe to be reliable.

However, neither we nor the Initial Purchasers can assure you of the accuracy and completeness of such information and neither we nor the Initial Purchasers has independently verified such market and position data. We do, however, accept responsibility for the correct reproduction of this information and as far as we are aware and are able to ascertain from information published no facts have been omitted that would render the reproduced information inaccurate or misleading.

In addition, in many cases we have made statements in this offering memorandum regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. Neither we nor the Initial Purchasers can assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information have been verified by independent sources.

EXCHANGE RATE INFORMATION

We present our consolidated financial satements in euro. We have set forth in the table below, for the periods and dates indicated, certain information regarding the exchange rates between U.S. dollars and the euro based on the market rates at 6 p.m. London time. We have provided this exchange rate information solely for your convenience. We make no representation that any amount of currencies specified in the table below has been, or could be, converted into the applicable currency at the rates indicated or any other rate. The market rate at 6 p.m. London time of the euro on March 31, 2009 was $1.32 = €1.00.

	U.S.$ per €1.00			
	Period Average (1)	**High**	**Low**	**Period End**
Year				
2004	1.24	1.36	1.18	1.35
2005	1.24	1.35	1.17	1.18
2006	1.26	1.33	1.19	1.32
2007	1.37	1.49	1.29	1.46
2008	1.47	1.60	1.24	1.39
Month				
January 2009	1.33	1.40	1.28	1.28
February 2009	1.28	1.31	1.26	1.27
March 2009	1.30	1.36	1.25	1.32
April 2009	1.32	1.35	1.29	1.32
May (through May 18, 2009)	1.35	1.36	1.33	1.35

(1) Period Average means the average of the market rates at 6 p.m. London time during the relevant period.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains "forward-looking statements" as that term is defined by the U.S. federal securities laws. These forward-looking statements include, but are not limited to, statements other than statements of historical facts contained in this offering memorandum, including, but without limitation, those regarding our future financial condition, results of operations and business, our product, acquisition, disposition and finance strategies, our capital expenditure priorities, subscriber growth and retention rates, competitive and economic factors, the maturity of our markets, anticipated cost increases, liquidity, credit risk and target leverage levels. In some cases, you can identify these statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "potential", "predict", "project", "should", and "will" and similar words used in this offering memorandum.

By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of these assumptions, risks and uncertainties are beyond our control. Accordingly, actual results may differ materially from those expressed or implied by the forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. We caution readers not to place undue reliance on the statements, which speak only as of the date of this offering memorandum, 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.

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.

Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward-looking statements included in this offering memorandum include those described under "*Risk Factors*".

The following include some but not all of the factors that could cause actual results or events to differ materially from those 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 credit;
- 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 maintain or increase the number of subscriptions to our digital video, voice and broadband internet services and our average monthly revenue per household;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- 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;
- 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 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 offering memorandum 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 offering memorandum, 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.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We undertake no obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this offering memorandum.

We disclose important factors that could cause our actual results to differ materially from our expectations in this offering memorandum. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, it means to include effects upon business, financial and other conditions, results of operations and ability to make payments on the Notes.

AVAILABLE INFORMATION

For so long as any of the Notes are "restricted securities" within the meaning of Rule 144A(a)(3) under the U.S. Securities Act, the Issuer will during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act, nor exempt from the reporting requirements of the U.S. Exchange Act under Rule 12g3-2(b) thereunder, provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

We are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See "*Description of the Notes — Certain Covenants — Reports*".

GENERAL DESCRIPTION OF OUR BUSINESS AND THE OFFERING

This general description of our business and the offering highlights selected information contained in this offering memorandum regarding UPC Holding and the Notes. It does not contain all the information you should consider prior to investing in the Notes. You should read the entire offering memorandum carefully including the "Risk Factors", the March 31, 2009 condensed consolidated financial statements, the December 31, 2008 consolidated financial statements and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering memorandum. Please see page G-1 of this offering memorandum for a glossary of technical terms used in this offering memorandum.

Our Business

We provide video, voice and broadband internet services in ten countries in Europe through our UPC Broadband Division. We provide video, broadband internet and fixed line and mobile telephony services. In terms of video subscribers, we operate the largest cable network in each of Austria, Czech Republic, Hungary, Ireland, Poland, Slovakia, Slovenia and Switzerland and the second largest cable network in the Netherlands and in Romania. We also operate VTR, our 80% owned subsidiary and the largest broadband communications provider in Chile. Provided below is country specific information with respect to the broadband communications services of our UPC Broadband Division and VTR. Unless otherwise indicated, the operational and statistical data provided below is as of March 31, 2009. In April 2009, we entered into an agreement to sell our Slovenian operations. See "— *Our Recent Developments — Agreement to Sell Our Slovenian Operations*".

The geographical distribution of subscribers and homes passed in these groups and certain other operational data as of March 31, 2009, is set forth in the tables below.

	March 31, 2009		
	Homes Passed (1)	Two-way Homes Passed (2)	Customer Relationships (3)
Market			
UPC Broadband Division:			
The Netherlands	2,748,100	2,642,900	2,015,900
Switzerland (13)	1,874,300	1,348,800	1,591,600
Austria	1,148,600	1,148,600	731,200
Ireland	876,500	527,400	549,700
Total Western Europe	6,647,500	5,667,700	4,888,400
Hungary	1,209,500	1,183,800	939,300
Romania	2,069,800	1,700,400	1,263,600
Poland	1,999,100	1,804,000	1,085,300
Czech Republic	1,304,600	1,194,800	786,600
Slovakia	486,200	407,100	295,000
Slovenia	225,600	170,800	158,500
Total Central and Eastern Europe	7,294,800	6,460,900	4,528,300
Total UPC Broadband Division	13,942,300	12,128,600	9,416,700
VTR (Chile)	2,540,300	1,830,900	1,031,200
Total	16,482,600	13,959,500	10,447,900

	March 31, 2009									
		Video					Internet		Telephony	
Market	Total RGUs (4)	Analog Cable Subscribers (5)	Digital Cable Subscribers (6)	DTH Subscribers (7)	MMDS Subscribers (8)	Total Video	Homes Serviceable (9)	Subscribers (10)	Homes Serviceable (11)	Subscribers (12)
UPC Broadband Division:										
The Netherlands	3,291,100	1,342,600	670,500	—	—	2,013,100	2,642,900	689,100	2,578,100	588,900
Switzerland (13)	2,350,200	1,197,900	359,300	—	—	1,557,200	1,538,800	485,200	1,536,800	307,800
Austria	1,233,300	351,200	197,000	—	—	548,200	1,148,600	427,200	1,148,600	257,900
Ireland	675,400	205,600	240,000	—	83,600	529,200	527,400	111,400	418,700	34,800
Total Western Europe	7,550,000	3,097,300	1,466,800	—	83,600	4,647,700	5,857,700	1,712,900	5,682,200	1,189,400
Hungary	1,388,900	543,200	107,400	181,800	—	832,400	1,183,800	323,500	1,186,300	233,000
Romania	1,640,300	961,000	147,300	155,400	—	1,263,700	1,575,000	245,300	1,513,200	131,300
Poland	1,585,000	896,300	122,600	—	—	1,018,900	1,804,000	410,500	1,788,400	155,600
Czech Republic	1,132,700	217,400	334,600	116,600	—	668,600	1,194,800	328,200	1,182,900	135,900
Slovakia	366,100	216,400	35,100	30,900	5,200	287,600	372,600	55,900	372,600	22,600
Slovenia	244,700	140,300	14,200	—	4,000	158,500	170,800	57,200	170,800	29,000
Total Central and Eastern Europe	6,357,700	2,974,600	761,200	484,700	9,200	4,229,700	6,301,000	1,420,600	6,214,200	707,400
Total UPC Broadband Division	13,907,700	6,071,900	2,228,000	484,700	92,800	8,877,400	12,158,700	3,133,500	11,896,400	1,896,800
VTR (Chile)	2,086,800	460,100	422,900	—	—	883,000	1,830,900	605,500	1,816,400	598,300
Total	15,994,500	6,532,000	2,650,900	484,700	92,800	9,760,400	13,989,600	3,739,000	13,712,800	2,495,100

(1) "Homes Passed" are homes that can be connected to our networks without further extending the distribution plant, except for direct-to-home ("DTH") and Multi-channel Multipoint (microwave) Distribution System ("MMDS") homes. Our Homes Passed counts are based on census data that can change based on either revisions to the data or from new census results. We do not count homes passed for DTH. With respect to MMDS, one MMDS customer is equal to one Home Passed. Due to the fact that we do not own the partner networks (defined below) used by Cablecom in Switzerland (see note 13), or the unbundled loop and shared access network used by one of our Austrian subsidiaries, UPC Austria GmbH, ("Austria GmbH") we do not report homes passed for Cablecom's partner networks or the unbundled loop and shared access network used in Austria GmbH.

(2) "Two-way Homes Passed" are Homes Passed by our networks where customers can request and receive the installation of a two-way addressable set-top converter, cable modem, transceiver and/or voice port which, in most cases, allows for the provision of video and internet services and, in some cases, telephony services. Due to the fact that we do not own the partner networks used by Cablecom in Switzerland or the unbundled loop and shared access network used by Austria GmbH, we do not report two-way homes passed for Cablecom's partner networks or the unbundled loop and shared access network used by Austria GmbH.

(3) "Customer Relationships" are the number of customers who receive at least one of our video, internet or voice services that we count as RGUs without regard to which, or to how many services they subscribe. To the extent that RGU counts include equivalent billing unit ("EBU") adjustments, we reflect corresponding adjustments to our Customer Relationship counts. Customer Relationships generally are counted on a unique premise basis. Accordingly, if an individual receives our services in two premises (e.g. primary home and vacation home), that individual will count as two Customer Relationships. We exclude mobile customers from Customer Relationships.

(4) "RGU" is separately an Analog Cable Subscriber, Digital Cable Subscriber, DTH Subscriber, MMDS Subscriber, Internet Subscriber or Telephony Subscriber. A home, residential multiple dwelling unit, or commercial unit may contain one or more RGUs. For example, if a residential customer in our Austrian system subscribed to our digital cable service, telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of Analog Cable, Digital Cable, DTH, MMDS, Internet and Telephony Subscribers. RGUs generally are counted on a unique premise basis such that a given premise does not count as more than one RGU for any given service. On the other hand, if an individual receives our service in two premises (e.g., a primary home and a vacation home), that individual will count as two RGUs. Each bundled cable, internet or telephony service is counted as a separate RGU regardless of the

nature of any bundling discount or promotion. Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period. Services offered without charge on a permanent basis (e.g. VIP subscribers, free service to employees) are not counted as RGUs.

(5) "Analog Cable Subscriber" is a home, residential multiple dwelling unit or commercial unit that receives our analog cable service over our broadband network. In Europe, we have approximately 504,600 "lifeline" customers that are counted on a per connection basis, representing the least expensive regulated tier of basic cable service, with only a few channels.

(6) "Digital Cable Subscriber" is a home, residential multiple dwelling unit or commercial unit that receives our digital cable service over our broadband network or through a partner network. We count a subscriber with one or more digital converter boxes that receives our digital cable service as just one subscriber. A Digital Cable Subscriber is not counted as an Analog Cable Subscriber. As we migrate customers from analog to digital cable services, we report a decrease in our Analog Cable Subscribers equal to the increase in our Digital Cable Subscribers. Individuals who receive digital cable service through a purchased digital set-top box but do not pay a monthly digital service fee are only counted as Digital Cable Subscribers to the extent we can verify that such individuals are subscribing to our analog cable service. We include 35,500 of these subscribers in the Digital Cable Subscribers reported for Cablecom. Subscribers to digital cable services provided by Cablecom over partner networks receive analog cable services from the partner networks as opposed to Cablecom.

(7) "DTH Subscriber" is a home, residential multiple dwelling unit or commercial unit that receives our video programming broadcast directly via a geosynchronous satellite.

(8) "MMDS Subscriber" is a home, residential multiple dwelling unit or commercial unit that receives our video programming via a multi-channel multipoint (microwave) distribution system.

(9) "Internet Homes Serviceable" is a home, residential multiple dwelling unit or commercial unit that can be connected to our networks, or a partner network with which we have a service agreement, where customers can request and receive broadband internet services. With respect to Austria GmbH, we do not report as Internet Homes Serviceable those homes served either over an unbundled loop or over a shared access network.

(10) "Internet Subscriber" is a home, residential multiple dwelling unit or commercial unit that receives internet services over our networks, or that we service through a partner network. Our Internet Subscribers in Austria include 79,000 residential digital subscriber line ("DSL") subscribers of Austria GmbH that are not serviced over our networks. Our Internet Subscribers do not include customers that receive services from dial-up connections.

(11) "Telephony Homes Serviceable" is a home, residential multiple dwelling unit or commercial unit that can be connected to our networks, or a partner network with which we have a service agreement, where customers can request and receive voice services. With respect to Austria GmbH, we do not report as Telephony Homes Serviceable those homes served over an unbundled loop rather than our network.

(12) "Telephony Subscriber" is a home, residential multiple dwelling unit or commercial unit that receives voice services over our networks, or that we service through a partner network. Telephony Subscribers exclude mobile telephony subscribers. Our Telephony Subscribers in Austria include 39,600 residential subscribers of Austria GmbH that are not serviced over our networks.

(13) Pursuant to service agreements, Cablecom offers digital cable, broadband internet and telephony services over networks owned by third party cable operators ("partner networks"). A partner network RGU is only recognized if Cablecom has a direct billing relationship with the customer. Homes Serviceable for partner networks represent the estimated number of homes that are technologically capable of receiving the applicable service within the geographic regions covered by Cablecom's service agreements. Internet and Telephony Homes Serviceable with respect to partner networks have been estimated by Cablecom. These estimates may change in future periods as more accurate information becomes available. Cablecom's partner network information generally is presented one quarter in arrears such that information included in our March 31, 2009 subscriber table is based on December 31, 2008 data. In our March 31, 2009 subscriber table, Cablecom's partner networks account for 82,400 Customer Relationships, 116,300 RGUs, 48,100 Digital Cable Subscribers, 190,000 Internet Homes Serviceable, 188,000 Telephony Homes Serviceable, 41,700 Internet Subscribers, and 26,500 Telephony Subscribers. In addition, partner networks account for 373,800 digital cable homes serviceable that are not included in Homes Passed or Two-way Homes Passed in our March 31, 2009 subscriber table.

Additional General Notes to the Subscriber Tables:

With respect to Chile, residential multiple dwelling units with a discounted pricing structure for video, broadband internet or telephony services are counted on an EBU basis. With respect to commercial establishments, such as bars, hotels and hospitals, to which we provide video and other services primarily for the patrons of such establishments, the subscriber count is generally calculated on an EBU basis by our subsidiaries. EBU is calculated by dividing the bulk price charged to accounts in an area by the most prevalent price charged to non-bulk residential customers in that market for the comparable tier of service. On a business-to-business basis, certain of our subsidiaries provide data, telephony and other services to businesses, primarily in the Netherlands, Switzerland, Austria, Ireland, and Romania. We generally do not count customers of these services as subscribers, customers or RGUs.

While we take appropriate steps to ensure that subscriber statistics are presented on a consistent and accurate basis at any given balance sheet date, the variability from country to country in (i) the nature and pricing of products and services, (ii) the distribution platform, (iii) billing systems, (iv) bad debt collection experience and (v) other factors add complexity to the subscriber counting process. We periodically review our subscriber counting policies and underlying systems to improve the accuracy and consistency of the data reported. Accordingly, we may from time to time make appropriate adjustments to our subscriber statistics based on those reviews.

Subscriber information for acquired entities is preliminary and subject to adjustment until we have completed our review of such information and determined that it is presented in accordance with our policies.

Our Services

We offer a variety of broadband services over our cable television systems, including video, broadband internet and telephony. Available service offerings depend on the bandwidth capacity of our systems and whether they have been upgraded for two-way communications. In select markets, we also offer video services through DTH or through MMDS. Our video service offerings include basic programming and, in some markets, expanded basic programming. We tailor both our basic channel line-up and our additional channel offerings to each system according to culture, demographics, programming preferences and local regulation. Our video service offerings include basic and premium programming, and in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand (“VoD”) and near-video-on-demand (“NVoD”), digital video recorders (“DVR”) and high definition (“HD”) 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 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 and the Netherlands, we provide circuit switched telephony services and voice-over-internet-protocol (“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.

Our Strategy

Subject to competitive and economic factors, we continue to focus on growing our subscriber base and average revenue per subscriber by rolling out bundled entertainment, information and communications services. We believe our triple-play offering of video, telephony and broadband access to the internet (and our quadruple-play offering of video, broadband access, fixed line telephony and mobile telephony in Switzerland) will continue to prove attractive to our existing customer base.

We intend to continue to examine and pursue acquisition and joint venture opportunities to aid growth of our subscriber base and distribution presence, to pursue new business opportunities and to maximize operating efficiencies. In addition, we intend to continue to examine and pursue opportunities in the short and long term to pro-actively manage our liquidity position and to extend our debt maturity profile and may from time to time pay down without cancelling our re-drawable term loan facilities with additional borrowings under the UPC Broadband Holding Bank Facility.

Our Recent Developments

Exchange Offer and Issuance of the Original Notes

On April 30, 2009, we completed the Exchange Offer, in which we exchanged (i) €115.4 million aggregate principal amount of our 7¾% Notes for an equal aggregate principal amount of new 9¾% Senior Notes due April 2018 (the "Exchange Notes") plus a cash payment of €4.6 million and (ii) €69.1 million aggregate principal amount of our 8⅝% Notes for an equal aggregate principal amount of Exchange Notes plus a cash payment of €4.1 million. In connection with the Exchange Offer, we paid to exchanging Noteholders the accrued interest on the exchanged 7¾% Notes and 8⅝% Notes and incurred applicable commissions and fees. The exchanged 7¾% Notes and 8⅝% Notes were subsequently cancelled by us upon closing of the Exchange Offer.

Concurrently with the Exchange Offer, on April 30, 2009, we issued an additional €65.6 million principal amount of our 9¾% Senior Notes due April 2018 at an original issue discount of 16.5% (the "9¾% Cash Notes"), resulting in cash proceeds before underwriting commissions and fees of €54.8 million. The net proceeds from the issuance of the 9¾% Cash Notes, after deducting applicable underwriting commissions and fees, will be used for general corporate purposes. The Exchange Notes and the 9¾% Cash Notes comprise one series of 9¾% Senior Notes due April 2018 with an aggregate principal amount of €250 million (the "Original Notes").

Concurrent Offering of Dollar Denominated 9⅞% Notes

Concurrently with the issuance of the Notes, we are issuing $400 million aggregate principal amount of 9⅞% Senior Notes due 2018 (the "Dollar Notes"). We intend to use the net proceeds from the sale of the Dollar Notes for general corporate purposes, which may include distributions to our direct and indirect parent companies or acquisitions. The issuance of the Additional Notes offered hereby will not be contingent upon the consummation of the issuance of the Dollar Notes.

Upsizing of Facilities Q and R of UPC Broadband Holding Bank Facility

On April 27, 2009, UPC Broadband Holding entered into two new facility accession agreements to increase the sizes of Facility Q and Facility R under the UPC Broadband Holding Bank Facility by €70.0 million to €337.0 million and €27.3 million to €263.2 million, respectively. In connection with these new accession agreements, certain lenders under the €830.0 million Facility L novated, in whole or in part, their drawn commitments in the amount of €97.3 million to Liberty Global Europe BV and entered into either Facility Q or Facility R. As a result, total third-party commitments under Facility L as of April 27, 2009 totaled €229.7 million.

Additional Facilities S and T under the UPC Broadband Holding Bank Facility

In May 2009, UPC Broadband Holding refinanced portions of Facility M and Facility N under the UPC Broadband Holding Bank Facility. Existing Facility M commitments, in an aggregate amount of €1.67 billion were rolled into a new Facility S, a non-redrawable term loan facility denominated in euros and existing Facility N commitments, in an aggregate amount of $500.0 million (€378.0 million), were rolled into a new Facility T, a non-redrawable term loan facility denominated in U.S. dollars. The Facility M and Facility N lenders that have agreed to roll their commitments (the "Rolling Lenders") are novating their existing Facility M and Facility N commitments to Liberty Global Europe BV and will enter into the new Facility S or Facility T, as applicable. Liberty Global Europe BV was the initial lender under Facility S and Facility T and entered into an Additional Facility S Accession Agreement and Additional Facility T Agreement, each dated May 6, 2009. Liberty Global Europe BV is currently in the process of novating its Facility S and Facility T commitments to the Rolling Lenders. The final maturity date for each of Facility S and Facility T will be the earlier of (i) December 31, 2016 and (ii) October 17, 2013, the date falling 90 days prior to the date on which the Existing 2014 Notes are currently scheduled to fall due, if, on such date, such notes are outstanding in an aggregate amount of €250.0 million or more. Facility S will bear interest at a rate of EURIBOR plus 3.75%. Facility T will bear interest at a rate of LIBOR plus 3.50%. The completion of these transactions is subject to the execution of novation certificates by the relevant parties.

Additional Facility U under the UPC Broadband Holding Bank Facility

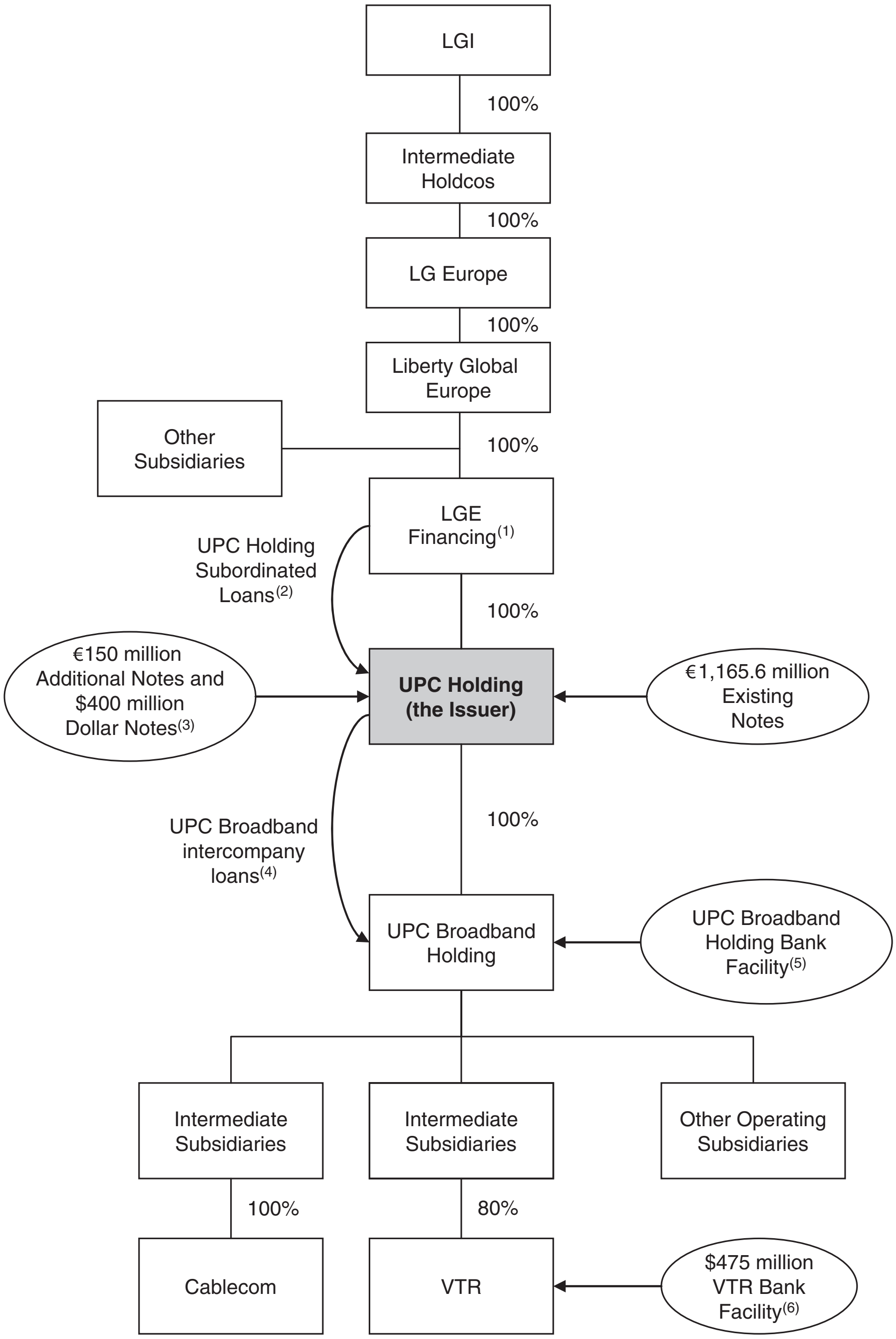
On May 15, 2009, UPC Broadband launched a request to the existing Facility M lenders under the UPC Broadband Holding Bank Facility to roll their existing Facility M commitments into a new Facility U, a non-redrawable term loan facility denominated in euros. The Facility M lenders that decide to roll their commitments (the "Facility M Rolling Lenders") will novate their existing Facility M commitments to Liberty Global Europe BV and will enter into the new Facility U. Liberty Global Europe BV will be the initial lender under Facility U and will enter into an additional facility accession agreement for Facility U. Liberty Global Europe BV will novate its Facility U commitments to the Facility M Rolling Lenders. The final maturity date for Facility U will be the earlier of (i) December 2017 and (ii) October 17, 2013, the date falling 90 days prior to the date on which the Existing 2014 Notes are currently scheduled to fall due, if, on such date, such notes are outstanding in an aggregate amount of €250.0 million or more. Facility U will bear interest at a rate of EURIBOR plus 4.00%. The completion of the above transactions is subject to the execution of the additional facility accession agreement, novation certificates and related documentation by the relevant parties.

Agreement to Sell Our Slovenian Operations

In April 2009, one of our subsidiaries entered into an agreement to sell 100% of the stock of the holding company of our Slovenian cable operations to Mid Europa Partners for a cash purchase price of €119.5 million, subject to working capital adjustments. Consummation of the sale is subject to customary closing conditions, including conditions precedent to the funding of Mid Europa Partners' financing commitments and the receipt of regulatory approval.

Summary Corporate and Financing Structure

The following is a simplified summary of our corporate and financing structure after giving effect to the offering of the Additional Notes.



(1) The Notes will be secured on a shared basis with the Existing Notes, as well as any future indebtedness ranking *pari passu* with the Notes on a secured basis, by a pledge over all of the shares of the Issuer held by LGE Financing. See "*Description of the Notes — Ranking and Security*".

(2) The UPC Holding Subordinated Loans between LGE Financing and the Issuer are expressly subordinated to the Notes and mature on March 1, 2020. The interest rate was 7.58% for the three months ended March 31, 2009 and is reviewed on an annual basis. Interest may be paid in kind or, at our option, subject to certain limitations, in cash. See "*Description of Other Indebtedness — UPC Holding Subordinated Loans*" for a description of the terms of such subordination.

(3) Reflects the issuance of the Additional Notes in this offering and the issuance of $400.0 million aggregate principal amount of the Dollar Notes.

(4) Represents existing intercompany loans which are currently pledged to the lenders under the UPC Broadband Holding Bank Facility. See "*Description of Other Indebtedness — UPC Broadband Holding Intercompany Loans*".

(5) UPC Broadband Holding, a wholly-owned subsidiary of UPC Holding, and UPC Financing Partnership, a 99% owned subsidiary of UPC Holding, are borrowers under the UPC Broadband Holding Bank Facility. The Issuer has guaranteed the obligations of its subsidiaries under the UPC Broadband Holding Bank Facility. For a description of the UPC Broadband Holding Bank Facility, see "*Description of Other Indebtedness — UPC Broadband Holding Bank Facility*". As of March 31, 2009, €6,412.0 million was outstanding under the UPC Broadband Holding Bank Facility and undrawn capacity was €223.0 million. However, based on the March 31, 2009 covenant compliance calculations, our availability under the UPC Broadband Holding Bank Facility will be limited to €217.2 million when the March 31, 2009 bank reporting requirements have been completed.

(6) VTR is the borrower under the VTR Bank Facility. For a description of the VTR Bank Facility, see "*Description of Other Indebtedness — VTR Bank Facility*". As of March 31, 2009, $465.5 million (€351.9 million equivalent) was outstanding under the VTR Bank Facility and undrawn capacity was CLP 136,391.6 million (€176.2 million equivalent). 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.

SUMMARY CONDENSED CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

The table below sets out certain summary historical financial information for UPC Holding for the indicated periods. The summary condensed consolidated historical financial information as of March 31, 2009 and for the three months ended March 31, 2009 and 2008 presented below is derived from the March 31, 2009 condensed consolidated financial statements included in this offering memorandum. The summary condensed consolidated historical financial information as of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006 presented below is derived from the audited December 31, 2008 consolidated financial statements included in this offering memorandum.

The consolidated financial statements included in this offering memorandum have been prepared in accordance with U.S. GAAP. The following information should be read in conjunction with the *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* and the March 31, 2009 condensed consolidated financial statements and the December 31, 2008 consolidated financial statements included in this offering memorandum. Our historical results do not necessarily indicate results that may be expected for any future period.

As further described in note 4 to the December 31, 2008 consolidated financial statements included in this offering memorandum, the consolidated financial statements for the periods presented give retroactive effect to transfers of various entities under the common control of LGI, including Cablecom and VTR, that were completed between 2006 and 2008, such that our consolidated financial statements reflect the effects of these common control transfers for all periods presented in which such entities were under the control of LGI.

Our ultimate parent is LGI. LGI was formed for the purpose of effecting the June 2005 LGI Combination. LGI International, the predecessor to LGI, was formed on March 6, 2004 in contemplation of the spin off of certain international cable television and programming subsidiaries and assets of Liberty Media, including a majority interest in UGC. The spin off of LGI International was completed on June 7, 2004.

	Three months ended March 31,		Year ended December 31,		
	2009	2008	2008	2007	2006
			in millions		
Consolidated Statements of Operations Data:					
Revenue	€ 860.8	€ 870.1	€ 3,516.1	€3,334.0	€3,087.1
Operating costs and expenses:					
Operating (other than depreciation and amortization) (including stock-based compensation)	316.3	323.1	1,279.3	1,314.2	1,251.3
Selling, general and administrative (SG&A) (including stock-based compensation)	149.8	162.4	636.5	673.0	656.3
Related party fees and allocations, net	(5.7)	(0.7)	(13.0)	(32.3)	(22.1)
Depreciation and amortization	265.1	270.3	1,093.9	1,074.0	1,021.8
Impairment, restructuring and other operating charges, net	3.6	2.7	119.3	19.7	17.7
	729.1	757.8	3,116.0	3,048.6	2,925.0
Operating income	131.7	112.3	400.1	285.4	162.1
Non-operating income (expense):					
Interest expense:					
Related party	(160.5)	(159.2)	(621.2)	(518.3)	(517.1)
Third party	(89.8)	(112.0)	(463.3)	(454.5)	(369.7)
Interest income	6.2	7.2	23.3	46.3	16.3
Realized and unrealized losses on derivative instruments, net	(45.1)	(276.4)	(181.9)	(99.5)	(258.5)
Foreign currency transaction gains (losses), net	(241.1)	181.4	(183.9)	140.6	215.8
Unrealized gains (losses) due to changes in fair values of certain investments, net	1.4	0.5	(2.1)	—	—
Loss on extinguishment of debt, net	—	—	—	(16.8)	(27.5)
Gain on disposition of assets, net	—	—	—	—	75.9
Other income (expense) net	(0.6)	0.1	(0.5)	—	(2.0)
	(529.5)	(358.4)	(1,429.6)	(902.2)	(866.8)
Loss before income taxes and discontinued operations	(397.8)	(246.1)	(1,029.5)	(616.8)	(704.7)
Income tax benefit (expense)	14.0	(8.0)	(63.3)	(13.8)	3.7
Loss from continuing operations	(383.8)	(254.1)	(1,092.8)	(630.6)	(701.0)
Discontinued operations:					
Earnings from operations	—	—	—	—	5.4
Gain on disposal of discontinued operations	—	—	—	—	811.3
	—	—	—	—	816.7
Net earnings (loss)	(383.8)	(254.1)	(1,092.8)	(630.6)	115.7
Net loss (earnings) attributable to noncontrolling interests	4.0	(0.6)	(20.1)	(9.2)	9.9
Net earnings (loss) attributable to parent	€ (379.8)	€ (254.7)	€(1,112.9)	€ (639.8)	€ 125.6

	March 31, 2009	December 31, 2008	December 31, 2007
		in millions	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	€ 56.6	€ 108.6	€ 153.6
Total assets	€10,597.7	€10,854.7	€10,956.2
Total current liabilities	€ 1,441.5	€ 1,516.6	€ 1,410.6
Total debt and capital lease obligations	€16,323.7	€16,268.6	€15,681.1
Total liabilities	€18,590.8	€18,531.1	€17,692.7
Parent's deficit	€(8,146.2)	€(7,814.8)	€(6,891.5)
Noncontrolling interests	€ 153.1	€ 138.4	€ 155.0
Total owners' deficit	€(7,993.1)	€(7,676.4)	€(6,736.5)

Other Financial Information:

	Three months ended March 31,		Year ended December 31,		
	2009	2008	2008	2007	2006
			in millions		
Revenue:					
UPC Broadband Division:					
The Netherlands	€ 204.5	€ 200.7	€ 803.7	€ 773.5	€ 735.3
Switzerland	182.5	168.2	692.7	637.1	614.3
Austria	87.8	93.2	365.5	366.9	333.8
Ireland	61.1	58.9	241.9	224.1	208.9
Total Western Europe	535.9	521.0	2,103.8	2,001.6	1,892.3
Hungary	58.5	66.7	275.6	275.2	244.6
Other Central and Eastern Europe	145.9	156.7	645.5	587.2	456.1
Total Central and Eastern Europe	204.4	223.4	921.1	862.4	700.7
Central and corporate operations	1.1	1.3	6.2	7.4	14.3
Total UPC Broadband Division	741.4	745.7	3,031.1	2,871.4	2,607.3
VTR (Chile)	119.4	124.4	485.0	462.6	444.9
Total UPC Holding before disposal	860.8	870.1	3,516.1	3,334.0	3,052.2
Disposal (Belgium)	—	—	—	—	34.9
Total	€ 860.8	€ 870.1	€3,516.1	€3,334.0	€3,087.1

	Three months ended March 31,		Year ended December 31,		
	2009	2008	2008	2007	2006
			in millions		
Operating Cash Flow [(1)(2)]:					
UPC Broadband Division:					
The Netherlands	€ 117.0	€ 110.8	€ 457.2	€ 400.3	€ 354.9
Switzerland	100.1	88.1	368.3	305.2	280.4
Austria	44.4	45.6	184.4	172.8	154.8
Ireland	23.5	22.6	97.7	76.0	63.5
Total Western Europe	285.0	267.1	1,107.6	954.3	853.6
Hungary	29.4	34.2	144.0	138.6	115.7
Other Central and Eastern Europe	74.8	79.5	333.0	293.9	210.6
Total Central and Eastern Europe	104.2	113.7	477.0	432.5	326.3
Central and corporate operations	(38.1)	(38.2)	(150.6)	(165.5)	(158.1)
Total UPC Broadband Division	351.1	342.6	1,434.0	1,221.3	1,021.8
VTR (Chile)	47.0	50.4	200.9	181.4	158.0
Total UPC Holding before disposal	398.1	393.0	1,634.9	1,402.7	1,179.8
Disposal (Belgium)	—	—	—	—	19.3
Total	€ 398.1	€ 393.0	€1,634.9	€1,402.7	€1,199.1

Certain As Adjusted Covenant Information:

	As of and for the three months ended March 31, 2009
	in millions
Annualized EBITDA (3)	€ 1,660.0
As adjusted covenant debt (4)(5)	€ 8,041.2
Ratio of as adjusted covenant debt to annualized EBITDA (4)(5)	4.8x

(1) 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, related party fees and allocations, net, 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 U.S. 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. Operating cash flow should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings (loss), cash flow from operating activities and other U.S. GAAP measures.

(2) The following table presents a reconciliation of total operating cash flow to consolidated operating income for the indicated periods:

	Three months ended March 31,		Year ended December 31,		
	2009	2008	2008	2007	2006
			in millions		
Total segment operating cash flow	€ 398.1	€ 393.0	€ 1,634.9	€ 1,402.7	€ 1,199.1
Stock-based compensation expense	(3.4)	(8.4)	(34.6)	(55.9)	(19.6)
Related party fees and allocations, net	5.7	0.7	13.0	32.3	22.1
Depreciation and amortization	(265.1)	(270.3)	(1,093.9)	(1,074.0)	(1,021.8)
Impairment, restructuring and other operating charges, net	(3.6)	(2.7)	(119.3)	(19.7)	(17.7)
Operating income	€ 131.7	€ 112.3	€ 400.1	€ 285.4	€ 162.1

(3) Annualized EBITDA is calculated by multiplying EBITDA (as defined in the UPC Broadband Holding Bank Facility) for the six months ended March 31, 2009 (€830.0 million) by two. Annualized EBITDA and EBITDA may differ from the operating cash flow amounts reported for corresponding periods.

(4) As adjusted to reflect (a) the issuance of the Dollar Notes (€303.0 million (equivalent)) and the Additional Notes offered hereby (€150.0 million) and (b) the completion of the Exchange Offer and the issuance of the Original Notes (€250.0 million). In addition, the $400.0 million aggregate principal amount of the Dollar Notes has been restated in euros as €303.0 million based on a March 31, 2009 convenience translation at a rate of $1.32 per €1.00.

(5) UPC Broadband Holding Bank Facility covenant calculations are based on "covenant" debt figures which take into account currency swaps but do not take into account original issue discounts. Thus, the debt used in these calculations may differ from the debt balances reported in our consolidated financial statements.

SUMMARY OF THE OFFERING

The summary below describes the principal terms of the Additional Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this offering memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer	UPC Holding B.V.
Notes offered	€150,000,000 aggregate principal amount of 9¾% Senior Notes due 2018. The Additional Notes will be issued as additional notes under the indenture dated as of April 30, 2009 (the "Indenture") pursuant to which the Issuer issued on April 30, 2009, €250,000,000 aggregate principal amount of its 9¾% Senior Notes due 2018 (the "Original Notes"). The Additional Notes and the Original Notes will be treated as one single class for all purposes under the Indenture including, without limitation, waivers, amendments, redemptions and offers to purchase.
Maturity date	April 15, 2018.
Interest payment dates	Semi-annually in arrears on each April 15 and October 15, commencing October 15, 2009. Interest will accrue from April 30, 2009.
Denomination	Each Note will have a minimum denomination of €50,000 or integral multiples of €1,000 in excess thereof.
Issue price	89.147% plus accrued interest, from (and including) April 30, 2009 to (but excluding) the date the Additional Notes are issued.
Ranking	The Original Notes are, and the Additional Notes will be, senior obligations of the Issuer and will rank equally with all of the other existing and future senior debt of the Issuer, including the Existing Notes and the 9⅞% Notes. The Notes will rank senior to all existing and future subordinated debt of the Issuer. The Issuer is a holding company with no operations or revenue generating assets of its own and will depend upon payments from its subsidiaries to make payment on the Notes. None of the subsidiaries of the Issuer will guarantee the Notes. As a result, the Notes will be structurally subordinated to the debt of all of the Issuer's subsidiaries.
Security	The Notes will benefit from the Share Pledge. The Original Notes currently benefit from, and the Additional Notes will benefit from, a fifth ranking pledge over all the shares of the Issuer. The Existing Notes (other than the Original Notes) currently benefit from first, second and third ranking pledges over all the shares of the Issuer, the UPC Holding Facility (to the extent any amount are outstanding thereunder from time to time) will benefit from a fourth ranking share pledge, the Notes benefit from a fifth ranking pledge and the 9⅞%

	Notes will benefit from a sixth ranking share pledge. As a matter of Dutch law, the Share Pledge granted to the holders of the Notes is a fifth ranking pledge because it was granted at a later point in time than the first, second, third and fourth pledges. However, the terms of the intercreditor agreement (which is also applicable to the Existing Notes and, if applicable, the UPC Holding Facility) provide that the benefit of the six share pledges will be shared equally by the Notes issued hereby, the Existing Notes, the 9⅞% Notes and, if applicable, the UPC Holding Facility. The security documents (including an intercreditor agreement) relating to the Share Pledge and the Indenture will also provide that certain future creditors of the Issuer can effectively receive the benefit, on a *pari passu* or junior basis to the holders of the Notes, of the security granted to the noteholders under the Share Pledge. Please note that this contractual arrangement is subject to certain limitations under Dutch law. See "*Risk Factors — Risks Relating to the Notes — The claims of the holders of the Notes will be effectively subordinated to the rights of our existing and future secured creditors to the extent of the value of the assets constituting collateral*", "*Risk Factors — Risks Relating to the Notes — The value of the collateral securing the Notes pursuant to the Share Pledge may not be sufficient to satisfy our obligations under the Notes and such collateral may be reduced or diluted under certain circumstances*" and "*Description of the Notes — Ranking and Security*".
Optional redemption	The Issuer may redeem all or part of the Notes on or after April 15, 2013 at the redemption prices as described under "*Description of the Notes — Redemption — Optional Redemption on or after April 15, 2013*". Prior to April 15, 2013, the Issuer may redeem all or part of the Notes by paying a "make whole" premium as described under "*Description of the Notes — Redemption — Optional Redemption prior to April 15, 2013*". Prior to April 15, 2012, the Issuer may on one or more occasions use the net proceeds of specified equity offerings to redeem up to 35% of the principal amount of the Notes (including the principal amount of any additional Notes) at a redemption price equal to 109.75% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, up to the redemption date, provided that at least 65% of the original principal amount of the Notes remains outstanding after the redemption.
Additional amounts; tax redemption	All payments in respect of the Notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, the Issuer will pay additional amounts so that the net amount you receive is no less than that which you would have received in the absence of such withholding or deduction. See "*Description of the Notes — Withholding Taxes*". The Issuer may redeem the Notes in whole, but

	not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on the Notes, and, as a result, the Issuer is required to pay additional amounts with respect to such withholding taxes. If the Issuer decides to exercise such redemption right, it must pay you a price equal to the principal amount of the Notes plus interest and additional amounts, if any, to the date of redemption. See "*Description of the Notes — Redemption for Taxation Reasons*".
Change of control	If the Issuer experiences a change of control (as defined in the Indenture), it will be required to offer to repurchase the Notes at 101% of their principal amount plus accrued interest to the date of such repurchase. See "*Description of the Notes — Certain Covenants — Change of Control*".
Certain covenants	The Issuer will issue the Additional Notes under the Indenture. The Indenture will partially limit, among other things, the ability of the Issuer and its restricted subsidiaries to: • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends, redeem capital stock and make certain investments; • make certain other restricted payments; • create or permit to exist certain liens; • impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us; • transfer, lease or sell certain assets including subsidiary stock; • merge or consolidate with other entities; • enter into certain transactions with affiliates; • enter into unrelated businesses; and • impair the security interest in the Share Pledge for the benefit of the holders of the Notes. Each of these covenants is subject to a number of significant exceptions and qualifications. See "*Description of the Notes — Certain Covenants*" and the related definitions.
Transfer restrictions	The Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See "*Transfer Restrictions*" and "*Plan of Distribution*".

Listing	Application will be made to list the Additional Notes on the Official List and to trade on the regulated market of the Irish Stock Exchange. See "*Description of the Notes — Listing*".
Trustee	The Bank of New York Mellon, acting through its London Branch.
Paying agent	The Bank of New York Mellon, acting through its London Branch.
Irish paying agent	BNY Financial Services plc.
Transfer agent	The Bank of New York Mellon, acting through its London Branch.
Irish transfer agent	BNY Financial Services plc.
Registrar	The Bank of New York (Luxembourg) S.A.
Security agent	The Bank of New York Mellon, acting through its London Branch.
Irish listing agent	Maples and Calder.
Use of proceeds	We intend to use the net proceeds from the sale of the Notes for general corporate purposes, which may include distributions to our direct and indirect parent companies or acquisitions.
Governing law	The Indenture and the Notes are governed by the laws of the State of New York. The Share Pledge is governed by the laws of the Netherlands.
Risk factors	Please see the "*Risk Factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.

RISK FACTORS

An investment in the Notes involves risks. Before purchasing the Notes, you should consider carefully the specific risk factors set forth below, as well as the other information contained in this offering memorandum. Any of the risks described below could have a material adverse impact on our business, prospects, results of operations and financial condition and could therefore have a negative effect on the trading price of the Notes and our ability to pay all or part of the interest or principal on the Notes. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this offering memorandum.

Risks Relating to our Financial Profile

Our substantial leverage could adversely affect our business, financial condition and results of operations and prevent us from fulfilling our obligations under the Notes.

We are highly leveraged. As of March 31, 2009, as adjusted to give effect to (a) the Exchange Offer and the issuance of the Original Notes and (b) the issuance of the Additional Notes to be issued in this offering and the issuance of the Dollar Notes and the application of proceeds thereof, our total consolidated third party debt would be approximately €8.4 billion (excluding approximately €8.0 billion of UPC Holding Subordinated Loans). Of this indebtedness, €1.6 billion would be indebtedness under the UPCH Notes and €6.4 billion would be indebtedness under the UPC Broadband Holding Bank Facility.

We will be permitted to incur additional indebtedness in the future to the extent such indebtedness is incurred in compliance with certain covenants included in the indentures governing the UPCH Notes and the UPC Broadband Holding Bank Facility. As of March 31, 2009, €223.0 million was available for borrowing under the UPC Broadband Holding Bank Facility. However, based on the March 31, 2009 covenant compliance calculations, our availability under the UPC Broadband Holding Bank Facility will be limited to €217.2 million when the March 31, 2009 bank reporting requirements have been completed. In addition, approximately €176.2 million (equivalent) was available for borrowing under the VTR Bank Facility. To the extent VTR were to draw on the VTR Bank Facility commitments, we would be required to set aside an equivalent amount of cash collateral.

Further, the indentures governing the UPCH Notes, the UPC Broadband Holding Bank Facility and the VTR Bank Facility allow us, in certain circumstances, to make dividend payments, payments on the subordinated loans owed by us to LGE Financing and to make other distributions under the applicable covenants thereunder limiting restricted payments or make minority investments or investments in joint ventures. See the discussions under the heading "*Description of Other Indebtedness*" for further information about our substantial debt.

Our high level of debt could have important consequences for you as a holder of Notes including, but not limited to:

- making it more difficult for us to satisfy our obligations under the Notes;
- requiring us to dedicate a substantial portion of our cash flows from operations to payments on our debt, thereby reducing the funds available to us to finance our operations, capital expenditures, working capital, research and development and other general corporate purposes, including maintaining the quality of our network and product performance;
- placing us at a competitive disadvantage compared to other broadband communications providers in our key markets that have less debt than we do;

- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive and economic environment in which we operate; and
- impeding our ability to obtain additional debt or equity financing, and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including our obligations under the Notes.

In addition, the UPC Broadband Holding Bank Facility and the indentures governing the UPCH Notes contain financial and other restrictive covenants that will limit our ability to engage in activities that may be in our long term best interests, including, among other things, borrowing additional funds. These restrictions are subject to significant exceptions. Our failure to comply with such covenants could result in an event of default under the UPC Broadband Holding Bank Facility and/or the UPCH Notes which, if not cured or waived, could result in the acceleration of all our debts or have a similar material adverse effect on us.

We may incur substantial additional debt in the future, including in connection with any future acquisition. In connection with our financial strategy, we continually evaluate different financing alternatives, and we may decide to enter into new credit facilities or incur other indebtedness from time to time, including during the period following the announcement of this offering. If we incur new debt in addition to our current debt, the related risks that we now face, as described above and elsewhere in these "*Risk Factors*", could intensify.

Our substantial leverage could limit our ability to obtain additional financing and have other adverse effects.

We seek to maintain our debt at levels that provide for attractive returns without assuming undue risk. In this regard, we strive to cause our operating subsidiaries to maintain their debt at levels that result in a consolidated debt balance that is between four and five times our consolidated operating cash flow (as defined in note 12 to the March 31, 2009 condensed consolidated financial statements included in this offering memorandum). At March 31, 2009, our total third party consolidated outstanding debt (as adjusted to give effect to (a) the Exchange Offer and the issuance of the Original Notes and (b) the issuance of Additional Notes to be issued in this offering and the issuance of the Dollar Notes and the application of proceeds thereof) and capital lease obligations would be €8.4 billion, of which €14.1 million would be due over the next 12 months. We believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our debt maturities grow in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we would be able to refinance or otherwise extend our debt maturities in light of current market conditions. In this regard, it is not possible to predict how the recent disruption in the credit and equity markets and the associated difficult economic conditions could impact our future financial position.

Our ability to service or refinance our debt and to maintain compliance with its leverage covenants 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. Accordingly, if our cash provided by operations declines or we encounter other material liquidity requirements, we may be required to seek additional debt financing in order to meet our debt obligations and other liquidity requirements as they come due. In addition, our current debt levels may limit our ability to incur additional debt financing to fund working capital needs, acquisitions, capital expenditures, or other general corporate requirements. We can give no assurance that any additional debt financing will be available on terms that are as favorable as the terms of our existing debt or at all, particularly in light of current market conditions.

We are subject to debt covenants that could adversely affect our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

We and our subsidiaries and UPC Financing are subject to the restrictive covenants contained in the UPC Broadband Holding Bank Facility. These covenants restrict, in certain circumstances, the ability of our subsidiaries to, among other things, make any payments to us in order to enable us to make any payments on the Notes, repay any loans or advances to any such subsidiary or transfer any property or assets to us or other subsidiaries. The UPC Broadband Holding Bank Facility also requires our subsidiaries to maintain specified financial ratios and satisfy financial tests. The ability of our subsidiaries to satisfy those financial tests can be affected by events beyond our control, and we cannot assure you that our subsidiaries will satisfy them. In addition to customary default provisions, including defaults on other indebtedness of our subsidiaries, the UPC Broadband Holding Bank Facility provides that any event of default with respect to indebtedness of €50.0 million or more in the aggregate of (i) Liberty Global Europe, Inc., (the parent of Liberty Global Europe and an indirect subsidiary of UGC), (ii) any other company of which UPC Broadband Holding is a subsidiary and which is a subsidiary of Liberty Global Europe, Inc. and (iii) UPC Holding II B.V. (one of our direct subsidiaries) is an event of default under the UPC Broadband Holding Bank Facility. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under the UPC Broadband Holding Bank Facility or hinder our subsidiaries' ability to borrow under the UPC Broadband Holding Bank Facility, which could have a material adverse effect on our subsidiaries' ability to operate their business and to make payments under their debt instruments. Upon the occurrence of any event of default under the UPC Broadband Holding Bank Facility, the lenders thereunder could cancel the availability of the facilities and elect to declare all amounts outstanding under the UPC Broadband Holding Bank Facility, together with accrued interest, immediately due and payable. If we or our subsidiaries were unable to repay those amounts, the lenders could proceed against the collateral granted to it to secure repayment of those amounts. If the lenders under the UPC Broadband Holding Bank Facility demand repayment of those amounts, we cannot assure you that the assets of our subsidiaries would be sufficient to repay in full those amounts to satisfy all of their other liabilities, which would be due and payable and to make payments to us to enable us to redeem the Notes in full or in part.

In addition, we and our subsidiaries are subject to the restrictive covenants contained in the indentures governing the UPCH Notes. Each issue of the UPCH Notes are senior obligations that rank equally with all of the existing and future senior debt and are senior to all the existing and future subordinated debt of UPC Holding. The UPCH Notes are secured by pledges of the shares of UPC Holding. In addition, the UPCH Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €50.0 million or more in the aggregate of UPC Holding or its Restricted Subsidiaries (as defined in the indentures), including UPC Broadband Holding, is an event of default under the UPCH Notes. A breach of any of the covenants or restrictions in the UPCH Notes could result in an event of default under the indentures governing the UPCH Notes, which could have a material adverse effect on our ability to operate our business and to make payments under our debt instruments. Upon the occurrence of any event of default under the indentures governing the UPCH Notes, the holders of the UPCH Notes could elect to declare all amounts outstanding under the indentures governing the UPCH Notes, together with accrued interest, immediately due and payable subject to the terms of the Intercreditor Agreement. If we were unable to repay those amounts, the holders of the UPCH Notes could proceed against the share pledge granted to them to secure repayment of those amounts.

All of these limitations are subject to significant exceptions and qualifications, including the ability to pay dividends, make investments or to make significant prepayments of shareholder debt. However, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. In addition, our ability to comply with the provisions of the Indenture may be affected by events beyond our control.

In addition to limiting our flexibility in operating our business, the breach of any covenants or obligations under the agreements governing our debt will result in a default under the applicable debt agreement and could trigger acceleration of the related debt. Such a default or acceleration could in turn trigger defaults under other agreements governing our debt. A default under the agreements governing our other debt could materially adversely affect our growth, our financial condition and results of operations and result in us not having sufficient assets to make payments on the Notes. See "*Description of Other Indebtedness*".

We are exposed to interest rate risks. Shifts in such rates may adversely affect our debt service obligations.

We are exposed to the risk of fluctuations in interest rates, primarily under the UPC Broadband Holding Bank Facility and the VTR Bank Facility, which are indexed to EURIBOR, LIBOR, or other base rates. Although we enter into various derivative transactions to manage exposure to movements in interest rates, there can be no assurance that we will be able to continue to do so at a reasonable cost.

We are subject to increasing operating costs and inflation risks which may adversely affect our earnings.

While our operations attempt to increase our subscription rates to offset increases in operating costs, there is no assurance that we will be able to do so. Therefore, operating costs may rise faster than associated revenue, resulting in a material negative impact on our cash flow and net earnings (loss). We are also impacted by inflationary increases in salaries, wages, benefits and other administrative costs in certain of our markets.

We are exposed to various foreign currency exchange rate risks.

We are exposed to foreign currency exchange risk with respect to our debt in situations where our debt is denominated in a currency other than the functional currency of the operations whose cash flows support our ability to repay or refinance such debt. Although we generally seek to match the denomination of our borrowings, and the borrowings of our subsidiaries, with the functional currency of the operations that are supporting the respective borrowings, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in the functional currency of the underlying operations (unmatched debt). In these cases, our policy is to provide for an economic hedge against foreign currency exchange rate movements by using cross-currency interest rate swaps to synthetically convert unmatched debt into the applicable underlying currency.

In addition to the exposure that results from the mismatch of our borrowings and underlying functional currencies, we are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our, or our subsidiaries', respective functional currencies, such as investments in debt and equity securities of foreign subsidiaries, equipment purchases, programming contracts, notes payable and notes receivable (including intercompany amounts) that are denominated in a currency other than the applicable functional currency. Changes in exchange rates with respect to amounts recorded in our consolidated balance sheets related to these items will result in unrealized (based upon period-end exchange rates) or realized foreign currency transaction gains and losses upon settlement of the transactions. Moreover, to the extent that our revenue, costs and expenses are denominated in currencies other than our respective functional currencies, we will experience fluctuations in our revenue, costs and expenses solely as a result of changes in foreign currency exchange rates. In this regard, we expect that during 2009, (i) less than 1% of our revenue, (ii) approximately 3% to 5% of our aggregate operating and selling, general and administrative (SG&A) expenses (exclusive of stock-based compensation expense) and (iii) approximately 17% to 19% of our capital expenditures (including capital lease additions) will be denominated in non-functional currencies, including amounts denominated in (a) U.S. dollars in Europe and Chile, and (b) euros in Poland, Hungary, Romania and the Czech Republic. The actual levels of our non-functional currency transactions may differ from our expectations. Generally, we will consider hedging these currency risks when the foreign currency risk arises from agreements with third parties that involve the future payment or receipt of cash or other monetary items to the extent that we can reasonably predict the timing and amount of such payments or receipts. In this regard, through our subsidiaries, we have entered into foreign currency exchange contracts covering the forward purchase of the U.S. dollar and the euro and the forward sale of the euro and the Chilean peso to hedge certain of these risks. Although certain currency risks related to our capital expenditures and operating and SG&A expenses were not hedged as of March 31, 2009, we expect to increase our use of hedging strategies with respect to these risks during 2009.

We are also exposed to unfavorable and potentially volatile fluctuations of the euro (our reporting currency) against the currencies of our operating subsidiaries and affiliates when their respective financial statements are translated into euro for inclusion in our consolidated financial statements. Cumulative translation adjustments are recorded in accumulated other comprehensive earnings (loss) as a separate component of owners' deficit. Any increase (decrease) in the value of the euro against any foreign currency that is the functional currency of one of our operating subsidiaries or affiliates will cause us to experience unrealized foreign currency translation losses (gains) with respect to amounts already invested in such foreign currencies. As a result of foreign currency risk, we may experience a negative impact on our comprehensive loss and owners' deficit with respect to our holdings solely as a result of foreign currency translation. Our primary exposure to foreign currency risk from a foreign currency translation perspective is to the Swiss franc and the Chilean peso. In addition, we have significant exposure to changes in the exchange rates for the Hungarian forint, the Romanian lei, the Polish zloty, the Czech koruna and other local currencies in Europe. We generally do not hedge against the risk that we may incur non-cash losses upon the translation of the financial statements of our subsidiaries and affiliates into euros.

Risks Relating to Our Business

We operate in increasingly competitive markets, and there is a risk that we will not be able to effectively compete with other service providers.

The markets for cable television, broadband internet and telephony in many of the regions in which we operate are highly competitive. In the provision of video services we face competition from digital terrestrial television ("DTT") broadcasters, video provided over satellite platforms, networks using digital subscriber line ("DSL") technology, fiber-to-the-home ("FTTH") networks and, in some countries where parts of our systems are overbuilt, cable networks, among others. Our operating businesses are facing increasing competition from video services provided by or over the networks of incumbent telecommunications operators and other service providers. In the provision of telephony and broadband internet services, we are experiencing increasing competition from the incumbent telecommunications operators and other service providers in each country in which we operate. The incumbent telecommunication operators typically dominate the market for these services and have the advantage of nationwide networks and greater resources than we have to devote to the provision of these services. Many of the incumbent operators are now offering double-play and triple-play bundles of services. In many countries, we also compete with other operators using the unbundled local loop of the incumbent telecommunications operator to provide these services, other facilities-based operators and wireless providers. Developments in the DSL technology used by the incumbent telecommunications operators and alternative providers have improved the attractiveness of our competitor's products and services and strengthened their competitive position. Developments in wireless technology, such as WiMax, may lead to additional competitive challenges.

In some European markets, national and local government agencies may seek to become involved, either directly or indirectly, in the establishment of FTTH networks, DTT systems or other communications systems. We intend to pursue available options to restrict such involvement or to ensure that such involvement is on commercially reasonable terms. There can be no assurance, however, that we will be successful in these pursuits. As a result, we may face competition from entities not requiring a normal commercial return on their investments. In addition, we may face more vigorous competition than would have been the case if there was no government involvement.

We expect the level and intensity of competition to continue to increase from both existing competitors and new market entrants as a result of changes in the regulatory framework of the industries in which we operate, advances in technology, the influx of new market entrants and strategic alliances and cooperative relationships among industry participants. Increased competition has resulted in increased customer churn, reductions in the rate of customer acquisition and significant price competition in most of our markets. In combination with difficult economic environments, these competitive pressures could adversely impact our ability to increase, or in certain cases, maintain the ARPU, RGUs, operating cash flows, operating cash flow margins and liquidity of our operating segments.

We may not report net earnings from continuing operations.

We reported losses from continuing operations of €383.8 million, €254.1 million, €1,092.8 million, €630.6 million and €701.0 million during the three months ended March 31, 2009 and 2008 and years ended December 31, 2008, 2007 and 2006, respectively. In light of our historical financial performance, we cannot assure you that we will report net earnings in the near future or at all.

Our capital expenditures may not generate a positive return.

The video, broadband internet and telephony businesses in which we operate are capital intensive. Significant capital expenditures are required to add customers to our networks, including expenditures for equipment and labor costs. No assurance can be given that our future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned capital expenditures, our growth could be limited and our competitive position could be harmed.

Changes in technology may limit the competitiveness of and demand for our services, which may adversely impact our business.

Technology in the video, telecommunications and data services industries is changing rapidly. This significantly influences the demand for the products and services that are offered by our businesses. The ability to anticipate changes in technology and consumer tastes and to develop and introduce new and enhanced products on a timely basis will affect our ability to continue to grow, increase our revenue and number of subscribers and remain competitive. New products, once marketed, may not meet consumer expectations or demand, can be subject to delays in development and may fail to operate as intended. A lack of market acceptance of new products and services which we may offer, or the development of significant competitive products or services by others, could have a material adverse impact on our revenue and operating cash flow.

If we are unable to obtain attractive programming or necessary equipment and software on satisfactory terms for our digital cable services, the demand for our services could be reduced, thereby lowering revenue and profitability.

We rely on digital programming suppliers for the bulk of our programming content. We may not be able to obtain sufficient high-quality programming for our digital cable services on satisfactory terms or at all in order to offer compelling digital cable services. This may also limit our ability to migrate customers from lower tier programming to higher tier programming, thereby inhibiting our ability to execute our business plans. Furthermore, we may not be able to obtain attractive country-specific programming for video services. In addition, must carry requirements may consume channel capacity otherwise available for other services. Any or all of these factors could result in reduced demand for, and lower revenue and profitability from, our digital video services. Further, we may not be able to obtain the equipment, software and services required for our businesses on a timely basis or on satisfactory terms. We depend on third-party suppliers and licensors to supply our equipment, software and certain services. If demand exceeds these suppliers' and licensors' capacity or if they experience financial difficulties, the ability of our businesses to provide some services may be materially adversely affected, which in turn could affect our businesses' ability to attract and retain customers. This could then have a negative impact on our business and financial operations.

Failure in our technology or telecommunications systems could significantly disrupt its operations, which could reduce our customer base and result in lost revenue.

Our success depends, in part, on the continued and uninterrupted performance of our information technology and network systems as well as our customer service centers. The hardware supporting a large number of critical systems for our cable network in a particular country or geographic region is housed in a relatively small number of locations. Our systems are vulnerable to damage from a variety of sources, including telecommunications failures, power loss, malicious human acts and natural disasters. Moreover, despite security measures, our servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Despite the precautions we have taken, unanticipated problems affecting our systems could cause failures in our information technology systems or disruption in the transmission of signals over our networks. Sustained or repeated system failures that interrupt our ability to provide service to our customers or otherwise meet our business obligations in a timely manner would adversely affect our reputation and result in a loss of customers and net revenue.

We cannot be certain that we will be successful in acquiring new businesses or integrating acquired businesses with our existing operations.

Historically, our businesses have grown, in part, through selective acquisitions that enabled us to take advantage of existing networks, local service offerings and region-specific management expertise. We expect to seek to continue growing our businesses through acquisitions in selected markets. Our ability to acquire new businesses may be limited by many factors, including availability of financing, debt covenants, the prevalence of complex ownership structures among potential targets and government regulation and competition from other potential acquirers, primarily private equity funds. Even if we were successful in acquiring new businesses, the integration of new businesses may present significant costs and challenges, including: realizing economies of scale in interconnection, programming and network operations; eliminating duplicative overheads; and integrating personnel, networks, financial systems and operational systems. We cannot assure you that we will be successful in acquiring new businesses or realizing the anticipated benefits of any completed acquisition.

Our businesses are conducted in ten European countries and in Chile, which gives rise to numerous operational risks.

Our businesses operate in ten European countries and in Chile and are thereby subject to the following inherent risks:

- difficulties in staffing and managing international operations;
- potentially adverse tax consequences;
- export and import restrictions, custom duties, tariffs and other trade barriers;
- increases in taxes and governmental fees;
- economic instability and related impacts on foreign currency exchange rates; and
- changes in foreign and domestic laws and policies that govern operations of foreign based companies.

Operational risks that we experienced in certain countries in the past and may again experience in the future as we seek to expand our operations into new countries include disruptions of services or loss of property or equipment that are critical to overseas businesses due to expropriation, nationalization, war, insurrection, terrorism or general social or political unrest.

Difficult economic conditions may reduce subscriber spending for our video, internet and telephony services and reduce our rate of growth of subscriber additions.

Most of the countries in which we operate are experiencing difficult economic conditions. Because a substantial portion of our revenue is derived from residential subscribers who may be impacted by these conditions, it may be (i) more difficult to attract new subscribers, (ii) more likely that certain of our subscribers will downgrade or disconnect their services and (iii) more difficult to maintain ARPUs at existing levels.

Accordingly, our ability to increase, or in certain cases, maintain the revenue, ARPU, RGUs, operating cash flow, operating cash flow margins and liquidity of our operating segments could be adversely affected to the extent that relevant economic environments remain weak or decline further. We are currently unable to predict the extent of any of these potential adverse effects.

Disruptions in the worldwide credit and equity markets have increased the risk of default by the counterparties to our financial instruments, undrawn debt facilities and cash investments and may impact our future financial position.

Disruptions in the credit and equity markets have impacted the creditworthiness of certain financial institutions. Although we seek to manage the credit risks associated with our financial instruments, cash and cash equivalents and undrawn debt facilities, we are exposed to an increased risk that our counterparties may default on their obligations to us. At March 31, 2009, our exposure to credit risk included (i) derivative assets with a fair value of €360.4 million, (ii) cash and cash equivalent balances of €56.6 million and (iii) aggregate undrawn debt facilities of €399.2 million, including CLP 136.4 billion (€176.2 million) of commitments under the VTR Credit Facility for which we would be required to set aside an equivalent amount of cash collateral. Were one or more of our counterparties to fail or otherwise be unable to meet its obligations to us, our cash flows, results of operations and financial condition could be adversely affected. It is not possible to predict how the recent disruption in the credit and equity markets and the associated difficult economic conditions could impact our future financial position. In this regard, (i) additional financial institution failures could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) sustained or further tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with weak economies, could adversely impact our cash flows and liquidity.

Risks Relating to Legislative and Regulatory Matters

Our businesses are subject to risks of adverse regulation.

Our businesses are subject to the unique regulatory regimes of the countries in which they operate. Cable and telecommunications businesses are subject to licensing or registration eligibility rules and regulations, which vary by country. The provision of electronic communications networks and services requires our licensing from, or registration with, the appropriate regulatory authorities and for telephony services, entrance into interconnection arrangements with the incumbent phone companies. It is possible that countries in which we operate may adopt laws and regulations regarding electronic commerce which could dampen the growth of the internet services being offered and developed by these businesses. In addition, regulatory authorities may grant new licenses to third parties and, in any event, in most of our markets, new entry is possible without a license, resulting in greater competition in territories where our businesses may already be active. More significantly, regulatory authorities may require us to grant third parties access to our bandwidth, frequency capacity, facilities or services, as in the Netherlands. In some cases, ownership restrictions may apply to broadband communications businesses. Consequently, our businesses must adapt their ownership and organizational structure as well as their pricing and service offerings to satisfy the rules and regulations to which they are subject. A failure to comply with these rules and regulations could result in penalties, restrictions on such business or loss of required licenses or other adverse conditions.

Such adverse conditions could:

- impair our ability to use our bandwidth in ways that would generate maximum revenue and operating cash flow;
- create a shortage of capacity on our network, which could limit the types and variety of services we seek to provide our customers;

- strengthen our competitors by granting them access and lowering their costs to enter into our markets; and
- have a significant adverse impact on our profitability.

Businesses, including us, that offer multiple services, such as video distribution as well as internet and telephony, or that are vertically integrated and offer both video distribution and programming content, often face close regulatory scrutiny from competition authorities in several countries in which we operate. This is particularly the case with respect to any proposed business combinations which will often require clearance from national competition authorities. The regulatory authorities in several countries in which we do business have considered from time to time what access rights, if any, should be afforded to third parties for use of existing cable television networks and in certain countries have imposed access obligations. This has resulted, for example, in specific obligations in the Netherlands in respect of TV resale and distribution, as well as obligations of call termination in respect of our telephony business in Europe and video "must carry" obligations in many markets in which we operate.

When we acquire additional communications companies, these acquisitions may require the approval of governmental authorities (either at country or European level), which can block, impose conditions on, or delay an acquisition; thus hampering our opportunities for growth.

New legislation may significantly alter the regulatory regime applicable to us, which could adversely affect our competitive position and profitability, and we may become subject to more extensive regulation if we are deemed to possess significant market power in any of the markets in which we operate.

Significant changes to the existing regulatory regime applicable to the provision of cable television, telephony and internet services have been and are still being introduced. For example, in the European Union a large element of regulation affecting our business derives from a number of legal measures, which it refers to as the Directives, and that are the basis of the regulatory regime concerning communications services across the EU. They include the following:

- Directive for a New Regulatory Framework for Electronic Communications Networks and Services (referred to as the Framework Directive);
- Directive on the Authorization of Electronic Communications Networks and Services (referred to as the Authorization Directive);
- Directive on Access to and Interconnection of Electronic Communications Networks and Services (referred to as the Access Directive);
- Directive on Universal Service and Users' Rights relating to Electronic Networks and Services (referred to as the Universal Service and Users' Rights Directive);
- Directive on Privacy and Electronic Communications (referred to as the Privacy Directive); and
- Directive on Competition in the Markets for Electronic Communications and Services (referred to as the Competition Directive).

These Directives are currently under review and any changes to them could lead to substantial changes in the way in which our businesses are regulated and to which we would have to adapt our company.

We do not have complete control over the prices that we charge.

Our cable television business is in some countries subject to regulation or review by various regulatory, competition or other government authorities responsible for the regulation or the review of the charges to our subscribers for cable television services. Such authorities, in certain cases, could potentially require us to repay such fees to the extent they are excessive or discriminatory. We also may not be able to enforce future changes to our cable television subscription prices. Additionally, in certain European markets, 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. This may have an adverse impact on our revenue, profitability of new products and services and our ability to respond to changes in the cable television market.

Risks Relating to Our Management, Principal Shareholders and Related Parties

The loss of certain key personnel could harm our business.

We have experienced employees at both the corporate and operational levels who possess substantial knowledge of our business and operations. We cannot assure you that we will be successful in retaining their services or that we would be successful in hiring and training suitable replacements without undue costs or delays. As a result, the loss of any of these key employees could cause significant disruptions in our business operations, which could materially adversely affect our results of operations.

The interests of LGI, our indirect parent company, may conflict with our interests.

LGI is our indirect parent, indirectly owning 100% of the voting interests in UPC Holding. When business opportunities, or risks and risk allocation arise, the interests of LGI (or other LGI controlled entities) may be different, or in conflict with our interests on a stand-alone basis. Because we are indirectly controlled by the parent entity, LGI may allocate certain or all of its risks to us and we cannot assure you that LGI will permit us to pursue certain business opportunities.

Our ability to exercise control over certain of our subsidiaries may be, in some cases, dependent upon the consent and co-operation of other equity participants who are not under our control.

We currently have operations in 11 countries (including Chile). Our participation of ownership in each of these subsidiaries varies from market to market, and in certain countries we have agreements with minority shareholders which provide these minority shareholders with different rights and possibly the ability to block transactions or decisions which we would otherwise undertake. Our ability to withdraw funds, including dividends, from our participation in, and to exercise management control over, some of these subsidiaries and investments depends on the consent of the other equity participants in these subsidiaries. Although the terms of our investments vary, our operations may be affected if disagreements develop with other equity participants in our subsidiaries. Failure to resolve such disputes could restrict payments to us and have an adverse effect on our business operations.

Risks Relating to the Notes

The Issuer is a holding company and conducts no business operations of its own and will depend on payments from its subsidiaries to make payments on the Notes; the Issuer's subsidiaries will be subject to restrictions on making any such payments.

The Issuer is a holding company that conducts no business operations of its own. The Issuer has no significant assets other than the shares it holds in its direct subsidiaries and its claims under certain intercompany loans.

You will not have any direct claim on the cash flows or assets of any of the Issuer's direct or indirect subsidiaries. Such subsidiaries have no obligation, contingent or otherwise, to pay amounts due under the Notes or to make funds available to us for these payments.

The payment of dividends and the making, or repayment, of loans and advances to us by the Issuer's direct subsidiaries and such payments by its indirect subsidiaries to their respective parent entity are subject to various restrictions. Existing and future debt of certain of these subsidiaries may prohibit the payment of dividends or the making, or repayment, of loans or advances to the Issuer or their respective parent entities. In particular, the UPC Broadband Holding Bank Facility contains significant restrictions on the ability of the Issuer's direct or indirect subsidiaries to make payment of principal or interest on intercompany loans extended by it. See "*Description of Other Indebtedness*" for further information. In addition, the ability of any of the Issuer's direct or indirect subsidiaries to make certain distributions may be limited by the laws of the relevant jurisdiction in which the subsidiaries are organized or located, including financial assistance rules, corporate benefit laws and other legal restrictions which, if violated, might require the recipient to refund unlawful payments. If any of the Issuer's direct or indirect subsidiaries are unable to make distributions or other payments to it or their respective parent entities, the Issuer does not expect to have any other sources of funds that would allow the Issuer to make payments to you.

Although the Indenture will limit the ability of the Issuer's subsidiaries to enter into future consensual restrictions on their ability to pay dividends and make other payments to the Issuer, there are significant qualifications and exceptions to these limitations.

We cannot assure you that arrangements with the Issuer's subsidiaries and the funding permitted by the agreements governing existing and future indebtedness of the Issuer's subsidiaries will provide the Issuer with sufficient dividends, distributions or loans to fund payments on the Notes when due.

The Notes will be structurally subordinated to the obligations of the Issuer's subsidiaries.

The Notes will be structurally subordinated to the obligations of the Issuer's subsidiaries. Generally, claims of creditors of the Issuer's subsidiaries, including trade creditors and claims of preference shareholders (if any) of each such subsidiary, will have priority with respect to the assets and earnings of such subsidiary over claims of creditors of its parent entity. In the event of an insolvency, liquidation or other reorganization of any of the Issuer's subsidiaries, holders of their debt and their trade creditors will typically be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Issuer and its holding company subsidiaries as equity holders.

United States securities laws restrict the circumstances under which you can transfer the Notes.

The Issuer is offering the Notes in reliance upon exemptions from registration under the U.S. Securities Act and applicable state securities laws. Therefore, the Notes may be transferred or resold only in transactions registered under, exempt from or not subject to the registration requirements of the U.S. Securities Act and all applicable state securities laws. You should read the discussions under "*Plan of Distribution*" and "*Transfer Restrictions*" for further information about these and other transfer restrictions. It is your obligation to ensure that your offers and sales of Notes comply with applicable law.

There may not be an active trading market for the Notes in which case your ability to sell the Notes will be limited.

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of Notes, regardless of our prospects and financial performance. As a result, there may not be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

Although the Issuer will, in the Indenture, agree to use its reasonable best efforts to have the Notes listed and admitted to trading on the Irish Stock Exchange within a reasonable period after the issue date of the Notes and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will become or remain listed. If the Issuer can no longer maintain the listing on the Irish Stock Exchange or it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Irish Stock Exchange, provided that it will use reasonable best efforts to obtain and maintain the listing of the Notes on another stock exchange although there can be no assurance that the Issuer will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Irish Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the Indenture, failure to be approved for listing or the delisting of the Notes from the Irish Stock Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

The various insolvency and administrative laws to which we are subject may not be favorable to creditors, including holders of Notes, as the case may be, and may limit your ability to enforce your rights under the Notes.

The Netherlands and the EU

We and certain of our subsidiaries are organized under the laws of the Netherlands and have our center of main interests within the meaning of the EU Insolvency Regulation (EU 1346/2000) in the Netherlands (the "Dutch Companies"). Consequently, in the event of a bankruptcy or insolvency event with respect to a Dutch Company, primary proceedings would likely be initiated in the Netherlands while secondary proceedings could be initiated in one or more EU jurisdictions (with the exception of Denmark) in which we conduct operations. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding enforcement of your rights. Your rights as a holder of Notes may be subject to insolvency and administrative laws of several jurisdictions that may differ substantially from each other, including with regard to the rights of creditors, priority claims and procedures and may contain provisions that are unfavorable to you. For example in some jurisdictions:

- after the occurrence of an insolvency event, secured lenders with a first ranking priority have additional rights, including, among other things, the right to direct the disposition of any collateral security, which could result in the sale of certain assets for less than their going concern value, whereas in other jurisdictions a secured creditor may be stayed from taking any enforcement action for an indeterminate period of time;

- certain claims, such as (i) amounts owed in respect of occupational pension schemes, (ii) certain amounts owed to employees, (iii) amounts owed to governmental entities and (iv) expenses of an insolvency trustee or administrator may have priority over claims of unsecured creditors, including secured creditors to the extent the collateral is insufficient;

- the grant of collateral security for the Notes may be voided if entered into or granted within specified hardening periods in advance of an insolvency event and/or if this is found to be detrimental to the creditors; and

- the ability to claim for or collect interest or other amounts accruing after the commencement of bankruptcy proceedings may be limited and may not be entitled to priority.

In addition, although the EU Insolvency Regulation does provide guidance, there can be no assurance as to how these laws would be applied in the event of a multi-jurisdictional insolvency proceeding. As a result, we cannot assure you that you will be able to enforce the Issuer's rights as a creditor effectively in such bankruptcy or insolvency proceedings.

Dutch insolvency laws may make it difficult or impossible to effect a restructuring. There are two primary insolvency regimes under Dutch law: the first, moratorium of payment (*surséance van betaling*), is intended to facilitate the reorganization of a debtor's debts and enable the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is designed to liquidate and distribute the assets of a debtor to its creditors.

Upon commencement of moratorium of payment proceedings, the court will grant a provisional moratorium. A definitive moratorium will generally be granted in a creditors' meeting called for that purpose, unless rejected by a qualified minority of the general unsecured non-preferential creditors. In both cases, general unsecured and non-preferential creditors will be precluded from attempting to recover their claims from the assets of the debtor. Moratorium is subject to exceptions, the most important of which excludes secured creditors and preferential creditors (such as tax and social security authorities) from the application of the moratorium. During Dutch moratorium of payment proceedings, secured creditors may proceed against the assets that secure their claims to satisfy their claims, and preferential creditors are also not barred from seeking to recover their claims. A recovery under Dutch law, therefore, could involve a sale of assets in a manner that does not reflect the going concern value of the debtor. In a moratorium, a composition (*akkoord*) may be offered to the unsecured and non-preferential creditors. Such a composition will be binding upon all unsecured and non-preferential creditors, irrespective whether they voted in favor or against it or whether they were represented at the creditor's meeting called for the purpose of voting on the composition plan, if (i) it is approved by more than 50% in number of the general unsecured and non-preferential creditors present or represented at the creditor's meeting, representing at least 50% in amount of the general unsecured and non-preferential claims admitted for voting purposes and (ii) it is subsequently ratified (*gehomologeerd*) by the Court. Consequently, Dutch insolvency laws could preclude or inhibit the ability of the holders of the Notes to effect a restructuring of UPC Holding and could reduce the holders' recovery in a Dutch insolvency proceeding.

Under Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors on a pari passu basis and certain creditors (such as secured creditors and preferential creditors) will have special rights that may adversely affect the interests of holders of the Notes. The claim of a creditor may be limited depending on the date the claim becomes due and payable in accordance with its terms. Generally, claims of holders of the Notes which were not due and payable by their terms on the date of a bankruptcy of the Issuer are admissible only for their net present value if they mature more than one year after opening of the bankruptcy. Each of these claims will have to be submitted to the receiver of the Issuer to be verified by the receiver. "Verification" under Dutch law means that the receiver verifies the value of the claim and whether and to what extent it may be admitted in the bankruptcy proceedings. The valuation of claims that otherwise would not have been payable at the time of the bankruptcy proceedings may be based on the net present value analysis. Creditors that wish to dispute the valuation of their claims by the receiver will need to commence a court proceeding. These verification procedures could cause holders of the Notes to recover less than the principal amount of their Notes.

In a bankruptcy, a composition (*akkoord*) may be offered to the unsecured and non-preferential creditors. Such a composition will be binding upon all unsecured and non-preferential creditors, if (i) it is approved by a simple majority of the meeting of the recognised and admitted creditors representing at least 50% of the amount of the recognised and of the admitted claims and (ii) it is subsequently ratified (*gehomologeerd*) by the Court.

The claims of the holders of the Notes will be effectively subordinated to the rights of our existing and future secured creditors to the extent of the value of the assets constituting collateral.

While the Notes will be secured by a pledge over the shares of the Issuer, the Notes will not be secured by the assets of the Issuer or the Issuer's subsidiaries. In 2005, we issued the 7¾% Notes and the 8⅝% Notes. In April 2007, upon consummation of the Cablecom Transfer, we assumed the obligations of the 8% Senior Notes of Cablecom issued in 2006, and in April 2009 we issued the Original Notes, in each case, on substantially identical terms to those governing the 7¾% Notes and the 8⅝% Notes. In addition, the UPC Holding Facility (to the extent any amount are outstanding thereunder from time to time) will benefit from a fourth ranking share pledge. The Existing Notes are, and the UPC Holding Facility (if applicable) and the Notes will be, secured by a pledge over the shares of the Issuer. The indentures governing the Existing Notes and the UPC Holding Facility (if applicable) provide for, and the Indenture governing these Notes will provide for, a negative pledge and will allow us and our restricted subsidiaries to incur a limited amount of secured indebtedness which will be effectively senior to the Notes. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization, or other insolvency or bankruptcy proceeding, holders of such secured indebtedness will have prior claim to those of our assets that constitute their collateral. In these circumstances, we cannot assure you that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness.

In addition, we may secure our obligations on a pari passu basis with the Share Pledge securing the Notes without the need for the consent of the holders of the Notes or the trustee.

The value of the collateral securing the Notes pursuant to the Share Pledge may not be sufficient to satisfy our obligations under the Notes and such collateral may be reduced or diluted under certain circumstances.

The Existing Notes currently benefit from a first ranking, second ranking, third ranking and, in the case of the Original Notes, fifth ranking pledge over all of the shares of the Issuer and the UPC Holding Facility (to the extent any amount are outstanding thereunder from time to time) will benefit from a fourth ranking share pledge. In addition the 9⅞% Notes will benefit from a sixth ranking share pledge over all of the shares of the Issuer. As a matter of Dutch law, the Share Pledge granted to the holders of the Notes (including the Additional Notes which will also benefit from the fifth ranking pledge) is a fifth ranking pledge because it was be granted at a later point in time than the first, second, third and fourth pledges. However, the terms of the intercreditor agreement (which is also applicable to the Existing Notes and the UPC Holding Facility (if applicable)) provide that the benefit of the six share pledges will be shared equally by the Notes offered hereby, the Existing Notes, the Additional Notes, the 9¾% Notes and the UPC Holding Facility (if applicable) or any such hedging obligation. Please note that this contractual arrangement is subject to certain limitations under Dutch law. In the event of foreclosure on the collateral securing indebtedness under the Existing Notes, the 9¾% Notes the UPC Holding Facility (if applicable) and these Notes, the proceeds from the sale of the Issuer's shares may not be sufficient to satisfy our obligations under the Existing Notes, the UPC Holding Facility (if applicable), the 9¾% Notes and these Notes. The value of the collateral and the amount to be received upon a sale of such collateral will depend upon many factors, including, among others, the ability to sell the Issuer's shares in an ordinary sale and the availability of buyers. In addition, the Issuer's shares may be illiquid and may have no readily ascertainable market value.

The Indenture will permit the granting of certain liens other than those in favor of the holders of the Notes on the collateral securing the Notes. To the extent that holders of other secured indebtedness or third parties enjoy liens, including statutory liens, whether or not permitted by the Indenture or the Share Pledge, such holders or third parties may have rights and remedies with respect to the Issuer's shares that, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes. Moreover, if we issue additional Notes under the Indenture, holders of such additional Notes would benefit from the same collateral as the holders of the Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Issuer's shares. In addition, the intercreditor agreement (to which the holders of the Notes offered hereby will accede) provides that certain future creditors of the Issuer can effectively receive the benefit, on a pari passu or junior basis to the holders of the Notes, of the security granted to the noteholders under the Share Pledge. Please note that this contractual arrangement is subject to certain limitations under Dutch law. In addition, the security documents relating to the Share Pledge securing the Notes and the intercreditor agreement will provide that enforcement actions with respect to the Share Pledge and any other future indebtedness of the Issuer that is secured by the shares of the Issuer may only be taken by the security agent at the instruction of creditors or representatives of such indebtedness representing at least 50% of the total indebtedness secured by a pledge of the shares of the Issuer (and for purposes of this calculation, the principal amount of indebtedness denominated in a currency other than euro (including the Dollar Notes) will be based on the euro equivalent thereof on the issue date). See "*Description of Other Indebtedness — Intercreditor Agreement with respect to the UPCH Notes and the UPC Holding Facility*" for further information.

You may not be able to enforce the Share Pledge due to restrictions on enforcement contained in Dutch corporate law.

Under Dutch law, the enforcement of the Share Pledge, may, in whole or in part, also be limited to the extent that the obligations of LGE Financing under the security are not within the scope of its objects and the counterparty under the security was aware or ought to have been aware (without inquiry) of this fact. The articles of association of LGE Financing permit the provision of security for, among others, group companies. However, the determination of whether a legal act is within the objects of a company may not be based solely on the description of the articles of association, but must take into account all relevant circumstances, including, in particular, the question whether the interests of such company are served by the relevant legal act. If the granting of the Share Pledge, in the light of the benefits, if any, derived by LGE Financing from creating the Share Pledge, would have an adverse effect on the interests of LGE Financing, the Share Pledge may be found to be voidable or unenforceable upon the request of LGE Financing or its administrator in bankruptcy. As a result, notwithstanding the foregoing provisions LGE Financing's articles of association, and notwithstanding that the board of directors of LGE Financing has resolved that the granting of the Share Pledge is within the objects of and in the interest of LGE Financing, no assurance can be given that a court would conclude that the granting of the Share Pledge is within the objects of LGE Financing. To the extent LGE Financing or its administrator successfully invokes the voidability or non-enforceability of the Share Pledge, the Share Pledge would be limited to the extent any portion of it is not nullified and remains enforceable.

Under Dutch law, a pledge as security will only give its benefit to those creditors who are a party to the pledge agreement (as a pledgee), a requirement that is impractical with respect to you. As a result, the Indenture provides for the creation of so called "parallel obligations". Pursuant to a parallel obligation, the security agent becomes the holder of a claim equal to the amount payable by the Issuer under the Indenture and the Notes. The parallel obligation is secured by the Share Pledge. The parallel obligation procedure may be subject to uncertainties as to validity and enforceability in the Netherlands and other jurisdictions in which it is used as a mechanism for securing obligations under the Notes. We cannot assure you that the parallel obligation procedure will eliminate or mitigate the risk of unenforceability which exists under Dutch laws or under the laws in other applicable jurisdictions.

We may not be able to obtain enough funds necessary to finance an offer to repurchase your Notes upon the occurrence of certain events constituting a change of control (as defined in the Indenture) as required by the Indenture.

Upon the occurrence of certain events constituting a change of control, the Issuer is required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that the Issuer would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in the UPC Broadband Holding Bank Facility or other then existing contractual obligations of the Issuer would allow the Issuer to make such required repurchases. A change of control may result in an event of default under, or acceleration of, the UPC Broadband Holding Bank Facility and other indebtedness or trigger a similar obligation to offer to repurchase loans or notes thereunder. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The Issuer's ability to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control (as defined in the Indenture) occurs at a time when the Issuer is prohibited from repurchasing Notes, we may seek the consent of the lenders under such indebtedness to the purchase of Notes or may attempt to refinancing the borrowings that contain such prohibition. If we do not obtain such a consent or repay such borrowings, the Issuer will remain prohibited from repurchasing any tendered Notes. In addition, we expect that we would require third party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase Notes would constitute a default under the Indenture, which would, in turn, constitute a default under the UPC Broadband Holding Bank Facility. See "*Description of the Notes — Certain Covenants — Change of Control*".

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Indenture. Except as described under "*Description of the Notes — Certain Covenants — Change of Control*", the Indenture does not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of "change of control" contained in the Indenture includes a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries taken as whole to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

You may be unable to recover in civil proceedings for U.S. securities laws violations.

The Issuer is organized under the laws of the Netherlands and does not have any assets in the United States. It is anticipated that some or all of the directors and executive officers of the Issuer will be non-residents of the United States and that all or a majority of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or its respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. In addition, the Issuer cannot assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in the Netherlands. See "*Enforcements of Judgments*".

Employee Benefit Plan Considerations

Each acquirer or transferee of a Note or any interest therein will be deemed to have represented, warranted and agreed that either (a) it is not, and is not acting on behalf of (and for so long as such acquirer or transferee holds such Notes or any interest therein will not be, and will not be acting on behalf of), an entity whose underlying assets include "Plan Assets" by reason of such employee benefit plan's or plan's investment in such entity (each, a "Benefit Plan Investor") or a governmental, church or non-U.S. plan which is subject to any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or the prohibited transaction provisions of ERISA (defined below) and/or section 4975 of the Code (defined below) ("Similar Laws"), and no part of the assets used by it to acquire or hold the Note or any interest herein constitutes the assets of any Benefit Plan Investor or such a governmental, church, or non-U.S. plan, or (b) its acquisition, holding and disposition of such Notes does not and will not constitute or otherwise result in a non-exempt prohibited transaction under the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and/or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") (or, in the case of a governmental, church or non-U.S. plan a non-exempt violation of any Similar Laws) and (2) neither Issuer nor any of its affiliates is a "fiduciary" (within the meaning of Section 3(21) of ERISA or, with respect to a governmental, church or non-U.S. plan, any definition of "fiduciary" under Similar Laws) (a "Fiduciary") with respect to the purchaser or holder in connection with any purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment decision by or on behalf of the purchaser and holder in connection with the Notes and the transactions contemplated with respect to the Notes; and (3) it will not sell or otherwise transfer the Note or any interest herein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of the Note.

See "*Certain Employee Benefit Plan Considerations*" herein for a more detailed discussion of certain ERISA and related considerations with respect to an investment in the Notes.

The Notes will be issued with original issue discount for U.S. federal income tax purposes

The Notes will be issued with original issue discount for U.S. federal income tax purposes because the stated principal amount of the Notes will exceed their issue price by more than a *de minimis* amount. A U.S. holder of a Note will have to report any original issue discount as gross income as it accrues (prior to the receipt of cash attributable thereto), based on a constant yield method and regardless of the U.S. holder's regular method of accounting for U.S. federal income tax purposes. See "*Tax Considerations—U.S. Federal Income Taxation*".

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the Additional Notes offered hereby will be approximately €131.2 million (based on an original issue discount of 10.9% and after deducting the Initial Purchasers' commissions and certain estimated expenses to be incurred in connection with this offering including legal, accounting and other professional fees incurred in connection therewith). We intend to use the net proceeds from the sale of the Additional Notes for general corporate purposes, which may include distributions to our direct and indirect parent companies or acquisitions.

CAPITALIZATION

The following table sets forth, in each case as of March 31, 2009, (i) the actual consolidated capitalization of the Issuer and (ii) the consolidated capitalization of the Issuer on an as adjusted basis after giving effect to (a) the consummation of the Exchange Offer and issuance of the Original Notes and (b) the issuance of the Additional Notes offered hereby and the Dollar Notes and the application of the net proceeds thereof.

You should read this table in conjunction with *"Summary Condensed Historical Financial Information"*, *"Description of Other Indebtedness"*, *"Description of the Notes"*, *"Management's Discussion and Analysis of Financial Condition and Results of Operations"*, the March 31, 2009 condensed consolidated financial statements and the December 31, 2008 consolidated financial statements included elsewhere in this Offering Memorandum.

The costs associated with derivative instruments that we expect to enter into to manage foreign currency and interest rate risk associated with the Dollar Notes have not been reflected in the as adjusted data presented in this table. Except as set forth in the footnotes to this table, there have not been material changes to our third-party capitalization since March 31, 2009.

	March 31, 2009	
	Actual	**As Adjusted**
	in millions	
Cash and cash equivalents:		
UPC Holding	€ —	€ —
UPC Holding subsidiaries	56.6	96.5
Total cash and cash equivalents (1)	€ 56.6	€ 96.5
Third Party Debt:		
UPC Holding:		
Existing Notes (other than Original Notes) (2)	€ 1,100.0	€ 915.6
Original Notes (2)	—	239.2
Dollar Notes (2)	—	280.0
Notes offered hereby (2)	—	133.7
Total UPC Holding	1,100.0	1,568.5
UPC Holding subsidiaries:		
UPC Broadband Holding Bank Facility	6,412.0	6,412.0
VTR Bank Facility	351.9	351.9
Other debt	8.8	8.8
Capital lease obligations (3)	22.1	22.1
Total UPC Holding subsidiaries	6,794.8	6,794.8
Total third-party debt (1)	7,894.8	8,363.3
UPC Holding Subordinated Loans (4)	8,428.9	8,023.0
Owner's deficit (5)	(7,993.1)	(8,007.8)
Total capitalization	€ 8,330.6	€ 8,378.5

(1) As adjusted data reflects aggregate net increases to cash and cash equivalents of €39.9 million relating to the offering of the Original Notes. The net proceeds from the sale of the Additional Notes offered hereby and the Dollar Notes are assumed to be used to repay a portion of the UPC Holding Subordinated Loans, and accordingly, do not impact cash and cash equivalents.

(2) As adjusted data reflects (a) the consummation of the Exchange Offer (the exchange of an aggregate principle amount of €115.3 million of our outstanding 7¾% Notes and €69.1 million of our outstanding 8⅝% Notes due 2014 for

€184.4 million of Exchange Notes) and the issuance of the Original Notes (including the issuance of €65.6 million aggregate principal amount of Original Notes at an original issue discount of 16.5%), (b) the issuance of the Additional Notes offered hereby at an original issue discount of 10.9% of the €150.0 million aggregate principal amount and (c) the issuance of the Dollar Notes at an original issue discount of 7.6% of the $400 million aggregate principal amount and as restated in euro based on a March 31, 2009 convenience translation of $1.32 per €1.00.

(3) Network lease obligations are included in capital lease obligations but are generally excluded from the definition of Indebtedness in the financial covenants of our senior credit facilities and the indentures relating to the Existing Notes (including the Dollar Notes) and the Notes offered hereby.

(4) The UPC Holding Subordinated Loans are expressly subordinated to the Additional Notes offered hereby, the Original Notes and the Dollar Notes and mature on March 1, 2020. The interest rate was 7.58% for the three months ended March 31, 2009 and is reviewed on an annual basis. Interest may be paid in kind or, at our option, subject to certain limitations, in cash. See "*Description of Other Indebtedness — UPC Holding Subordinated Loans*". As adjusted data assumes (a) the application of the net cash proceeds of €274.7 million upon the issuance of the Dollar Notes at an original issue discount of 7.6% of the $400 million aggregate principal amount after deducting estimated commissions and certain estimated expenses including legal, accounting and other professional fees of €5.3 million to be incurred in connection with the issuance of the Dollar Notes, each amount as restated in euro based on a March 31, 2009 convenience translation of $1.32 to €1.00 and (b) the application of the net cash proceeds of €131.2 million upon the issuance of the Additional Notes offered hereby at an original issue discount of 10.9% of the €150 million aggregate principal amount after deducting estimated Initial Purchasers' commissions and certain estimated expenses including legal, accounting and other professional fees of €2.5 million to be incurred in connection with the issuance of Additional Notes offered hereby.

(5) Owners' deficit represents the excess of our liabilities over our assets and includes parent's deficit and noncontrolling interests. For additional information, see the March 31, 2009 condensed consolidated financial statements and the December 31, 2008 consolidated financial statements. As adjusted data reflects the net increases to owners' deficit of €14.7 million relating to the Exchange Offer.

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

The following discussion and analysis is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and should be read together with the consolidated financial statements of the Issuer, including the accompanying notes, included elsewhere in this offering memorandum. Some of the information in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" and "Risk Factors" for a discussion of important factors to be evaluated in connection with a prospective purchase of Notes.

This discussion is organized as follows:

- *Overview.* This section provides a general description of our business and recent events.
- *Results of Operations.* This section provides an analysis of our results of operations for the three months ended March 31, 2009 and for the years ended December 31, 2008, 2007 and 2006.
- *Liquidity and Capital Resources.* This section provides an analysis of our corporate and subsidiary liquidity, consolidated cash flow statements, off balance sheet arrangements and contractual commitments.
- *Critical Accounting Policies, Judgments and Estimates.* This section discusses those material accounting policies that contain uncertainties and require significant judgment in their application.

The capitalized terms used below have been defined in the notes to our March 31, 2009 condensed consolidated financial statements and our December 31, 2008 consolidated financial statements. In the following text, the terms, "we", "our", "our company" and "us" may refer, as the context requires, to UPC Holding or collectively to UPC Holding and its subsidiaries.

Unless otherwise indicated, convenience translations into euros are calculated as of March 31, 2009 or December 31, 2008, as applicable.

Overview

We are an indirect wholly-owned subsidiary of LGI and an international provider of video, voice and broadband internet services with consolidated broadband communications and/or DTH satellite operations at March 31, 2009 in 10 European countries and in Chile. Our European broadband communications operations are collectively referred to as the UPC Broadband Division, and our broadband communications operations in Chile are provided through VTR. As further described in note 3 to our March 31, 2009 condensed consolidated financial statements and notes 4 and 10 to our December 31, 2008 consolidated financial statements, our March 31, 2009 condensed consolidated financial statements and our December 31, 2008 consolidated financial statements give retroactive effect to various common control transfers that were completed during the periods discussed, such that these consolidated financial statements reflect the effects of these common control transfers for all periods presented in which such entities were controlled by LGI.

As further described in note 4 to our December 31, 2008 consolidated financial statements, we have completed a number of transactions that impact the comparability of our results of operations for (i) the three months ended March 31, 2009 and 2008 of (ii) the years ended December 31, 2008, 2007 and 2006. Certain of the more significant of these transactions are listed below:

(i) the acquisition of Tirol, a broadband communications operator in Austria, on October 2, 2007;

(ii) the consolidation of Karneval, a broadband communications provider in the Czech Republic, effective September 18, 2006; and

(iii) the acquisition of INODE, an unbundled DSL provider in Austria, on March 2, 2006.

In addition to the transactions listed above, we completed a number of less significant acquisitions during 2008, 2007 and 2006.

On December 31, 2006 we completed the sale of our operations in Belgium to Telenet. Due to the continuing ownership interest of Liberty Global Europe in Telenet, we have not accounted for UPC Belgium as a discontinued operation. See note 5 to our December 31, 2008 consolidated financial statements.

As further discussed in note 5 to our December 31, 2008 consolidated financial statements, our consolidated statement of operations and cash flow statement for the year ended December 31, 2006 have been reclassified to present UPC Norway, UPC Sweden, and UPC France as discontinued operations. Accordingly, in the following discussion and analysis, the operating statistics, results of operations and cash flows that we present and discuss are those of our continuing operations.

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 March 31, 2009 condensed consolidated financial statements). As discussed further under *"Liquidity and Capital Resources — Capitalization"* below, we also seek to maintain our debt at levels that provide for attractive equity returns without assuming undue risk.

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 foreign currency translation effects and the estimated impact of acquisitions. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our digital cable, broadband internet and 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 March 31, 2009, our consolidated subsidiaries owned and operated networks that passed 16,482,600 homes and served 15,994,500 revenue generating units ("RGUs"), consisting of 9,760,400 video subscribers, 3,739,000 broadband internet subscribers and 2,495,100 telephony subscribers.

We added a total of 80,200 RGUs on an organic basis during the first quarter of 2009, as compared to 171,000 RGUs that were added on an organic basis during the first quarter of 2008. Organic changes in RGUs exclude RGUs of acquired entities at the date of acquisition but include the impact of changes in RGUs from the date of acquisition. Our organic RGU growth during the first quarter of 2009 is attributable to the growth of our telephony services, which added 84,500 RGUs, and our broadband internet services, which added 80,000 RGUs. We experienced a net organic decline of 84,300 video RGUs during the first quarter of 2009, as decreases in our analog cable RGUs of 377,800, our multi-channel multi-point (microwave) distribution system ("MMDS") video RGUs of 3,900 and our DTH video RGUs of 6,800 were not fully offset by an increase in our digital cable RGUs of 304,200.

At December 31, 2008, our consolidated subsidiaries owned and operated networks that passed 16,432,700 homes and served 15,915,500 RGUs, consisting of 9,844,700 video subscribers, 3,660,200 broadband internet subscribers and 2,410,600 telephony subscribers.

Including the effects of acquisitions, we added a total of 577,200 RGUs during 2008. Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition RGU additions, we added

479,600 RGUs during 2008, as compared to 841,800 RGUs that were added on an organic basis during 2007. Our organic RGU growth during 2008 is attributable to the growth of our broadband internet services, which added 406,000 RGUs and our digital telephony services, which added 372,300 RGUs. We experienced a net organic decline of 298,700 video RGUs during 2008, as decreases in our analog cable RGUs of 1,216,100 and our multi-channel multi-point (microwave) distribution system video RGUs of 20,300 were not fully offset by increases in our digital cable RGUs of 885,500 and our DTH video RGUs of 52,200.

We are experiencing significant competition in all of our broadband communications markets, particularly in Europe. This significant competition, together with the effects of weakened economic conditions, has contributed to:

(i) declines in the organic growth rate for our consolidated revenue from 7.8% during 2007 to 4.2% during 2008 and to 2.3% during the first quarter of 2009, each rate as compared to the corresponding prior year period;

(ii) decreases in the number of our consolidated net organic RGU additions during (a) the first quarter of 2009, as compared to the first and fourth quarters of 2008, and (b) 2008, as compared to 2007;

(iii) slight organic declines in RGUs in (a) Hungary and the Netherlands during the first quarter of 2009, (b) Ireland during 2008 and (c) Romania and Switzerland during the three months ended December 31, 2008;

(iv) organic declines in video RGUs in most of our European markets during the first quarter of 2009 and the fourth quarter of 2008;

(v) organic declines in revenue in (a) Switzerland, Austria, Hungary and Chile (VTR) during the first quarter of 2009, as compared to the fourth quarter of 2008, and (b) Austria and Romania during the fourth quarter of 2008, as compared to the third quarter of 2008;

(vi) organic declines in revenue in (a) Austria, Romania and Hungary during the first quarter of 2009, as compared to the first quarter of 2008, and (b) Austria and Romania during 2008, as compared to 2007;

(vii) organic declines in the average monthly subscription revenue earned per average RGU (ARPU) in many of our markets during (a) the first quarter of 2009, as compared to the first quarter of 2008, and (b) 2008, as compared to 2007;

(viii) declines in subscriber retention rates in most of our European markets during 2008, as compared to 2007; and

(ix) the fourth quarter 2008 impairment of a portion of the goodwill assigned to our Romanian operations, as further described in note 9 to our December 31, 2008 consolidated financial statements.

In general, our ability to increase or maintain the fees we receive for our services is limited by competitive, and to a lesser degree, regulatory factors. In this regard, many of our broadband communications markets experienced declines in ARPU from internet and telephony services during the first quarter of 2009, as compared to the fourth quarter of 2008, and during 2008, as compared to 2007. These declines were mitigated somewhat by the impact of increased digital cable RGUs and other improvements in our RGU mix and the implementation of rate increases for analog cable and, to a lesser extent, other product offerings in certain 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 actively 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 significant revenue trends of our reportable segments, see *"Discussion and Analysis of our Reportable Segments"* below.

Due largely to the recent disruption in the worldwide credit and equity markets, we are facing difficult economic environments in most of the countries in which we operate. These economic environments have made it (i) more difficult to attract new subscribers, (ii) more likely that certain of our subscribers will downgrade or disconnect their services and (iii) more difficult to maintain ARPUs at existing levels. Accordingly, our ability to increase, or in certain cases, maintain the revenue, RGUs, operating cash flow and liquidity of our operating segments could be adversely affected to the extent that relevant economic environments remain weak or decline further. We currently are unable to predict the extent of any of these potential adverse effects.

During 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. In light of the significant cost reductions and efficiencies that have already been achieved by our operating segments and the competitive and economic factors mentioned above, we expect (i) the pace of our operating cash flow margin expansion to slow in 2009, as compared to 2008, and (ii) the operating cash flows of most of our reportable segments to grow at lower organic rates in 2009, as compared to 2008. No assurance can be given that we will be able to maintain or continue to expand the operating cash flow margins of our operating segments. 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.

Over the next few years, we believe that we will be challenged to maintain or improve our 2008 organic revenue and RGU growth rates as we expect that competition will continue to grow and that the markets for certain of our service offerings will continue to mature. During this time frame, we expect that (i) increases in our digital cable, telephony, broadband internet and DTH RGUs will more than offset decreases in our analog cable RGUs and (ii) the ARPU of our reportable segments will remain relatively unchanged, as the negative impact of competitive factors, particularly with respect to our broadband internet and telephony services, is expected to largely offset the positive impacts of (a) the continued migration of video subscribers from analog to digital cable services and (b) other improvements in the mix of services provided to our subscriber base. We also believe that during this time frame we will see (i) modest improvements in our operating cash flow margins and (ii) declines in our aggregate capital expenditures and capital lease additions, as a percentage of revenue. In addition, we expect that we will be challenged to maintain or improve our current subscriber retention rates as competition grows. To the extent that we experience higher subscriber disconnect rates, we expect that it will be more difficult to control certain components of our operating, marketing and capital costs. Our expectations with respect to the items discussed in this paragraph are subject to competitive, technological and regulatory developments and other factors outside of our control, and no assurance can be given that actual results in future periods will not differ materially from our expectations.

The video, broadband internet and telephony businesses in which we operate are capital intensive. Significant capital expenditures are required to add customers to our networks, including expenditures for equipment and labor costs. As noted above, we expect that the percentage of revenue represented by our aggregate capital expenditures and capital lease additions will decline over the next few years, due primarily to our belief that the capital required to upgrade our broadband communications networks will decline over this time frame. No assurance can be given that actual results will not differ materially from our expectations as factors outside of our control, such as significant increases in competition, the introduction of new technologies or adverse regulatory initiatives, could cause us to decide to undertake previously unplanned upgrades of our broadband communications networks in the impacted markets. In addition, no assurance can be given that our future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned capital expenditures, our growth could be limited and our competitive position could be harmed.

Our analog video service offerings include basic programming and, in some markets, expanded basic programming. We tailor both our basic channel line-up and our additional channel offerings to each system according to culture, demographics, programming preferences and local regulation. Our digital video service offerings include basic and premium programming and 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 began offering ultra high-speed internet services in the Netherlands in 2008, with download speeds ranging up to 120 Mbps. We expect to continue to expand the availability of ultra high-speed internet services throughout our European broadband communications markets.

We offer voice-over-internet-protocol, or "VoIP" telephony services in all of our broadband communications markets. In Austria, Chile, Hungary and the Netherlands, we also provide circuit-switched 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.

Results of Operations

As noted under *"Overview"* above, the comparability of our operating results during the three months ended March 31, 2009 and 2008 and the years ended December 31, 2008, 2007 and 2006 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 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 reported 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 Romanian lei, the Polish zloty, the Czech koruna and other local currencies in Europe. In this regard, 55.9% of our euro revenue during the three months ended March 31, 2009 was derived from subsidiaries whose functional currency is other than the euro. The portions of the changes in the various components of our results of operations that are attributable to changes in foreign currency exchange rates from a translation perspective are highlighted under *"Discussion and Analysis of our Reportable Segments"* and *"Discussion and Analysis of our Consolidated Operating Results"* below.

The amounts presented and discussed below represent 100% of each operating segment's revenue and operating cash flow. As we have the ability to control VTR, U.S. GAAP requires that we consolidate 100% of the revenue and expenses of VTR in our 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 are reflected in net earnings attributable to noncontrolling interests in our 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 March 31, 2009, 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.

On December 31, 2006 we sold UPC Belgium to Telenet, then an equity method investee of Liberty Global Europe. Due to Liberty Global Europe's continuing ownership interest in Telenet, we have not accounted for UPC Belgium as a discontinued operation. As a result, and consistent with how our chief operating decision maker reviews the performance measures of our reportable segments, UPC Belgium segment information for 2006 is presented separately as a disposal in the tables below. For additional information concerning the sale of UPC Belgium, see note 5 to our December 31, 2008 consolidated financial statements.

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 loss before income taxes and discontinued operations, see note 12 to our March 31, 2009 condensed consolidated financial statements and note 19 to our December 31, 2008 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 (i) the first quarter of 2009, as compared to the first quarter of 2008, (ii) 2008, as compared to 2007 and (iii) 2007, as compared to 2006. 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 translation 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 exchange rates. We also provide a table showing the operating cash flow margins of our reportable segments for the three months ended March 31, 2009 and 2008 and the years ended December 31, 2008, 2007 and 2006 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 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 adverse regulatory developments in the Netherlands, see note 11 to our March 31, 2009 condensed consolidated financial statements and note 18 to our December 31, 2008 consolidated financial statements.

Revenue of our Reportable Segments

Revenue — Three Months Ended March 31, 2009 compared to Three Months Ended March 31, 2008

	Three months ended March 31,		Increase (decrease)		Increase (decrease) excluding FX
	2009	2008	€	%	%
		in millions			
UPC Broadband Division:					
The Netherlands	€ 204.5	€ 200.7	€ 3.8	1.9	1.9
Switzerland	182.5	168.2	14.3	8.5	1.6
Austria	87.8	93.2	(5.4)	(5.8)	(5.8)
Ireland	61.1	58.9	2.2	3.7	3.7
Total Western Europe	535.9	521.0	14.9	2.9	0.6
Hungary	58.5	66.7	(8.2)	(12.3)	(0.7)
Other Central and Eastern Europe	145.9	156.7	(10.8)	(6.9)	5.3
Total Central and Eastern Europe	204.4	223.4	(19.0)	(8.5)	3.5
Central and corporate operations	1.1	1.3	(0.2)	(15.4)	(15.4)
Total UPC Broadband Division	741.4	745.7	(4.3)	(0.6)	1.5
VTR (Chile)	119.4	124.4	(5.0)	(4.0)	9.6
Total UPC Holding	€ 860.8	€ 870.1	€ (9.3)	(1.1)	2.6

The Netherlands. The Netherlands' revenue increased €3.8 million or 1.9% during the three months ended March 31, 2009, as compared to the corresponding prior year period. This increase is attributable to an increase in subscription revenue that was partially offset by a decrease in non-subscription revenue. The increase in subscription revenue is due to (i) higher ARPU and (ii) a higher average number of RGUs during the first quarter of 2009, as compared to the corresponding period in 2008. ARPU was higher during the first quarter of 2009, as the positive impacts of (i) an improvement in the Netherlands' RGU mix, attributable to a higher proportion of digital cable, telephony and broadband internet RGUs, (ii) January 2009 price increases for certain video, broadband internet and telephony services and (iii) growth in the Netherlands' digital cable services, including increased revenue from customers selecting higher-priced tiers and premium digital services and products, were only partially offset by the negative impacts of (a) increased competition, (b) lower telephony call volumes and (c) customers selecting lower-priced tiers of broadband internet and telephony services. The increase in the average number of RGUs is attributable to increases in the average numbers of digital cable, telephony and broadband internet RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the Netherlands' average number of analog cable RGUs is primarily attributable to (i) the effects of significant competition from the incumbent telecommunications operator in the Netherlands and (ii) the migration of analog cable customers to digital cable services. We expect that we will continue to face significant competition from the incumbent telecommunications operator in future periods. The decrease in the Netherlands' non-subscription revenue is primarily attributable to (i) a decrease in revenue from B2B services, due largely to the loss of certain B2B contracts during 2008, and (ii) lower interconnect revenue, due largely to a January 1, 2009 reduction in termination rates imposed by regulatory authorities and a decrease in call volumes.

Switzerland. Switzerland's revenue increased €14.3 million or 8.5% during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, Switzerland's revenue increased €2.6 million or 1.6%. Most of this increase is attributable to an increase in subscription revenue, due to a higher average number of RGUs. The increase in the average number of RGUs is primarily attributable to increases in the average numbers of digital cable, broadband internet and telephony RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the average number of Switzerland's analog cable RGUs is primarily attributable to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition. ARPU remained relatively constant during the first quarter of 2009, as the positive impacts of (i) an improvement in Switzerland's RGU mix, attributable to a higher proportion of digital cable, broadband internet and telephony RGUs and (ii) increased revenue from premium digital services and products were offset by the negative impacts of (a) increased competition and (b) lower telephony call volumes.

Austria. Austria's revenue decreased €5.4 million or 5.8% during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €0.9 million increase attributable to the impact of an acquisition. Excluding the effects of the acquisition, Austria's revenue decreased €6.3 million or 6.8%. This decrease is attributable to a decrease in subscription revenue, as the negative impact of lower ARPU was only partially offset by the positive impact of a higher average number of RGUs. The decline in subscription revenue, which, as discussed under *Overview* above, is largely related to the significant competition we are experiencing in Austria, includes declines in revenue from broadband internet and, to a lesser extent, telephony services that were only partially offset by a slight increase in revenue from video services. ARPU decreased during the first quarter of 2009, as compared to the first quarter of 2008, 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) February and March 2009 rate increases for certain analog and digital 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 video, broadband internet and telephony services, including, in the case of telephony services, usage-based calling plans, (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. The increase in the average number of RGUs is attributable to increases in the average numbers of digital cable and telephony RGUs that were only partially offset by decreases in the average numbers of analog cable and, to a lesser extent, broadband internet RGUs. The declines in the average numbers of analog cable and broadband internet RGUs are primarily attributable to competition, and in the case of analog cable RGUs, the migration of analog cable customers to digital cable services. In light of the current competitive and economic conditions, we expect that Austria will continue to be challenged to maintain or increase its revenue on an organic basis.

Ireland. Ireland's revenue increased €2.2 million or 3.7% during the three months ended March 31, 2009, as compared to the corresponding prior year period. Most of this increase is attributable to an increase in subscription revenue, due to an increase in ARPU that was only partially offset by the impact of a slight decrease in the average number of RGUs. ARPU increased during the first quarter of 2009, as the positive impacts of (i) an improvement in Ireland's RGU mix, primarily attributable to a higher proportion of digital cable, telephony and broadband internet RGUs, (ii) a January 2009 price increase for certain video services and January 2009 and July 2008 price increases for certain broadband internet 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 impact of (a) increased competition, (b) lower telephony call volumes and other changes in subscriber calling patterns and (c) lower revenue from premium digital services and products. The slight decrease in the average number of RGUs is attributable to decreases in the average number of analog cable and MMDS video RGUs that were only partially offset by increases in the average numbers of broadband internet, telephony and digital cable RGUs. The decline in the average number of analog cable RGUs is primarily attributable to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition. The negative impact of the lower average number of analog cable RGUs contributed to organic declines in the average number of video RGUs and revenue from video services in Ireland during the first quarter of 2009, as compared to the first quarter of 2008.

Hungary. Hungary's revenue decreased €8.2 million or 12.3% during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, Hungary's revenue decreased €0.5 million or 0.7%, as a decline in subscription revenue was only partially offset by an increase in non-subscription revenue. Subscription revenue declined during the first quarter of 2009, as the negative impact of lower ARPU was only partially offset by the positive impact of a higher average number of RGUs. The decline in subscription revenue, which, as discussed under *Overview* above, is largely related to the significant competition we are experiencing in Hungary, includes declines in revenue from video and broadband internet services that were only partially offset by an increase in revenue from telephony services. ARPU declined during the first quarter of 2009, as compared to the first quarter of 2008, as the positive impacts of (i) improvements in Hungary's RGU mix, primarily attributable to a higher proportion of digital cable and broadband internet RGUs and (ii) the positive impact of Hungary's second quarter 2008 launch of digital 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, video and telephony services and (c) lower telephony call volumes and other changes in subscriber calling patterns. The increase in the average number of RGUs is attributable to increases in the average numbers of digital cable, broadband internet, telephony and DTH RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the average number of analog cable RGUs is primarily due to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition. The increase in non-subscription revenue during the first quarter of 2009 is primarily attributable to an increase in B2B revenue due to growth in the number of business telephony subscribers.

Other Central and Eastern Europe. Other Central and Eastern Europe's revenue decreased €10.8 million or 6.9% during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €1.6 million increase attributable to the impact of acquisitions. Excluding FX and the effects of acquisitions, Other Central and Eastern Europe's revenue increased €6.7 million or 4.3%. Most of this increase is attributable to an increase in subscription revenue, due primarily to a higher average number of RGUs. The increase in the average number of RGUs is primarily attributable to increases in the average numbers of digital cable (mostly in the Czech Republic, Poland and Romania), broadband internet (mostly in Poland, the Czech Republic and Romania) and telephony RGUs (mostly related to the expansion of VoIP telephony services in Poland, the Czech Republic and Romania), that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the average number of analog cable RGUs, which is attributable primarily to (i) the migration of analog cable subscribers to digital cable services and (ii) the effects of competition, led to a decline in the average number of total video RGUs in Other Central and Eastern Europe during the first quarter of 2009, as compared to the first quarter of 2008. This decline includes video RGU decreases in Romania, the Czech Republic and, to a lesser extent, Slovenia and Slovakia that were only partially offset by a small increase in Poland. ARPU remained relatively constant in our Other Central and Eastern Europe segment during the first quarter of 2009, as compared to the first quarter of 2008, as the positive impacts of (i) an improvement in RGU mix, primarily attributable to a higher proportion of digital cable (due in part to the launch of digital cable services in Poland and Slovakia during the second quarter of 2008 and in Slovenia during the third quarter of 2008) and broadband internet RGUs and (ii) rate increases for video services in certain countries were offset by the negative impacts of (a) increased competition, (b) a higher proportion of broadband internet and video subscribers selecting lower-priced tiers, (c) lower revenue from premium video services and products and (d) lower telephony call volumes and other changes in telephony subscriber calling patterns. The negative impact of the lower average number of video RGUs contributed to an organic decline in revenue from video services in Other Central and Eastern Europe during the first quarter of 2009, as compared to the first quarter of 2008.

Although competition is a factor throughout our Other Central and Eastern Europe markets, we are experiencing particularly intense competition in Romania. In Romania, competition has contributed to declines in ARPU, video revenue and overall revenue during the first quarter of 2009, as compared to the first quarter of 2008. In response to the elevated level of competition in Romania, we have implemented aggressive pricing and marketing strategies. These strategies have contributed to an organic increase in Romania's video revenue and overall revenue during the first quarter of 2009, as compared to the fourth quarter of 2008. While these strategies were implemented with the objective of maintaining our market share in Romania and enhancing our prospects for continued revenue growth in future periods, no assurance can be given that we will be successful in meeting these objectives. We expect that we will continue to experience significant competition in future periods in Romania and other markets within our Other Central and Eastern Europe segment.

VTR (Chile). VTR's revenue decreased €5.0 million or 4.0% during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, VTR's revenue increased €12.0 million or 9.6%. This increase is attributable to an increase in subscription revenue, due to (i) higher average numbers of broadband internet, telephony and video RGUs and (ii) an increase in ARPU during the first quarter of 2009, as compared to the first quarter of 2008. ARPU increased during the first quarter of 2009, as the positive impacts of (i) an improvement in VTR's RGU mix, attributable to a higher proportion of digital cable and broadband internet RGUs, (ii) March 2008, September 2008 and January 2009 inflation adjustments for certain video, broadband internet and telephony services and (iii) the continued migration of certain telephony subscribers to an unlimited fixed-rate calling plan were only partially offset by the negative impacts 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 video, broadband internet and telephony services.

Revenue — 2008 compared to 2007

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX
	2008	**2007**	**€**	**%**	**%**
		in millions			
UPC Broadband Division:					
The Netherlands	€ 803.7	€ 773.5	€ 30.2	3.9	3.9
Switzerland	692.7	637.1	55.6	8.7	4.9
Austria	365.5	366.9	(1.4)	(0.4)	(0.4)
Ireland	241.9	224.1	17.8	7.9	7.9
Total Western Europe	2,103.8	2,001.6	102.2	5.1	3.9
Hungary	275.6	275.2	0.4	0.1	0.2
Other Central and Eastern Europe	645.5	587.2	58.3	9.9	5.9
Total Central and Eastern Europe	921.1	862.4	58.7	6.8	4.1
Central and corporate operations	6.2	7.4	(1.2)	(16.2)	(16.2)
Total UPC Broadband Division	3,031.1	2,871.4	159.7	5.6	3.9
VTR (Chile)	485.0	462.6	22.4	4.8	11.6
Total UPC Holding	€ 3,516.1	€ 3,334.0	€ 182.1	5.5	5.0

The Netherlands. The Netherlands' revenue increased €30.2 million or 3.9% during 2008, as compared to 2007. This increase is attributable to an increase in subscription revenue that was partially offset by a decrease in non-subscription revenue. The increase in subscription revenue is due to (i) higher ARPU and (ii) a higher number of average RGUs during 2008, as compared to 2007. ARPU was higher during 2008, as the positive impacts of (i) an improvement in the Netherlands' RGU mix, attributable to a higher proportion of telephony, digital cable and broadband internet 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, (b) changes in telephony subscriber calling patterns and an increase in the proportion of telephony subscribers selecting fixed-rate calling plans and (c) customers selecting lower-priced tiers of broadband internet services. The increase in average RGUs is attributable to an increase in average telephony, digital cable and broadband internet RGUs that was only partially offset by a decline in average analog cable RGUs. The decline in the Netherlands' average analog cable RGUs is primarily attributable to (i) the migration of certain analog cable customers to digital cable services and (ii) the effects of significant 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 increase in subscription revenue during

2008 also includes a €4.8 million increase that is primarily related to favorable analog cable rate settlements with certain municipalities, with €3.1 million of the increase occurring during the fourth quarter of 2008. The decrease in the Netherlands' non-subscription revenue is primarily attributable to (i) a decrease in revenue from B2B services, as increased competition has led to the loss of certain B2B contracts, and (ii) lower revenue from installation fees as a result of higher discounting and lower subscriber additions.

Switzerland. Switzerland's revenue increased €55.6 million or 8.7% during 2008, as compared to 2007. Excluding FX, Switzerland's revenue increased €31.2 million or 4.9%. This increase is attributable to an increase in subscription revenue, due to (i) a higher number of average RGUs and (ii) higher ARPU during 2008. The increase in average RGUs is attributable to increases in average digital cable, broadband internet and telephony RGUs that were only partially offset by a decline in average analog cable RGUs. ARPU was higher during 2008, 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 and digital 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) 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. Switzerland's non-subscription revenue remained relatively constant during 2008, as a decrease in interconnect revenue was offset by individually insignificant net increases in other components of non-subscription revenue. The decrease in interconnect revenue primarily is attributable to reductions in interconnect tariffs that were imposed by a regulatory authority during the fourth quarter of 2008. These tariff reductions, which were retroactive to January 1, 2007, resulted in decreases in interconnect revenue of €1.6 million for the year ended December 31, 2008 and €3.0 million for the fourth quarter of 2008, each as compared to the corresponding prior year period.

Austria. Austria's revenue decreased €1.4 million or 0.4% during 2008, as compared to 2007. This decrease includes €16.0 million attributable to the impacts of the October 2007 Tirol acquisition and another less significant acquisition. Excluding the effects of these acquisitions, Austria's revenue decreased €17.4 million or 4.8%. Most of this decrease is attributable to a decrease in subscription revenue, as the negative impact of lower ARPU was only partially offset by the positive impact of a higher number of average RGUs. The decline in subscription revenue, which, as discussed under *"Overview"* above, is largely related to the significant competition we are experiencing in Austria, includes 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 2008, as compared to 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. The increase in average RGUs is attributable to increases in average digital cable and telephony RGUs that were only partially offset by decreases in average analog cable and, to a lesser extent, broadband internet RGUs. Non-subscription revenue in Austria decreased slightly during 2008, as compared to 2007, as a decrease in installation revenue was only partially offset by individually insignificant net increases in other components of non-subscription revenue. In light of current competitive and economic conditions, we expect that Austria will continue to be challenged to maintain or increase the amount of its local currency revenue during 2009.

Ireland. Ireland's revenue increased €17.8 million or 7.9% during 2008, as compared to 2007. Most of this increase is attributable to an increase in subscription revenue as a result of (i) higher ARPU and (ii) a slightly higher number of average RGUs during 2008, as compared to 2007. ARPU increased during 2008, 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, digital cable and MMDS video services, (iii) an increase in the proportion of broadband internet customers selecting higher-priced tiers of service and (iv) a July 2008 price increase for certain broadband internet services were only partially offset by the negative impact of increased competition. The increase in average RGUs is attributable to increases in the average number of broadband internet, telephony and digital cable RGUs that were largely offset by declines in average analog cable and MMDS video RGUs.

Hungary. Hungary's revenue increased €0.4 million or 0.1% during 2008, as compared to 2007. Excluding FX, Hungary's revenue increased €0.4 million or 0.2%, as a decline in subscription revenue was more than offset by an increase in non-subscription revenue. Subscription revenue declined during 2008, as the negative impact of lower ARPU was only partially offset by the positive impact of a higher number of average RGUs. The decline in subscription revenue, which, as discussed under *Overview* above, is largely related to the significant competition we are experiencing in Hungary, includes a decline in revenue from video services that was only partially offset by increases in revenue from broadband internet and telephony services. ARPU declined during 2008, as compared to 2007, as the positive impacts 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) changes in telephony subscriber calling patterns and an increase in the proportion of telephony subscribers selecting fixed-rate calling plans. The increase in average RGUs is attributable to increases in average broadband internet, telephony, digital cable and, to a lesser extent, DTH RGUs that were only partially offset by a decline in average analog cable RGUs. The decline in average analog cable RGUs is 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. The increase in non-subscription revenue during 2008 is primarily attributable to an increase in B2B revenue.

Other Central and Eastern Europe. Other Central and Eastern Europe's revenue increased €58.3 million or 9.9% during 2008, as compared to 2007. This increase includes €9.6 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, Other Central and Eastern Europe's revenue increased €25.2 million or 4.3%. Most of this increase is attributable to an increase in subscription revenue as a result of the positive impact of higher average RGUs during 2008 that was only partially offset by the negative impact of lower ARPU. The increase in average RGUs is 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 a decline in average video RGUs. The decline in average video RGUs is attributable to decreases in Romania and, to a lesser extent, the Czech Republic and Slovakia that were only partially offset by small increases in Poland and Slovenia. ARPU declined in our Other Central and Eastern Europe segment during 2008, as compared to 2007, as the positive impacts 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) rate increases for video services in certain countries were more than offset by the negative impacts of (a) increased competition, (b) a higher proportion of broadband internet and video subscribers selecting lower-priced tiers and (c) changes in subscriber calling patterns and an increase in the proportion of telephony 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 Romania, competition has contributed to (i) an organic decline in total RGUs during the three months ended December 31, 2008 and (ii) declines in ARPU, video revenue and overall revenue during 2008, as compared to 2007. In response to the elevated level of competition in Romania, we have implemented aggressive pricing and marketing strategies. These strategies, which contributed to the organic decline in Romania's revenue, were implemented with the objective of maintaining our market share in Romania and enhancing our prospects for continued revenue growth in future periods. In the case of the Czech Republic, competition has contributed to declines during 2008, as compared to 2007, in (i) ARPU from all product categories and (ii) revenue from video services. 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 €22.4 million or 4.8% during 2008, as compared to 2007. Excluding FX, VTR's revenue increased €53.4 million or 11.6%. This increase is attributable to an increase in subscription revenue, due primarily to higher average numbers of broadband internet, telephony and video RGUs during 2008 and, to a lesser extent, a slight increase in ARPU. ARPU increased slightly during 2008, as the positive impacts of (i) an improvement in VTR's RGU mix, attributable to a higher proportion of digital cable and broadband internet RGUs, (ii) September 2007, March 2008 and September 2008 inflation adjustments for certain video, broadband internet and telephony services and (iii) the continued migration of certain telephony subscribers to an unlimited fixed-rate calling plan were only partially offset by the negative impacts 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.

Revenue — 2007 compared to 2006

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX
	2007	2006	€	%	%
		in millions			
UPC Broadband Division:					
The Netherlands	€ 773.5	€ 735.3	€ 38.2	5.2	5.2
Switzerland	637.1	614.3	22.8	3.7	8.3
Austria	366.9	333.8	33.1	9.9	9.9
Ireland	224.1	208.9	15.2	7.3	7.3
Total Western Europe	2,001.6	1,892.3	109.3	5.8	7.3
Hungary	275.2	244.6	30.6	12.5	7.4
Other Central and Eastern Europe	587.2	456.1	131.1	28.7	24.0
Total Central and Eastern Europe	862.4	700.7	161.7	23.1	18.2
Central and corporate operations	7.4	14.3	(6.9)	(48.3)	(48.3)
Total UPC Broadband Division	2,871.4	2,607.3	264.1	10.1	9.9
VTR (Chile)	462.6	444.9	17.7	4.0	11.7
Total UPC Holding before disposal	3,334.0	3,052.2	281.8	9.2	10.2
Disposal (Belgium)	—	34.9	(34.9)	N.M.	N.M.
Total UPC Holding	€ 3,334.0	€ 3,087.1	€ 246.9	8.0	8.9

N.M. — Not Meaningful.

The Netherlands. The Netherlands' revenue increased €38.2 million or 5.2% during 2007, as compared to 2006. This increase is attributable to an increase in subscription revenue, primarily due to higher average RGUs, as increases in average telephony and broadband internet RGUs were only partially offset by a decline in average video RGUs. The decline in average video RGUs includes a decline in average analog cable RGUs that was not fully offset by a gain in average digital cable RGUs. The decline in average video RGUs is largely due to (i) the migration of certain analog cable customers to digital cable services and (ii) the effects of significant competition from the incumbent telecommunications operator in the Netherlands. We believe that most of the declines in the Netherlands' analog cable RGUs during 2007 were attributable to this competition. ARPU was relatively unchanged during 2007, as the positive impacts of (i) an improvement in the Netherlands' RGU mix, attributable to a higher proportion of digital cable, telephony and broadband internet RGUs, (ii) growth in the Netherlands' digital cable services and (iii) a January 2007 price increase for certain analog cable services were offset by the negative impacts of (a) increased competition and (b) a higher proportion of broadband internet customers selecting lower-priced tiers of service. Subscription revenue for the 2006 period includes €7.9 million related to the release of deferred revenue (including €3.9 million that was released during the fourth quarter of 2006) in connection with rate settlements with certain municipalities. There were no such rate settlements during 2007.

As compared to 2006, the net number of digital cable RGUs added by the Netherlands during 2007 declined substantially. This decline was due in part to an emphasis on more selective marketing strategies. Although the Netherlands' emphasis on more selective marketing strategies resulted in a more gradual pacing of the Netherlands digital migration efforts, we also saw the positive impact of these strategies in 2007 in the form of reductions in certain marketing, operating and capital costs and improved subscriber retention rates.

Switzerland. Switzerland's revenue increased €22.8 million or 3.7% during 2007, as compared to 2006. Excluding FX, Switzerland's revenue increased €51.2 million or 8.3%. Most of this increase is attributable to an increase in subscription revenue, as the number of average broadband internet, telephony and video RGUs was higher during 2007, as compared to 2006. ARPU remained relatively constant during 2007, as the positive impacts of (i) an improvement in Switzerland's RGU mix, attributable to a higher proportion of telephony, broadband internet and digital cable RGUs and (ii) Switzerland's digital migration efforts was 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) Switzerland's adoption of certain provisions of the regulatory framework established by the Swiss Price Regulator in November 2006. In order to comply with this regulatory framework, Switzerland began offering a lower-priced tier of digital cable services and decreased the rental price charged for digital cable set top boxes during the second quarter of 2007. An increase in revenue from B2B services and other non-subscription revenue also contributed to the increase in Switzerland's revenue.

Austria. Austria's revenue increased €33.1 million or 9.9% during 2007, as compared to 2006. This increase includes a €16.5 million increase that is attributable to the impacts of the March 2006 INODE acquisition and the October 2007 Tirol acquisition. Excluding the effects of these acquisitions, Austria's revenue increased €16.6 million or 5.0%. The majority of this increase is attributable to an increase in subscription revenue, as the number of average broadband internet RGUs and, to a lesser extent, telephony and video RGUs, was higher during 2007, as compared to 2006. ARPU remained relatively unchanged during 2007, as the positive impacts of (i) an improvement in Austria's RGU mix, primarily attributable to a higher proportion of broadband internet RGUs, and (ii) a January 2007 rate increase for analog cable services were offset by the negative impacts of (a) increased competition, (b) a higher proportion of customers selecting lower-priced tiers of broadband internet service, (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. Telephony revenue in Austria decreased slightly on an organic basis during 2007, as the negative effect of the decrease in telephony ARPU was only partially offset by the positive impact of higher average telephony RGUs. An increase in revenue from B2B services also contributed to the increase in Austria's revenue during 2007.

Ireland. Ireland's revenue increased €15.2 million or 7.3% during 2007 as compared to 2006. This increase is attributable to an increase in subscription revenue as a result of higher average RGUs and slightly higher ARPU during 2007, as compared to 2006. The increase in average RGUs primarily is attributable to an increase in the average number of broadband internet RGUs. The increase in ARPU during 2007 primarily is due to the positive impacts of (i) an improvement in Ireland's RGU mix, primarily attributable to a higher proportion of digital cable RGUs, (ii) a November 2006 price increase for certain broadband internet and MMDS video services and (iii) lower promotional discounts for broadband internet services.

Hungary. Hungary's revenue increased €30.6 million or 12.5% during 2007, as compared to 2006. This increase includes €1.5 million attributable to the impact of a January 2007 acquisition. Excluding the effects of the acquisition and FX, Hungary's revenue increased €16.6 million or 6.8%. The majority of this increase is attributable to higher subscription revenue, as higher average numbers of broadband internet and telephony RGUs were only partially offset by lower average numbers of analog cable and DTH RGUs. ARPU declined slightly during 2007, as the positive impacts of (i) improvements in Hungary's RGU mix, primarily attributable to a higher proportion of broadband internet RGUs, and (ii) a January 2007 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 broadband internet tiers, (c) growth in Hungary's VoIP telephony service, which generally is priced slightly lower than Hungary's circuit-switched telephony services, and (d) lower telephony call volumes. Due primarily to the decline in ARPU from telephony services, Hungary also experienced a slight organic decline in revenue from telephony services during 2007, as compared to 2006. Due primarily to competition from alternative providers, Hungary experienced an organic decline in analog cable RGUs during 2007. The majority of Hungary's analog cable subscriber losses during 2007 occurred in certain municipalities where the technology of our networks limited our ability to create a less expensive tier of service that would have more effectively competed with alternative providers. Due to a decrease in the average number of DTH and analog cable RGUs and lower ARPU from DTH video services as a result of competitive and other factors, Hungary experienced a slight decline in revenue from video services during 2007, as compared to 2006. An increase in revenue from B2B services, which more than offset decreases in certain other categories of non-subscription revenue, also contributed to the increase in Hungary's revenue during 2007.

Other Central and Eastern Europe. Other Central and Eastern Europe's revenue increased €131.1 million or 28.7% during 2007, as compared to 2006. This increase includes €54.4 million attributable to the aggregate impact of the September 2006 consolidation of Karneval and other less significant acquisitions. Excluding the effects of these acquisitions and FX, Other Central and Eastern Europe's revenue increased €55.0 million or 12.1%. This increase primarily is attributable to an increase in subscription revenue as a result of higher average RGUs during 2007, as compared to 2006. The increase in average RGUs during 2007 is attributable to higher average numbers of (i) broadband internet RGUs (mostly in Poland, Romania and the Czech Republic), (ii) telephony RGUs (mostly related to the expansion of VoIP telephony services in Poland, the Czech Republic and Romania) and, (iii) to a much lesser extent, video RGUs as increases in average video RGUs in Slovenia, the Czech Republic and Poland were partially offset by decreases in Romania. ARPU in our Other Central and Eastern Europe segment increased slightly during 2007, as the positive impacts of (i) an improvement in RGU mix, primarily attributable to a higher proportion of broadband internet RGUs, (ii) January 2007 rate increases for video services in certain countries and (iii) somewhat higher ARPU from telephony services due to increased call volumes (primarily in Poland and Romania) were mostly offset by the negative impacts of (a) increased competition and (b) a higher proportion of customers selecting lower-priced tiers of broadband internet services.

VTR (Chile). VTR's revenue increased €17.7 million or 4.0% during 2007, as compared to 2006. Excluding FX, VTR's revenue increased €51.8 million or 11.7%. Most of this increase is attributable to an increase in subscription revenue, due primarily to a higher average number of broadband internet, telephony and video RGUs during 2007. ARPU decreased somewhat during 2007, as the positive impacts of (i) inflation adjustments to certain rates for analog cable and broadband internet services, (ii) increases in the proportion of subscribers selecting higher-speed broadband internet services over the lower-speed alternatives and digital cable over analog cable services, and (iii) the migration of a significant number of telephony subscribers to a fixed-rate plan were more than offset by the negative impacts of (a) increased competition, (b) an increase in the proportion of subscribers selecting lower-priced tiers of analog video services and (c) lower call volumes for telephony subscribers that remained on a usage-based plan.

Operating Expenses of our Reportable Segments

Operating expenses — Three Months Ended March 31, 2009 compared to Three Months Ended March 31, 2008

	Three months ended March 31,		Increase (decrease)		Increase (decrease) excluding FX
	2009	2008	€	%	%
	in millions				
UPC Broadband Division:					
The Netherlands	€ 63.6	€ 65.6	€ (2.0)	(3.0)	(3.0)
Switzerland	54.3	51.8	2.5	4.8	(1.8)
Austria	28.5	32.3	(3.8)	(11.8)	(11.8)
Ireland	28.7	28.1	0.6	2.1	2.1
Total Western Europe	175.1	177.8	(2.7)	(1.5)	(3.5)
Hungary	22.7	24.8	(2.1)	(8.5)	3.5
Other Central and Eastern Europe	53.0	57.4	(4.4)	(7.7)	4.6
Total Central and Eastern Europe	75.7	82.2	(6.5)	(7.9)	4.3
Central and corporate operations	11.2	9.7	1.5	15.5	15.5
Total UPC Broadband Division	262.0	269.7	(7.7)	(2.9)	(0.4)
VTR (Chile)	53.7	52.0	1.7	3.3	17.8
Total operating expenses excluding stock-based compensation expense	315.7	321.7	(6.0)	(1.9)	2.5
Stock-based compensation expense	0.6	1.4	(0.8)	(57.1)	
Total UPC Holding	€ 316.3	€ 323.1	€ (6.8)	(2.1)	

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, we are subject to inflationary pressures with respect to our labor and other costs and foreign currency exchange risk with respect to costs and expenses that are denominated in currencies other than the respective functional currencies of our operating segments (non-functional currency costs and expenses). Any cost increases that we are not able to pass on to our subscribers through service rate increases would result in increased pressure on our operating margins.

UPC Broadband Division. The UPC Broadband Division's operating expenses (exclusive of stock-based compensation expense) decreased €7.7 million or 2.9% during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €1.0 million increase attributable to the impact of acquisitions. Excluding FX and the effects of acquisitions, the UPC Broadband Division's operating expenses decreased €2.1 million or 0.8%. This decrease includes the following factors:

- A decrease in interconnect and access costs of €4.4 million or 13.7%, due primarily to (i) lower interconnect and access rates in Austria and Switzerland, (ii) lower B2B volume in the Netherlands and (iii) lower telephony usage in Switzerland;
- An increase in programming and related costs of €4.1 million or 6.7%, primarily due to (i) growth in digital cable services, predominantly in Austria, the Netherlands and Switzerland, and (ii) foreign

currency exchange fluctuations with respect to non-functional currency costs and expenses associated with certain programming contracts in our central and eastern European markets, including Hungary, Romania and Poland. These increases were partially offset by decreases in programming and related costs in Ireland as a result of (i) lower video cable RGUs and (ii) the impact of subscribers selecting lower-priced tiers of digital video services and products;

- An increase in billing and collections expenses of €2.1 million, as economic conditions and other factors have contributed to a rise in bad debt expense in most markets;
- A decrease in management fees of €1.4 million, primarily due to the second quarter 2008 renegotiation of an agreement with the noncontrolling interest owners of one of our operating subsidiaries 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 €1.7 million or 3.3% during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, VTR's operating expenses increased €9.2 million or 17.8%. This increase includes the following factors:

- An increase in programming and related costs of €6.1 million or 46.4%, due primarily to (i) foreign currency exchange fluctuations with respect to VTR's U.S. dollar denominated programming contracts and (ii) growth in VTR's digital cable services. Most of VTR's programming contracts are denominated in U.S. dollars;
- An increase in bad debt expense of €0.9 million, due primarily to economic conditions and an increase in VTR's customer base; and
- An increase in network-related expenses of €0.7 million or 19.5%, due primarily to higher costs for electricity.

Operating expenses — 2008 compared to 2007

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX
	2008	2007	€	%	%
	in millions				
UPC Broadband Division:					
The Netherlands	€ 253.3	€ 269.9	€ (16.6)	(6.2)	(6.2)
Switzerland	215.4	222.6	(7.2)	(3.2)	(6.7)
Austria	122.2	132.0	(9.8)	(7.4)	(7.4)
Ireland	114.3	114.1	0.2	0.2	0.2
Total Western Europe	705.2	738.6	(33.4)	(4.5)	(5.6)
Hungary	100.5	100.5	—	—	(0.1)
Other Central and Eastern Europe	232.2	215.8	16.4	7.6	5.4
Total Central and Eastern Europe	332.7	316.3	16.4	5.2	3.7
Central and corporate operations	33.2	51.1	(17.9)	(35.0)	(35.0)
Total UPC Broadband Division	1,071.1	1,106.0	(34.9)	(3.2)	(4.3)
VTR (Chile)	202.3	198.7	3.6	1.8	8.5
Total operating expenses excluding stock-based compensation expense	1,273.4	1,304.7	(31.3)	(2.4)	(2.3)
Stock-based compensation expense	5.9	9.5	(3.6)	(37.9)	
Total UPC Holding	€ 1,279.3	€ 1,314.2	€ (34.9)	(2.7)	

UPC Broadband Division. The UPC Broadband Division's operating expenses (exclusive of stock-based compensation expense) decreased €34.9 million or 3.2% during 2008, as compared to 2007. This decrease includes €9.2 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, the UPC Broadband Division's operating expenses decreased €56.5 million or 5.1%. This decrease includes the following factors:

- A decrease in interconnect and access costs of €20.6 million or 11.4%, due primarily to (i) lower interconnect and access rates in Austria, Switzerland and the Netherlands, (ii) lower B2B volume in the Netherlands, (iii) decreased telephony usage in Austria and (iv) reductions in interconnect tariffs in Switzerland that were imposed by a regulatory authority during the fourth quarter of 2008. These tariff reductions, which were retroactive to January 1, 2007, resulted in decreases in interconnect expense of €1.0 million for the year ended December 31, 2008 and €1.9 million for the fourth quarter of 2008, each as compared to the corresponding prior year period;

- Decreases in personnel costs of €12.8 million or 5.8%, due largely to (i) decreased staffing levels, particularly in (a) the Netherlands, in connection with the integration of certain components of the Netherlands' operations, (b) Switzerland and Austria, in connection with the increased usage of third parties to manage excess call volume and (c) Romania, in connection with certain restructuring activities, and (ii) increases in personnel and related costs allocable to capital activities, such as the installation of customer premise equipment for digital cable services;

- A decrease in network related expenses of €7.4 million or 6.4%, primarily due to (i) cost containment efforts in Switzerland and the Netherlands and (ii) a €1.9 million energy tax credit received by the Netherlands during the fourth quarter of 2008;

- A decrease in management fees of €6.4 million, primarily due to the renegotiation of an agreement with the noncontrolling interest owners of one of our operating subsidiaries in Austria;

- An increase in outsourced labor and consulting fees of €5.7 million or 7.0%, associated with the use of third parties to manage excess call center volume, primarily in Switzerland, Austria and the Czech Republic. This increase, which was due in part to growth in digital cable services, was partially offset by a decrease in Ireland associated with higher costs during 2007 related to a billing system conversion and the integration of certain call center operations;

- An increase in programming and related costs of €3.8 million or 1.6%, primarily due to growth in digital cable services, predominantly in the Netherlands, Austria and Switzerland. These increases were partially offset by decreases in programming and related costs as a result of lower analog cable RGUs in Romania, Hungary, the Czech Republic and Ireland;

- A decrease in bad debt expense of €0.7 million, primarily due to reductions in bad debt expense in Switzerland, Austria and to a lesser extent, the Czech Republic, the Netherlands, and Ireland, due largely to improved credit and collection procedures. These decreases were largely offset by a €5.5 million increase in bad debt expense in Romania. In light of Romania's ongoing efforts to improve credit and collection policies, we expect Romania's bad debt expense to decline in 2009; and

- Individually insignificant net decreases in other operating expense categories.

VTR (Chile). VTR's operating expenses (exclusive of stock-based compensation expense) increased €3.6 million or 1.8% during 2008, as compared to 2007. Excluding FX, VTR's operating expenses increased €17.0 million or 8.5%. This increase includes the following factors:

- An increase in programming and related costs of €9.1 million or 17.3%, due primarily to increases in the average number of VTR's video RGUs, an increasing proportion of which consists of digital cable RGUs;

- An increase in interconnect and access charges of €6.0 million or 14.7%, due primarily to (i) a higher volume of traffic associated with increases in VTR's telephony RGUs and (ii) increased costs associated with (a) increased usage of broadband internet services, due in part to speed upgrades that were completed in March 2008 and November 2008, and (b) an increase in VTR's broadband internet RGUs;

- An increase in personnel costs of €2.3 million or 5.9%, largely due to periodic wage increases, including inflation adjustments; and

- An increase in bad debt expense of €1.2 million, as increases associated with RGU growth and weak economic conditions in Chile were only partially offset by the second quarter 2008 reversal of a €2.3 million bad debt reserve in connection with the settlement of an interconnect fee dispute.

Operating expenses — 2007 compared to 2006

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX
	2007	2006	€	%	%
	in millions				
UPC Broadband Division:					
The Netherlands	€ 269.9	€ 265.9	€ 4.0	1.5	1.5
Switzerland	222.6	215.0	7.6	3.5	8.2
Austria	132.0	122.3	9.7	7.9	7.9
Ireland	114.1	108.7	5.4	5.0	5.0
Total Western Europe	738.6	711.9	26.7	3.8	5.1
Hungary	100.5	93.1	7.4	7.9	3.0
Other Central and Eastern Europe	215.8	173.0	42.8	24.7	20.1
Total Central and Eastern Europe	316.3	266.1	50.2	18.9	14.1
Central and corporate operations	51.1	56.4	(5.3)	(9.4)	(9.4)
Total UPC Broadband Division	1,106.0	1,034.4	71.6	6.9	6.7
VTR (Chile)	198.7	203.4	(4.7)	(2.3)	4.8
Total operating expenses excluding stock-based compensation expense	1,304.7	1,237.8	66.9	5.4	6.4
Stock-based compensation expense	9.5	3.3	6.2	187.9	
Total UPC Holding before disposal	1,314.2	1,241.1	73.1	5.9	
Disposal (Belgium)	—	10.2	(10.2)	N.M.	
Total UPC Holding	€ 1,314.2	€ 1,251.3	€ 62.9	5.0	

N.M. — Not Meaningful.

UPC Broadband Division. The UPC Broadband Division's operating expenses (exclusive of stock-based compensation expense) increased €71.6 million or 6.9% during 2007, as compared to 2006. This increase includes a €27.9 million increase attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, the UPC Broadband Division's operating expenses increased €40.9 million or 4.0%, primarily due to the net effect of the following factors:

- An increase in outsourced labor and consulting fees of €13.0 million or 20.0% during 2007, due primarily to (i) the use of third parties to manage excess call center volume associated with growth in digital cable, broadband internet and VoIP telephony services, primarily in Switzerland and Ireland, and (ii) increased costs related to network maintenance and upgrade activity in Ireland;

- An increase in programming and related costs of €12.8 million or 6.0% during 2007, primarily due to an increase in costs for content and interactive digital services related to subscriber growth on the digital platform, primarily in the Netherlands;
- An increase in interconnect costs of €11.1 million or 4.9% during 2007, primarily due to growth in telephony subscribers in the Netherlands;
- A decrease in personnel costs of €11.6 million or 5.1% during 2007, largely due to decreased headcount in (i) the Netherlands, primarily due to the integration of the Netherlands' B2B and broadband communications operations, and (ii) Switzerland, primarily due to increased usage of third parties to manage excess call volume. These decreases were partially offset by an increase in personnel costs in our customer care centers, primarily in Austria, Poland and Romania;
- An increase in bad debt expense of €8.6 million or 24.1% during 2007, due primarily to (i) an increase in uncollectible accounts and collection costs in Romania and (ii) higher revenue in 2007, as compared to 2006. The increase in Romania is due in part to higher levels of subscriber disconnects resulting from increased competition. These increases are partially offset by lower bad debt expense in Austria, primarily due to improved collection efforts; and
- A €6.2 million increase (including a €5.7 million increase during the fourth quarter of 2007) resulting primarily from the Netherlands' release of accruals during 2006 in connection with the resolution of certain operational contingencies.

VTR (Chile). VTR's operating expenses (exclusive of stock-based compensation expense) decreased €4.7 million or 2.3%, during 2007, as compared to 2006. Excluding FX, VTR's operating expenses increased €9.8 million or 4.8%. This increase, which is due largely to the increased scope of VTR's business, is primarily attributable to (i) a €4.0 million or 18.4% increase in technical services and network maintenance costs and (ii) a €3.8 million or 7.2% increase in programming and related costs.

SG&A Expenses of our Reportable Segments

SG&A expenses — Three Months Ended March 31, 2009 compared to Three Months Ended March 31, 2008

	Three months ended March 31,		Increase (decrease)		Increase (decrease) excluding FX
	2009	2008	€	%	%
	in millions				
UPC Broadband Division:					
The Netherlands	€ 23.9	€ 24.3	€ (0.4)	(1.6)	(1.6)
Switzerland	28.1	28.3	(0.2)	(0.7)	(6.9)
Austria	14.9	15.3	(0.4)	(2.6)	(2.6)
Ireland	8.9	8.2	0.7	8.5	8.5
Total Western Europe	75.8	76.1	(0.3)	(0.4)	(2.7)
Hungary	6.4	7.7	(1.3)	(16.9)	(5.2)
Other Central and Eastern Europe	18.1	19.8	(1.7)	(8.6)	4.1
Total Central and Eastern Europe	24.5	27.5	(3.0)	(10.9)	1.5
Central and corporate operations	28.0	29.8	(1.8)	(6.0)	(2.9)
Total UPC Broadband Division	128.3	133.4	(5.1)	(3.8)	(1.9)
VTR (Chile)	18.7	22.0	(3.3)	(15.0)	(2.8)
Total SG&A expenses excluding stock-based compensation expense	147.0	155.4	(8.4)	(5.4)	2.0
Stock-based compensation expense	2.8	7.0	(4.2)	(60.0)	
Total UPC Holding	€ 149.8	€ 162.4	€ (12.6)	(7.8)	

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, we are subject to inflationary pressures with respect to our labor and other costs and foreign currency exchange risk with respect to non-functional currency costs and expenses.

UPC Broadband Division. The UPC Broadband Division's SG&A expenses (exclusive of stock-based compensation expense) decreased €5.1 million or 3.8% during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €0.2 million increase attributable to the impact of acquisitions. Excluding FX and the effects of acquisitions, the UPC Broadband Division's SG&A expenses decreased €2.7 million or 2.0%. This decrease is primarily attributable to a decrease in outsourced labor and professional fees of €1.4 million or 18.2% and individually insignificant net decreases in other SG&A expense categories. The decrease in outsourced labor and professional fees is due primarily to decreases in information technology costs incurred by the UPC Broadband Division's central and corporate operations.

VTR (Chile). VTR's SG&A expenses (exclusive of stock-based compensation expense) decreased €3.3 million or 15.0% during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, VTR's SG&A expenses decreased €0.6 million or 2.8%. This decrease includes the following factors:

- A decrease in sales and marketing costs of €0.7 million or 6.9%, as decreased costs associated with marketing campaigns were only partially offset by increased sales commissions;
- A decrease in labor and related costs of €0.7 million or 11.0%, primarily due to higher severance and travel costs incurred during the first quarter of 2008; and
- Individually insignificant net increases in other SG&A expense categories.

SG&A expenses — 2008 compared to 2007

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX
	2008	2007	€	%	%
	in millions				
UPC Broadband Division:					
The Netherlands	€ 93.2	€ 103.3	€ (10.1)	(9.8)	(9.8)
Switzerland	109.0	109.3	(0.3)	(0.3)	(3.8)
Austria	58.9	62.1	(3.2)	(5.2)	(5.2)
Ireland	29.9	34.0	(4.1)	(12.1)	(12.1)
Total Western Europe	291.0	308.7	(17.7)	(5.7)	(7.0)
Hungary	31.1	36.1	(5.0)	(13.9)	(13.6)
Other Central and Eastern Europe	80.3	77.5	2.8	3.6	0.9
Total Central and Eastern Europe	111.4	113.6	(2.2)	(1.9)	(3.7)
Central and corporate operations	123.6	121.8	1.8	1.5	1.5
Total UPC Broadband Division	526.0	544.1	(18.1)	(3.3)	(4.4)
VTR (Chile)	81.8	82.5	(0.7)	(0.8)	4.8
Total SG&A expenses excluding stock-based compensation expense	607.8	626.6	(18.8)	(3.0)	(3.2)
Stock-based compensation expense	28.7	46.4	(17.7)	(38.1)	
Total UPC Holding	€ 636.5	€ 673.0	€ (36.5)	(5.4)	

UPC Broadband Division. The UPC Broadband Division's SG&A expenses (exclusive of stock-based compensation expense) decreased €18.1 million or 3.3% during 2008, as compared to 2007. This decrease includes €3.1 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, the UPC Broadband Division's SG&A expenses decreased €27.1 million or 5.0%. This decrease includes the following factors:

- A decrease in sales and marketing costs of €12.5 million or 8.6%, due primarily to decreases related to (i) the Netherlands' continued emphasis during the 2008 periods on more efficient marketing strategies, (ii) cost containment efforts in Hungary and Austria and (iii) decreased costs due to a UPC rebranding campaign during 2007. These decreases were partially offset by (i) an increase in the costs incurred in Poland to support the launch of digital cable services and (ii) an increase associated with the impact of a favorable first quarter 2007 settlement related to number porting charges in Switzerland;

- A decrease in outsourced labor and professional fees of €8.8 million or 17.1%, due primarily to decreases in certain central and corporate costs and certain costs incurred in the Netherlands, Ireland, Switzerland and Romania;

- A decrease in personnel costs of €3.4 million or 1.5%, as increases in personnel and related costs allocable to capital activities, such as the installation of billing and support systems were only partially offset by the impacts of increases in staffing levels and annual wage increases; and

- A €3.1 million decrease associated with Cablecom's favorable settlement of a value added tax contingency during the fourth quarter of 2008.

VTR (Chile). VTR's SG&A expenses (exclusive of stock-based compensation expense) decreased €0.7 million or 0.8% during 2008, as compared to 2007. Excluding FX, VTR's SG&A expenses increased €4.0 million or 4.8%. This increase includes (i) an increase in legal fees of €1.2 million, due primarily to the second quarter of 2008 settlement of an interconnect fee dispute, (ii) an increase in personnel costs of €0.9 million or 3.1%, largely due to periodic wage increases, including inflation adjustments, and (iii) increases in utility costs and other individually insignificant net increases in other expense categories.

SG&A expenses — 2007 compared to 2006

	Year ended December 31,		Increase (decrease)		Increase (decrease) excluding FX
	2007	2006	€	%	%
	in millions				
UPC Broadband Division:					
The Netherlands	€ 103.3	€ 114.5	€ (11.2)	(9.8)	(9.8)
Switzerland	109.3	118.9	(9.6)	(8.1)	(3.9)
Austria	62.1	56.7	5.4	9.5	9.5
Ireland	34.0	36.7	(2.7)	(7.4)	(7.4)
Total Western Europe	308.7	326.8	(18.1)	(5.5)	(4.0)
Hungary	36.1	35.8	0.3	0.8	(3.8)
Other Central and Eastern Europe	77.5	72.5	5.0	6.9	2.9
Total Central and Eastern Europe	113.6	108.3	5.3	4.9	0.7
Central and corporate operations	121.8	116.0	5.8	5.0	5.0
Total UPC Broadband Division	544.1	551.1	(7.0)	(1.3)	(1.2)
VTR (Chile)	82.5	83.5	(1.0)	(1.2)	6.2
Total SG&A expenses excluding stock-based compensation expense	626.6	634.6	(8.0)	(1.3)	(0.2)
Stock-based compensation expense	46.4	16.3	30.1	184.7	
Total UPC Holding before disposal	673.0	650.9	22.1	3.4	
Disposal (Belgium)	—	5.4	(5.4)	N.M.	
Total UPC Holding	€ 673.0	€ 656.3	€ 16.7	2.5	

N.M. — Not Meaningful.

UPC Broadband Division. The UPC Broadband Division's SG&A expenses (exclusive of stock-based compensation expense) decreased €7.0 million or 1.3%, during 2007 as compared to 2006. This decrease includes €16.9 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, the UPC Broadband Division's SG&A expenses decreased €23.4 million or 4.2%. This decrease in the UPC Broadband Division's SG&A expenses primarily is attributable to the following factors:

- A decrease in personnel costs of €12.4 million or 5.3% during 2007, due to lower staffing levels, primarily due to the integration of certain components of our operations within the Czech Republic, the Netherlands and Ireland;

- A decrease in sales and marketing expenses of €3.9 million or 2.7% during 2007, primarily related to (i) lower costs incurred in connection with the Netherlands digital migration efforts, primarily due to an emphasis on more selective marketing strategies, (ii) a decrease in sales and marketing costs in Hungary, primarily due to cost containment efforts, and (iii) a decrease associated with the impact of a favorable first quarter 2007 settlement related to number porting charges in Switzerland. These decreases were partially offset by increased sales and marketing expenses in Ireland, Romania and Austria, primarily due to competitive factors; and

- A decrease in outsourced labor and consulting costs of €6.6 million or 38.2% during 2007, primarily due to professional fees incurred in Switzerland during 2006 related to integration activities subsequent to the acquisition of Cablecom.

VTR (Chile). VTR's SG&A expenses (exclusive of stock-based compensation expense) decreased €1.0 million or 1.2% during 2007, as compared to 2006. Excluding FX, VTR's SG&A expenses increased €5.2 million or 6.2%. This increase, which is due largely to the increased scope of VTR's business, is primarily attributable to an increase in labor and related costs (including consulting and outsourced labor) of €3.3 million or 12.6%.

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, related-party fees and allocations, 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 loss before income taxes and discontinued operations, see note 12 to our March 31, 2009 condensed consolidated financial statements and note 19 to our December 31, 2008 consolidated financial statements.

Operating Cash Flow — Three Months Ended March 31, 2009 compared to Three Months Ended March 31, 2008

	Three months ended March 31,		Increase (decrease)		Increase (decrease) excluding FX
	2009	2008	€	%	%
	in millions				
UPC Broadband Division:					
The Netherlands	€ 117.0	€ 110.8	€ 6.2	5.6	5.6
Switzerland	100.1	88.1	12.0	13.6	6.2
Austria	44.4	45.6	(1.2)	(2.6)	(2.6)
Ireland	23.5	22.6	0.9	4.0	4.0
Total Western Europe	285.0	267.1	17.9	6.7	4.3
Hungary	29.4	34.2	(4.8)	(14.0)	(2.7)
Other Central and Eastern Europe	74.8	79.5	(4.7)	(5.9)	6.2
Total Central and Eastern Europe	104.2	113.7	(9.5)	(8.4)	3.5
Central and corporate operations	(38.1)	(38.2)	0.1	0.3	(2.3)
Total UPC Broadband Division	351.1	342.6	8.5	2.5	4.2
VTR (Chile)	47.0	50.4	(3.4)	(6.7)	6.7
Total	€ 398.1	€ 393.0	€ 5.1	1.3	4.5

Operating Cash Flow — 2008 compared to 2007

	Year ended December 31, 2008	Year ended December 31, 2007	Increase €	Increase %	Increase excluding FX %
	in millions				
UPC Broadband Division:					
The Netherlands	€ 457.2	€ 400.3	€ 56.9	14.2	14.2
Switzerland	368.3	305.2	63.1	20.7	16.5
Austria	184.4	172.8	11.6	6.7	6.7
Ireland	97.7	76.0	21.7	28.6	28.6
Total Western Europe	1,107.6	954.3	153.3	16.1	14.7
Hungary	144.0	138.6	5.4	3.9	3.9
Other Central and Eastern Europe	333.0	293.9	39.1	13.3	7.6
Total Central and Eastern Europe	477.0	432.5	44.5	10.3	6.4
Central and corporate operations	(150.6)	(165.5)	14.9	9.0	9.0
Total UPC Broadband Division	1,434.0	1,221.3	212.7	17.4	15.0
VTR (Chile)	200.9	181.4	19.5	10.7	17.9
Total	€ 1,634.9	€ 1,402.7	€ 232.2	16.6	15.4

Operating Cash Flow — 2007 compared to 2006

	Year ended December 31, 2007	Year ended December 31, 2006	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %
	in millions				
UPC Broadband Division:					
The Netherlands	€ 400.3	€ 354.9	€ 45.4	12.8	12.8
Switzerland	305.2	280.4	24.8	8.8	13.6
Austria	172.8	154.8	18.0	11.6	11.6
Ireland	76.0	63.5	12.5	19.7	19.7
Total Western Europe	954.3	853.6	100.7	11.8	13.4
Hungary	138.6	115.7	22.9	19.8	14.5
Other Central and Eastern Europe	293.9	210.6	83.3	39.6	34.4
Total Central and Eastern Europe	432.5	326.3	106.2	32.5	27.4
Central and corporate operations	(165.5)	(158.1)	(7.4)	(4.7)	(4.7)
Total UPC Broadband Division	1,221.3	1,021.8	199.5	19.5	19.2
VTR (Chile)	181.4	158.0	23.4	14.8	23.3
Total UPC Holding before disposal	1,402.7	1,179.8	222.9	18.9	19.7
Disposal (Belgium)	—	19.3	(19.3)	N.M.	N.M.
Total	€ 1,402.7	€ 1,199.1	€ 203.6	17.0	19.4

N.M. — Not Meaningful

Operating Cash Flow Margin — Three Months Ended March 31, 2009 and 2008

	Three months ended March 31,	
	2009	2008
	%	%
UPC Broadband Division:		
The Netherlands	57.2	55.2
Switzerland	54.8	52.4
Austria	50.6	48.9
Ireland	38.5	38.4
Total Western Europe	53.2	51.3
Hungary	50.3	51.3
Other Central and Eastern Europe	51.3	50.7
Total Central and Eastern Europe	51.0	50.9
Total UPC Broadband Division, including central and corporate operations	47.4	45.9
VTR (Chile)	39.4	40.5

While we experienced improvement in the operating cash flow margins of most of our reportable segments during the first quarter of 2009, as compared to the first quarter of 2008, competitive and economic factors have resulted in a slight decline in the operating cash flow margins of Hungary and VTR. Foreign currency impacts associated with non-functional currency costs and expenses have also negatively impacted operating cash flow margins in our VTR, Hungary, and Other Central and Eastern Europe segments. The improvements in the operating cash flow margins of our other reportable segments are largely a function of increased operational leverage resulting from revenue growth that is more than offsetting the accompanying increases in our operating and SG&A expenses. Cost containment efforts also have positively impacted the operating cash flow margins of our reportable segments. 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 "*Discussion and Analysis of our Reportable Segments*" above, most of our broadband communications operations are experiencing significant competition and difficult economic conditions. Sustained or increased competition, particularly in combination with difficult economic conditions, could adversely affect our ability to maintain or improve the operating cash flow margins of our reportable segments.

Operating Cash Flow Margin — 2008, 2007 and 2006

The following table sets forth the operating cash flow margins of our reportable segments:

	Year ended December 31,		
	2008	2007	2006
		%	
UPC Broadband Division:			
The Netherlands	56.9	51.8	48.3
Switzerland	53.2	47.9	45.6
Austria	50.5	47.1	46.4
Ireland	40.4	33.9	30.4
Total Western Europe	52.6	47.7	45.1
Hungary	52.2	50.4	47.3
Other Central and Eastern Europe	51.6	50.1	46.2
Total Central and Eastern Europe	51.8	50.2	46.6
Total UPC Broadband Division, including central and corporate costs	47.3	42.5	39.2
VTR (Chile)	41.4	39.2	35.5

The improvement in the operating cash flow margins of our reportable segments during 2008 and 2007 is generally attributable to improved operational leverage resulting from the combined impact of revenue growth, cost containment efforts and synergies and cost savings resulting from the continued integration of acquisitions. 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 compared to 2008, we currently expect that (i) the operating cash flow margin of the UPC Broadband Division will improve slightly during 2009 and (ii) the operating cash flow margin of VTR will remain relatively constant.

Discussion and Analysis of our Consolidated Operating Results

General

For more detailed explanations of the changes in our revenue, operating expenses and SG&A expenses, see the *"Discussion and Analysis of our Reportable Segments"* that appears above.

Three Months Ended March 31, 2009 compared to Three Months Ended March 31, 2008

Revenue

Our revenue by major category is set forth below:

	Three months ended March 31, 2009	Three months ended March 31, 2008	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %	Increase (decrease) excluding acquisitions and FX %
	in millions					
Subscription revenue [(a)]:						
Video	€ 435.6	€ 445.4	€ (9.8)	(2.2)	1.4	1.1
Broadband internet	212.0	207.0	5.0	2.4	7.3	6.9
Telephony	121.1	120.9	0.2	0.2	4.2	4.1
Total subscription revenue	768.7	773.3	(4.6)	(0.6)	3.5	3.1
Other revenue [(b)]	92.1	96.8	(4.7)	(4.9)	(3.9)	(3.8)
Total UPC Holding	€ 860.8	€ 870.1	€ (9.3)	(1.1)	2.6	2.3

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile telephony revenue. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the stand-alone price for each individual service. However, due to regulatory and other constraints, the methodology used to allocate bundling discounts may vary somewhat among our broadband communications operating segments.

(b) Other revenue includes non-subscription revenue (including B2B and installation revenue).

Our consolidated revenue decreased €9.3 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €2.5 million increase attributable to the impact of acquisitions. Excluding FX and the effects of acquisitions, total consolidated revenue increased €20.4 million or 2.3%.

Excluding FX and the effects of acquisitions, our consolidated subscription revenue increased €24.1 million or 3.1% during the three months ended March 31, 2009, as compared to the corresponding prior year period. This increase is attributable to (i) a €14.2 million or 6.9% increase in subscription revenue from broadband internet services, as the impact of an increase in the average number of broadband internet RGUs was only partially offset by lower ARPU from broadband internet services, (ii) a €5.0 million or 4.1% increase in subscription revenue from telephony services, as the impact of an increase in the average number of telephony RGUs was only partially offset by lower ARPU from telephony services and (iii) a €4.9 million or 1.1% increase in subscription revenue from video services, as the impact of higher ARPU from video services was only partially offset by a decline in the average number of video RGUs.

Excluding FX and the effects of acquisitions, our consolidated other revenue decreased €3.7 million or 3.8%, during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is primarily attributable to decreases in B2B and interconnect revenue that were only partially offset by higher programming and installation revenue.

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

Operating expenses

Our consolidated operating expenses decreased €6.8 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €1.0 million increase attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which decreased €0.8 million. For additional information, see the discussion following *SG&A expenses* below. Excluding FX, the effects of acquisitions and stock-based compensation expense, total consolidated operating expenses increased €7.1 million or 2.2% during the three months ended March 31, 2009, as compared to the corresponding prior year period. As discussed in more detail under "*Discussion and Analysis of Reportable Segments — Operating Expenses*" above, this increase generally reflects the net impact of (i) increases in programming and other direct costs, (ii) net decreases in interconnect and access charges, (iii) increases in billing and collections expense and (iv) less significant net decreases in other operating expense categories.

SG&A expenses

Our consolidated SG&A expenses decreased €12.6 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease is net of a €0.2 million increase attributable to the impact of acquisitions. Our SG&A expenses include stock-based compensation expense, which decreased €4.2 million. For additional information, see the discussion in the following paragraph. Excluding FX, the effects of acquisitions and stock-based compensation expense, total consolidated SG&A expenses decreased €3.3 million or 2.1% during the three months ended March 31, 2009, as compared to the corresponding prior year period. As discussed in more detail under "*Discussion and Analysis of our Reportable Segments — SG&A Expenses*" above, this decrease generally reflects the net impact of (i) decreases in outsourced labor and professional fees, (ii) decreases in sales and marketing costs, (iii) net increases in labor costs and (iv) less significant net decreases in other SG&A expense categories.

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 amounts allocated by LGI to our company represent the stock-based compensation associated with the stock incentive awards held by certain employees of our subsidiaries, including awards granted to these individuals pursuant to the LGI Performance 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 March 31,	
	2009	**2008**
	in millions	
LGI common stock:		
LGI Performance Plans [(a)]	€ (1.6)	€ 8.0
Stock options, SARs, restricted shares and restricted share units	4.5	2.8
Total LGI common stock	2.9	10.8
Other	0.5	(2.4)
Total	€ 3.4	€ 8.4
Included in:		
Operating expense	€ 0.6	€ 1.4
SG&A expense	2.8	7.0
Total	€ 3.4	€ 8.4

(a) The stock-based compensation expense related to the LGI Performance Plans during the three months ended March 31, 2009 includes a €1.4 million reduction associated with the settlement of the second installment of awards under the LGI Performance Plans and an €8.2 million reduction associated with certain forfeitures. For additional information concerning these items, see note 9 to our March 31, 2009 condensed consolidated financial statements.

Depreciation and amortization expense

Our consolidated depreciation and amortization expense decreased €5.2 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, depreciation and amortization expense increased €2.7 million or 1.0%. This increase is 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) decreases associated with certain assets becoming fully depreciated and (iii) increases associated with acquisitions.

Impairment, restructuring and other operating charges, net

We recognized impairment, restructuring and other operating charges, net, of €3.6 million and €2.7 million during the three months ended March 31, 2009 and 2008, respectively.

Based on business conditions and market values that existed at March 31, 2009, we concluded that no circumstances or events occurred that would require us to test goodwill or other long-lived assets for impairments. However, the market value of the publicly-traded equity of LGI remains at historically low levels and we continue to experience difficult economic environments and significant competition in most of our markets. If, among other factors, (i) LGI's equity value declines further or (ii) the adverse impacts of economic or competitive factors are worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Depending on (i) LGI's equity value, (ii) economic and competitive conditions and (iii) other factors, any such impairment charges could be significant.

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 €1.3 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. The increase reflects the net effect of (i) an increase in the interest rate on our shareholder loan from 7.06% during the 2008 period to 7.58% during the 2009 period and (ii) a slight decrease in the average outstanding balance of our shareholder loan during the 2009 period as compared to the corresponding prior year period. For additional information, see note 8 to our March 31, 2009 condensed consolidated financial statements.

Interest expense — third party

Our consolidated third-party interest expense decreased €22.2 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. Excluding FX, third-party interest expense decreased €21.5 million or 19.2%. This decrease is primarily attributable to a decrease in our weighted average interest rate that was only partially offset by the impact of an increase in our average outstanding indebtedness. The decline in our weighted average interest rate is due primarily to lower interest rates on the UPC Broadband Holding Bank Facility.

In light of the ongoing disruption in the credit markets, it is possible that (i) the interest rates on any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) the interest rates incurred on our variable-rate indebtedness could increase in future periods. We use derivative instruments to manager our interest rate risks. For additional information, see note 5 to our March 31, 2009 condensed consolidated financial statements.

Interest income

Our consolidated interest income decreased €1.0 million during the three months ended March 31, 2009, as compared to the corresponding prior year period. This decrease primarily is attributable to (i) a decrease in our average consolidated cash and cash equivalent and restricted cash balances and (ii) lower interest returned on our cash investments.

Realized and unrealized losses on derivative instruments, net

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

	Three months ended March 31,	
	2009	**2008**
	in millions	
Cross-currency and interest rate derivative contracts [a]	€ (38.0)	€ (280.1)
Foreign currency forward contracts	(4.7)	4.2
Embedded derivatives	(2.4)	(0.5)
Total	€ (45.1)	€ (276.4)

(a) The loss during the 2009 period primarily is attributable to the net effect of (i) gains associated with a decrease in the value of the Hungarian forint, Polish zloty, Czech koruna and Swiss franc relative to the euro, (ii) losses associated with a decrease in market interest rates in the euro, Chilean peso, Swiss franc and U.S. dollar markets and (iii) losses associated with an increase in the value of the Chilean peso relative to the U.S. dollar and the euro. The loss during the 2008 period is attributable to the net effect of (i) losses associated with an increase in the value of the Chilean peso relative to the U.S. dollar, (ii) losses associated with a decrease in market interest rates in the euro and U.S. dollar, (iii) losses associated with an increase in the value of the Swiss franc relative to the euro, (iv) losses associated with a decrease in the value of the U.S. dollar relative to the euro and (v) gains associated with a decrease in the value of the Hungarian forint and Romanian lei relative to the euro.

For additional information concerning our derivative instruments, see note 5 to our March 31, 2009 condensed consolidated financial statements.

Foreign currency transaction gains (losses), net

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

	Three months ended March 31,	
	2009	**2008**
	in millions	
Intercompany notes denominated in a currency other than the entity's functional currency [a]	€ (196.0)	€ 57.6
U.S. dollar denominated debt issued by a European subsidiary	(88.5)	101.0
U.S. dollar denominated debt issued by a Latin American subsidiary	31.4	42.3
Cash and restricted cash denominated in a currency other than the entity's functional currency	13.3	(24.7)
Other	(1.3)	5.2
Total	€ (241.1)	€ 181.4

(a) Amounts 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. Accordingly, these gains (losses) are a function of movements of the euro against (a) the U.S. dollar and (b) other local currencies in Europe.

Income tax benefit (expense)

We recognized income tax benefit of €14.0 million and income tax expense of €8.0 million during the three months ended March 31, 2009 and 2008, respectively.

The income tax benefit for the 2009 period differs from the expected income tax benefit of €101.4 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain tax jurisdictions, (ii) certain permanent differences between the financial and tax accounting treatment of interest expense and other nondeductible items and (iii) differences in the statutory and local tax rates in certain jurisdictions in which we operate.

The income tax expense for the 2008 period differs from the expected income tax benefit of €62.8 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain tax jurisdictions and (ii) certain permanent differences between the financial and tax accounting treatment of interest expense and other nondeductible items.

Net loss

During the three months ended March 31, 2009 and 2008, we reported net losses of €383.8 million and €254.1 million, respectively, including (i) operating income of €131.7 million and €112.3 million, respectively, and (ii) non-operating expense of €529.5 million and €358.4 million, respectively. Gains or losses associated with (i) the disposition of assets, (ii) changes in the fair values of derivative instruments, investments and debt and (iii) movements in foreign currency exchange rates are subject to a high degree of volatility, and as such, any gains from these sources do not represent a reliable source of income. In the absence of significant gains in the future from these sources or from other non-operating items, our ability to achieve 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 and (f) income tax expenses.

Due largely to the fact that we seek to maintain our debt at levels that provide for attractive equity returns, as discussed under "*Liquidity and Capital Resources — Capitalization*" below, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information concerning the reasons for changes in specific line items in our condensed consolidated statements of operations, see the discussion under "*Discussion and Analysis of our Reportable Segments*" and "*Discussion and Analysis of our Consolidated Operating Results*" above.

Net loss (earnings) attributable to noncontrolling interests

We recognized net loss (earnings) attributable to noncontrolling interests of €4.0 million and (€0.6 million) during the three months ended March 31, 2009 and 2008, respectively. This change is primarily attributable to a decline in the operating results of VTR that was only partially offset by improvements in the operating results of certain other majority owned subsidiaries.

2008 compared to 2007

Revenue

Our revenue by major category is set forth below:

	Year ended December 31, 2008	Year ended December 31, 2007	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %	Increase (decrease) excluding acquisitions and FX %
	in millions					
Subscription revenue [(a)]:						
Video	€ 1,791.7	€ 1,732.0	€ 59.7	3.4	2.7	1.9
Broadband internet	851.6	759.5	92.1	12.1	11.4	10.3
Telephony	484.4	428.2	56.2	13.1	13.9	13.4
Total subscription revenue	3,127.7	2,919.7	208.0	7.1	6.6	5.7
Other revenue [(b)]	388.4	414.3	(25.9)	(6.3)	(6.5)	(6.8)
Total UPC Holding	€ 3,516.1	€ 3,334.0	€ 182.1	5.5	5.0	4.2

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile telephony revenue. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the stand-alone price for each individual service. However, due to regulatory and other constraints, the methodology used to allocate bundling discounts may vary somewhat between our broadband communications operating segments.

(b) Other revenue includes non-subscription revenue such as B2B and installation revenue.

Our consolidated revenue increased €182.1 million during 2008, as compared to 2007. This increase includes €25.6 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, total consolidated revenue increased €139.6 million or 4.2%.

Excluding the effects of acquisitions and FX, our consolidated subscription revenue increased €167.7 million or 5.7% during 2008, as compared to 2007. This increase is attributable to (i) a €78.0 million or 10.3% increase in subscription revenue from broadband internet services, as the impact of an increase in the average number of broadband internet RGUs was only partially offset by lower ARPU from broadband internet services, (ii) a €32.3 million or 1.9% increase in subscription revenue from video services, as the impact of higher ARPU from video services was only partially offset by a decline in the average number of video RGUs, and (iii) a €57.3 million or 13.4% increase in subscription revenue from telephony services, as the impact of an increase in the average number of telephony RGUs was only partially offset by lower ARPU from telephony services.

Excluding the effects of acquisitions and FX, our consolidated other revenue decreased €28.1 million, or 6.8%, during 2008, as compared to 2007. This decrease is primarily attributable to lower installation and B2B revenue.

For additional information concerning the changes in our subscription and other revenue, see *"Discussion and Analysis of Reportable Segments — Revenue — 2008 compared to 2007*" above. For information regarding the competitive environment in certain of our markets, see *"Overview* and *Discussion and Analysis of our Reportable Segments"* above.

Operating expenses

Our consolidated operating expenses decreased €34.9 million during 2008, as compared to 2007. This increase includes €9.2 million attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which decreased €3.6 million during 2008. For additional information, see the discussion following *SG&A expenses* below. Excluding FX, the effects of acquisitions and stock-based compensation expense, total consolidated operating expenses decreased €39.5 million or 3.0% during 2008, as compared to 2007. As discussed in more detail under *"Discussion and Analysis of Reportable Segments — Operating Expenses — 2008 compared to 2007*" above, this decrease generally reflects primarily the impact of net decreases in (i) interconnect and access costs, (ii) personnel costs and (iii) network related expenses.

SG&A expenses

Our consolidated SG&A expenses decreased €36.5 million during 2008, as compared to 2007. This decrease includes a €3.1 million increase that is attributable to the impact of acquisitions. Our SG&A expenses include stock-based compensation expense, which decreased €17.7 million during 2008. For additional information, see the discussion in the following paragraph. Excluding FX, the effects of acquisitions and stock-based compensation expense, total consolidated SG&A expenses decreased €23.1 million or 3.7% during 2008, as compared to 2007. As discussed in more detail under *"Discussion and Analysis of our Reportable Segments — SG&A Expenses*" above, this decrease generally reflects the net impact of (i) net decreases in sales and marketing costs (ii) net decreases in outsourced labor and professional fees and (iii) less significant net increases in other SG&A expense categories.

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 amounts allocated by LGI to our company represent the stock-based compensation associated with the stock incentive awards held by certain employees of our subsidiaries, including awards granted to these individuals pursuant to the LGI Performance Plans. A summary of the aggregate stock-based compensation expense that is included in our operating and SG&A expenses is set forth below:

	Year ended December 31,	
	2008	2007
	in millions	
LGI common stock:		
LGI Performance Plans	€ 25.1	€ 35.5
Stock options, SARs, restricted stock and restricted stock units	14.2	12.4
Total LGI common stock	39.3	47.9
Other	(4.7)	8.0
Total	€ 34.6	€ 55.9
Included in:		
Operating expense	€ 5.9	€ 9.5
SG&A expense	28.7	46.4
Total	€ 34.6	€ 55.9

For additional information concerning our stock-based compensation, see note 13 to our December 31, 2008 consolidated financial statements.

Depreciation and amortization expense

Our consolidated depreciation and amortization expense increased €19.9 million during 2008, as compared to 2007. Excluding FX, depreciation and amortization expense increased €13.1 million or 1.2%. This increase is 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 assets of Cablecom and VTR becoming fully depreciated.

Impairment, restructuring and other operating charges, net

We recognized impairment, restructuring and other operating charges, net, of €119.3 million and €19.7 million during 2008 and 2007, respectively. The 2008 amount includes the net effect of (i) a €107.0 million charge associated with the impairment of the goodwill of our Romanian reporting unit and (ii) restructuring charges aggregating €13.7 million, including (a) aggregate charges of €8.4 million related to reorganization and integration activities in certain of our European operations and (b) a €4.3 million charge related to the reorganization of certain of VTR's administrative and operational functions. For additional information concerning the impairment of the goodwill of our Romanian reporting unit, see note 9 to our December 31, 2008 consolidated financial statements. The 2007 amount includes (i) restructuring charges of €6.3 million related primarily to the cost of terminating certain employees in connection with integration of our B2B and broadband communications operations in the Netherlands and (ii) restructuring charges of €4.5 million related primarily to the cost of terminating certain employees in connection with the restructuring of our broadband communications operations in Ireland.

For additional information concerning our restructuring charges, see note 15 to our December 31, 2008 consolidated financial statements.

Interest expense — third party

Our consolidated third-party interest expense increased €8.8 million during 2008 as compared to 2007. Excluding FX, interest expense increased €10.1 million or 2.2% during 2008. These changes reflect the net effect of (i) an increase in our average outstanding indebtedness and (ii) a slight decrease in our weighted average interest rate. The slight 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 10 to our December 31, 2008 consolidated financial statements.

In light of the ongoing disruption in the credit markets, it is possible that the interest rates incurred on our variable-rate indebtedness could increase in future periods.

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 €102.9 million during 2008 as compared to 2007. The increase during 2008 reflects the effect of (i) a higher average outstanding balance of our shareholder loan during the 2008 period, as compared to the corresponding prior year period and (ii) the interest rate on our shareholder loan being adjusted on October 1, 2007 from 6.44% to 7.06%, and again to 7.58% on October 1, 2008. For additional information, see note 10 to our December 31, 2008 consolidated financial statements.

Interest income

Our consolidated interest income decreased €23.0 million during 2008, as compared to 2007. This decrease is primarily attributable to €20.0 million in related party interest income earned during 2007 on Unite Holdco's loan receivable from Liberty Global Europe. The loan agreement was entered into on December 28, 2006 and was repaid on November 29, 2007. The remainder of the decrease is attributable to a decrease in our average consolidated cash and cash equivalent and restricted cash balances. Our weighted average interest rate remained relatively constant during 2008, as compared to 2007, as lower weighted average interest rates on most of our cash and cash equivalent balances were offset by the full year impact of a higher interest rate earned on our restricted cash collateral account associated with 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 losses on derivative instruments, net

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

	Year ended December 31, 2008	Year ended December 31, 2007
	in millions	
Cross-currency and interest rate derivative contracts [(a)]	€ (179.1)	€ (102.9)
Embedded derivatives	(3.7)	1.1
Foreign currency forward contracts	0.9	2.3
Total	€ (181.9)	€ (99.5)

(a) The loss during 2008 primarily is attributable to the net effect of (i) losses associated with a decrease in market interest rates in all of our currencies, (ii) gains associated with a decrease in the value of the Polish zloty and Romanian lei relative to the euro, (iii) gains associated with a decrease in the value of the Chilean peso relative to the U.S. dollar, (iv) losses associated with an increase in the value of the Swiss franc relative to the euro and (v) losses associated with an increase in the value of the euro relative to the U.S. dollar. In addition, the loss during 2008 includes a gain of €66.4 million related to credit risk valuation adjustments, as further described in notes 7 and 8 to our December 31, 2008 consolidated financial statements. The loss during 2007 primarily is attributable to the net effect of (i) losses associated with a decrease in the value of the U.S. dollar relative to the euro, (ii) gains associated with an increase in market interest rates in the euro market, (iii) gains associated with a decrease in the value of the Swiss franc relative to the euro and (iv) losses associated with an increase in the value of the Chilean peso relative to the U.S. dollar.

For additional information concerning our derivative instruments, see note 7 to our December 31, 2008 consolidated financial statements.

Foreign currency transaction gains (losses), net

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

	Year ended December 31,	
	2008	2007
	in millions	
U.S. dollar denominated debt issued by a Latin American subsidiary	€ (78.5)	€ 24.1
U.S. dollar denominated debt issued by a European subsidiary	(55.1)	135.9
Intercompany notes denominated in a currency other than the entity's functional currency [(a)]	(51.6)	24.8
Cash and restricted cash denominated in a currency other than the entity's functional currency	5.7	(37.4)
Swiss franc denominated debt issued by a European subsidiary	—	16.1
Euro denominated debt issued by a Swiss subsidiary	—	(10.9)
Other	(4.4)	(12.0)
Total	€ (183.9)	€ 140.6

(a) Amounts are related to loans between our non-operating and operating subsidiaries in Europe, which generally are denominated in the currency of the applicable operating subsidiary. Accordingly, these gains (losses) are a function of movements of the euro against other local currencies in Europe.

Losses on extinguishment of debt

We recognized losses on extinguishment of debt of €16.8 million during 2007. The losses during 2007 include (i) a €14.4 million loss resulting from the write-off of deferred financing costs in connection with the May 2007 refinancing of the VTR Bank Facility, (ii) a €6.2 million loss resulting from the write-off of deferred financing costs in connection with the second quarter 2007 refinancing of the UPC Broadband Holding Bank Facility and (iii) a €3.8 million gain on the April 2007 redemption of Cablecom Luxembourg Old Fixed Rate Notes.

For additional information regarding our debt extinguishments, see note 10 to our December 31, 2008 consolidated financial statements.

Income tax expense

We recognized income tax expense of €63.3 million and €13.8 million during 2008 and 2007, respectively.

The income tax expense during 2008 differs from the expected income tax benefit of €262.5 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain tax jurisdictions, (ii) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible items, (iii), differences in the statutory and local tax rates in certain jurisdictions in which we operate and (iv) a permanent difference associated with the impairment of goodwill in our Romanian reporting unit.

The income tax expense for 2007 differs from the expected income tax benefit of €157.3 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain jurisdictions. (ii) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible items, (iii) a reduction in deferred tax assets in the Netherlands due to an enacted change in tax law and (iv) differences in the statutory and local tax rates in certain jurisdictions in which we operate. These negative impacts were only partially offset by the positive impact of certain permanent differences between the financial and tax accounting treatment of interest, and other items associated with investments in subsidiaries and intercompany loans.

For additional information concerning our income taxes, see note 11 to our December 31, 2008 consolidated financial statements.

Net loss

During 2008 and 2007, we reported net losses of €1,092.8 million and €630.6 million, respectively, including (i) operating income of €400.1 million and €285.4 million, respectively, and (ii) non-operating expense of €1,429.6 million and €902.2 million, respectively. Gains or losses associated with changes in the fair values of derivative instruments and movements in foreign currency exchange rates are subject to a high degree of volatility, and as such, any gains from these sources do not represent a reliable source of income. In the absence of significant gains in the future in connection with (i) any dispositions of assets, (ii) changes in the fair value of our derivative instruments, (iii) changes in foreign currency exchange rates 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 and (f) income tax expenses.

Net earnings attributable to noncontrolling interests

Our net earnings attributable to noncontrolling interests increased €10.9 million during 2008, as compared to 2007. This increase is attributable primarily to increased earnings of VTR and certain operating subsidiaries in Austria and Switzerland.

2007 compared to 2006

Revenue

Our revenue by major category is set forth below:

	Year ended December 31, 2007	Year ended December 31, 2006	Increase (decrease) €	Increase (decrease) %	Increase (decrease) excluding FX %	Increase (decrease) excluding acquisitions and FX %
	in millions					
Subscription revenue [(a)]:						
Video	€ 1,732.0	€ 1,651.5	€ 80.5	4.9	5.2	2.9
Broadband internet	759.5	648.9	110.6	17.0	18.0	14.7
Telephony	428.2	380.3	47.9	12.6	15.5	15.1
Total subscription revenue	2,919.7	2,680.7	239.0	8.9	9.8	7.5
Other revenue [(b)]	414.3	371.5	42.8	11.5	4.3	9.5
Total UPC Holding before disposal	3,334.0	3,052.2	281.8	9.2	10.2	7.8
Disposal (Belgium)	—	34.9	(34.9)	100.0	N.M.	N.M
Total UPC Holding	€ 3,334.0	€ 3,087.1	€ 246.9	8.0	8.9	6.5

N.M. — Not Meaningful

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile telephony revenue. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the stand-alone price for each individual service. However, due to regulatory and other constraints, the allocation of bundling discounts may vary somewhat between our broadband communications operating segments.

(b) Other revenue includes non-subscription revenue such as B2B and installation revenue.

Our consolidated revenue increased €246.9 million during 2007, as compared to 2006. This increase includes a €73.5 million increase that is attributable to the impact of acquisitions. Excluding the effects of acquisitions, the disposal of UPC Belgium and FX, total consolidated revenue increased €236.7 million or 7.8%.

Excluding the effects of acquisitions, the disposal of UPC Belgium and FX, our consolidated subscription revenue increased €201.5 million or 7.5% during 2007, as compared to 2006. This increase is attributable to (i) a €95.3 million or 14.7% increase in subscription revenue from broadband internet services, as the impact of an increase in the average number of broadband internet RGUs was only partially offset by lower ARPU from broadband internet services, (ii) a €48.6 million or 2.9% increase in subscription revenue from video services, due to the impact of higher ARPU from video services and an increase in the average number of video RGUs, and (iii) a €57.6 million or 15.1% increase in subscription revenue from telephony services, as the impact of an increase in the average number of telephony RGUs was only partially offset by lower ARPU from telephony services.

Excluding the effects of acquisitions, the disposal of UPC Belgium and FX, our consolidated other revenue increased €35.2 million, or 9.5%, during 2007, as compared to 2006. This increase is primarily attributable to an increase in B2B revenue.

For additional information concerning the changes in our subscription and other revenue, see *"Discussion and Analysis of Reportable Segments — Revenue — 2007 compared to 2006*" above. For information regarding the competitive environment in certain of our markets, see *"Overview*" and *"Discussion and Analysis of our Reportable Segments"* above.

Operating expenses

Our consolidated operating expenses increased €62.9 million during 2007, as compared to 2006. This increase includes a €27.9 million increase that is attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which increased €6.2 million during 2007. For additional information, see discussion following *"SG&A expenses*" below. Excluding FX, the effects of acquisitions, the disposal of UPC Belgium and stock-based compensation expense, total consolidated operating expenses increased €50.7 million or 4.1% during 2007, as compared to 2006. As discussed in more detail under *"Discussion and Analysis of Reportable Segments — Operating Expenses — 2007 compared to 2006*" above, this increase generally reflects (i) increases in programming costs, (ii) increases in interconnect costs, (iii) increases in network related costs and (iv) less significant net increases in other operating expense categories. Most of these increases are a function of increased volumes or levels of activity associated with the increase in our customer base.

SG&A expenses

Our consolidated SG&A expenses increased €16.7 million during 2007, as compared to 2006. This increase includes a €16.9 million increase that is attributable to the impact of acquisitions. Our SG&A expenses include stock-based compensation expense, which increased €30.1 million. For additional information, see discussion in the following paragraph. Excluding FX, the effects of acquisitions, the disposal of UPC Belgium and stock-based compensation expense, total consolidated SG&A expenses decreased €18.2 million or 2.9% during 2007, as compared to 2006. As discussed in more detail under *"Discussion and Analysis of our Reportable Segments — SG&A Expenses — 2007 compared to 2006*" above, this decrease is primarily attributable to (i) net decreases in personnel costs, (ii) decreases in sales and marketing costs and (ii) decreases in outsourced labor and professional fees.

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 amounts allocated by LGI to our company represent the stock-based compensation associated with the stock incentive awards held by certain employees of our subsidiaries, including awards granted to these individuals pursuant to the LGI Performance Plans. A summary of the aggregate stock-based compensation expense that is included in our operating and SG&A expenses is set forth below:

	Year ended December 31,	
	2007	**2006**
	in millions	
LGI common stock:		
LGI Performance Plans	€ 35.5	€ —
Stock options, SARs, restricted stock and restricted stock units	12.4	17.9
Total LGI common stock	47.9	17.9
Other	8.0	1.7
Total	€ 55.9	€ 19.6
Included in:		
Operating expense	€ 9.5	€ 3.3
SG&A expense	46.4	16.3
Total	€ 55.9	€ 19.6

For additional information concerning our stock-based compensation, see note 13 to our December 31, 2008 consolidated financial statements.

Depreciation and amortization

Our consolidated depreciation and amortization expense increased €52.2 million during 2007, as compared to 2006. This increase includes a €26.7 million increase that is attributable to the impact of acquisitions. Excluding FX, the effect of acquisitions and the disposal of UPC Belgium, depreciation and amortization expense increased €20.5 million or 2.0%. This increase is 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, and (ii) decreases associated with certain of VTR's network assets becoming fully depreciated.

Impairment, restructuring and other operating charges, net

We recognized impairment, restructuring and other operating charges, net, of €19.7 million and €17.7 million during 2007 and 2006, respectively. The 2007 amount includes (i) restructuring charges of €6.3 million related primarily to the cost of terminating certain employees in connection with integration of our B2B and broadband communications operations in the Netherlands and (ii) restructuring charges of €4.5 million related primarily to the cost of terminating certain employees in connection with the restructuring of our broadband communications operations in Ireland. The 2006 amount includes restructuring charges of €8.6 million related to the integration of our broadband communications operations in Ireland. For additional information regarding our restructuring charges, see note 15 to our December 31, 2008 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 €1.2 million during 2007 as compared to 2006. This increase is primarily attributable to an increase in the average outstanding balance of our shareholder loan during 2007, as compared to 2006. For additional information, see note 10 to our December 31, 2008 consolidated financial statements.

Interest expense — third party

Our consolidated third party interest expense includes the interest expense on the UPC Broadband Holding Bank Facility, the UPC Holding Senior Notes, the VTR Bank Facility, the UPC Holding Facility and other individually insignificant third party debt. Our total consolidated third party interest expense increased €84.8 million during 2007, as compared to 2006. Excluding FX, third party interest expense increased €82.5 million during 2007, as compared to 2006. This increase is primarily attributable to a €0.5 billion or 8.2% increase in our average outstanding indebtedness. The increase in debt primarily is attributable to debt incurred in connection with refinancing activities. Our weighted average interest rate decreased slightly in 2007, as compared to 2006, primarily due to a decrease in the weighted average interest rate on the UPC Broadband Holding Bank Facility. For additional information, see note 10 to our December 31, 2008 consolidated financial statements.

Interest income

Our consolidated interest income increased €30.0 million during 2007, as compared to 2006. The increase primarily is attributable to €20.0 million in related party interest income earned during 2007 on Unite Holdco's loan receivable from Liberty Global Europe. The loan agreement was entered into on December 28, 2006 and was repaid on November 29, 2007. The remainder of the increase is attributable to higher average consolidated cash and cash equivalent balances and, to a lesser extent, higher average interest rates earned on such balances.

Realized and unrealized losses on derivative instruments, net

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

	Year ended December 31,	
	2007	**2006**
	in millions	
Cross-currency and interest rate derivative contracts [(a)]	€ (102.9)	€ (241.7)
Embedded derivatives	1.1	1.7
Foreign exchange contracts	2.3	(18.5)
Total	€ (99.5)	€ (258.5)

(a) The loss during 2007 primarily is attributable to the net effect of (i) losses associated with a decrease in the value of the U.S. dollar relative to the euro, (ii) gains associated with an increase in market interest rates in the euro market, (iii) gains associated with a decrease in the value of the Swiss franc relative to the euro and (iv) losses associated with an increase in the value of the Chilean peso relative to the U.S. dollar. The loss during 2006 primarily is attributable to the net effect of (i) gains associated with increases in market interest rates (ii) losses associated with a decrease in the value of the euro relative to the Swiss franc and (iii) losses associated with a decrease in the value of the U.S. dollar relative to the euro.

For additional information concerning our derivative instruments, see note 7 to our December 31, 2008 consolidated financial statements.

Foreign currency transaction gains, net

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

	Year ended December 31, 2007	Year ended December 31, 2006
	in millions	
U.S. dollar denominated debt issued by a European subsidiary	€ 135.9	€ 154.0
Cash and restricted cash denominated in a currency other than the entity's functional currency	(37.4)	2.9
Intercompany notes denominated in a currency other than the entity's functional currency [(a)]	24.8	71.2
U.S. dollar denominated debt issued by a Latin American subsidiary	24.1	1.4
Swiss franc denominated debt issued by a European subsidiary	16.1	9.9
Euro denominated debt issued by a Swiss subsidiary	(10.9)	(21.0)
Other	(12.0)	(2.6)
Total	€ 140.6	€ 215.8

(a) Amounts are related to loans between our non-operating and operating subsidiaries in Europe, which generally are denominated in the currency of the applicable operating subsidiary. Accordingly, these gains are a function of movements of the euro against other local currencies in Europe.

Losses on extinguishment of debt

We recognized losses on extinguishment of debt, net of €16.8 million and €27.5 million during 2007 and 2006, respectively. The losses during 2007 include (i) €14.4 million loss resulting from the write-off of deferred financing costs in connection with the May 2007 refinancing of the VTR Bank Facility, (ii) a €6.2 million loss resulting from the write-off of deferred financing costs in connection with the second quarter 2007 refinancing of the UPC Broadband Holding Bank Facility and (iii) a €3.8 million gain on the April 2007 redemption of the Cablecom Luxembourg Old Fixed Rate Notes.

The losses during 2006 include (i) a €17.9 million write-off of deferred financing costs and creditor fees in connection with the May and July 2006 refinancings of the UPC Broadband Holding Bank Facility, (ii) a €6.1 million loss associated with the first quarter 2006 redemption of the Cablecom Luxembourg Old Floating Rate Notes and (iii) a €3.5 million loss recognized by VTR in connection with the September 2006 refinancing of its bank debt. The gain on the April 2007 redemption of the Cablecom Luxembourg Old Fixed Rate Notes and the loss on the first quarter 2006 redemption of the Cablecom Luxembourg Old Floating Rate Notes each represent the difference between the redemption and carrying amounts at the respective dates of redemption.

For additional information regarding our debt extinguishments, see note 10 to our December 31, 2008 consolidated financial statements.

Income tax benefit (expense)

We recognized income tax expense of €13.8 million and income tax benefit of €3.7 million during 2007 and 2006, respectively.

The income tax expense for 2007 differs from the expected income tax benefit of €157.3 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances established against currently arising deferred tax assets in certain jurisdictions, (ii) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible items, (iii) a reduction in deferred tax assets in the Netherlands due to an enacted change in tax law and (iv) differences in the statutory and local tax rates in certain jurisdictions in which we operate. These negative impacts were only partially offset by the positive impact of certain permanent differences between the financial and tax accounting treatment of interest and other items associated with investments in subsidiaries and intercompany loans.

The tax benefit for 2006 differs from the expected tax benefit of €208.6 million (based on the Dutch 29.6% income tax rate) due primarily to the negative impacts of (i) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible items, (ii) a net increase in our valuation allowance established against currently arising deferred tax assets in certain jurisdictions, (iii) the reduction of deferred tax assets in the Netherlands due to an enacted tax law change and (iv) the impact of differences in the statutory local tax rates in certain jurisdictions in which we operate. These negative impacts were only partially offset by the positive impact of certain permanent differences between the financial and tax accounting treatment of interest and other items associated with investments in subsidiaries and intercompany loans.

For additional information, see note 11 to our December 31, 2008 consolidated financial statements.

Net earnings (loss)

During 2007 and 2006, we reported net earnings (loss) of (€630.6 million) and €115.7 million, respectively, including (i) operating income of €285.4 million and €162.1 million, respectively, (ii) non-operating expense of €902.2 million and €866.8 million, respectively, and (iii) income from discontinued operations of nil and €816.7 million, respectively. The net earnings that we reported during 2006 are primarily attributable to gains on the disposition of our discontinued operations. Gains or losses associated with the disposition of assets, gains and losses associated with changes in the fair values of derivative instruments and movements in foreign currency exchange rates are subject to a high degree of volatility, and as such, any gains from these sources do not represent a reliable source of income.

Net loss (earnings) attributable to noncontrolling interests

We recognized net loss (earnings) attributable to noncontrolling interests of (€9.2 million) and €9.9 million during 2007 and 2006, respectively. This change is primarily attributable to an improvement in the operating results of VTR.

Liquidity and Capital Resources

Sources and Uses of Cash

As a holding company, UPC Holding's primary assets are its investments in consolidated subsidiaries. UPC Holding's primary subsidiary is UPC Broadband Holding, which owns all of the operating subsidiaries that are consolidated by UPC Holding. Although our consolidated operating subsidiaries have generated cash from operating activities and have borrowed funds under their respective bank facilities, the terms of the instruments governing the indebtedness of 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 March 31, 2009. In addition, our ability to access the liquidity of these and other subsidiaries may be limited by tax considerations, the presence of noncontrolling interest owners and other factors.

Cash and cash equivalents

The details of the euro equivalent balances of our consolidated cash and cash equivalents at March 31, 2009 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	€	—
VTR		33.4
UPC Broadband Holding (excluding VTR)		23.2
Total cash and cash equivalents	€	56.6

Liquidity of UPC Holding and its Non-operating Subsidiaries

At March 31, 2009, our subsidiaries held cash and cash equivalents of €56.6 million. As noted above, various factors may limit our ability to access the cash of our consolidated subsidiaries.

As described in greater detail below, our current sources of corporate liquidity includes proceeds received in the form of loans or distributions from our operating subsidiaries.

The ongoing cash needs of UPC Holding include (i) corporate general and administrative expenses, (ii) interest payments on the UPC Holding Senior Notes and (iii) any net reimbursements required to be paid to LGI related to services performed or costs incurred by LGI on behalf of UPC Holding and its subsidiaries. From time to time, UPC Holding may also require cash in connection with (i) funding for loans or distributions to LG Europe (and ultimately LGI) and other LG Europe subsidiaries to fund various liquidity requirements, (ii) the repayment or repurchase of outstanding debt, (iii) the satisfaction of contingent liabilities, (iv) acquisitions, or (v) other investment opportunities, and in the case of LGI, the repurchase of LGI common stock. 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 March 31, 2009, see note 8 to our March 31, 2009 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, debt refinancing or repurchase transactions, loans to LGI, capital distributions to LGI and other equity owners, or other investment opportunities. In light of current market conditions, no assurance can be given that any external funding would be available to our operating subsidiaries on favorable terms, or at all.

For a discussion of our consolidated capital expenditures and cash provided by operating activities, see the discussion under "*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 cause our operating subsidiaries to maintain their debt at levels that result in a consolidated debt balance that is between four and five times our consolidated operating cash flow. The ratio of our March 31, 2009 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 was 3.87 to 1.00 and the ratio of our March 31, 2009 Total Debt to Annualized EBITDA (last two quarters annualized), as defined and calculated in accordance with the UPC Broadband Holding Bank Facility was 4.53 to 1.00.

When it is cost effective, we generally seek to match the denomination of the borrowings of our subsidiaries with the functional currency of the operations that are supporting the respective borrowings. As further discussed in note 5 to our March 31, 2009 condensed consolidated financial statements, we also use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments. Our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase the operating cash flow of our operating subsidiaries and to achieve adequate returns on our capital expenditures and acquisitions. In this regard, if the operating cash flow of UPC Broadband Holding were to decline, we could be required to repay or limit our borrowings under the UPC Broadband Holding Facility in order to maintain compliance with applicable leverage covenants.

At March 31, 2009, our outstanding consolidated third-party debt and capital lease obligations aggregated €7,894.8 million, including €14.1 million that is classified as current in our condensed consolidated balance sheet and €7,869.2 million that is due in 2012 or thereafter. For additional information concerning the maturities of our debt and capital lease obligations, see notes 8 and 13 to our March 31, 2009 condensed consolidated financial statements.

We believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our debt maturities grow in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. For information concerning certain refinancing transactions that have resulted in the extension of our and our subsidiaries' debt maturities, see notes 8 and 13 to our March 31, 2009 condensed consolidated financial statements. No assurance can be given that we will be able to complete additional refinancing transactions or otherwise extend our debt maturities in light of current market conditions. In this regard, it is not possible to predict how the ongoing disruption in the credit and equity markets and the associated difficult economic conditions could impact our future financial position. However, (i) additional financial institution failures could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) sustained or further tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition sustained or increased competition, particularly in combination with weakened economies, could adversely impact our cash flows and liquidity.

At March 31, 2009, €6,794.8 million of our third-party consolidated debt and capital lease obligations had been borrowed or incurred by our subsidiaries. For additional information concerning our debt balances at March 31, 2009, see notes 8 and 13 to our March 31, 2009 condensed consolidated financial statements.

Consolidated Cash Flow Statements

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

Three Months Ended March 31, 2009 Condensed Consolidated Cash Flow Statement

General. During the three months ended March 31, 2009, we used net cash provided by our operating activities of €241.1 million and €50.4 million of our existing cash and cash equivalent balances (excluding a €1.6 million decrease due to changes in foreign currency exchange rates) to fund net cash used by our investing activities of €223.2 million and net cash used by our financing activities of €68.3 million.

Operating Activities. Net cash flows from operating activities increased €14.2 million, from €226.9 million during the first three months of 2008 to €241.1 million during the first three months of 2009. This increase primarily is attributable to the net effect of (i) an increase in cash paid related to certain derivative instruments, (ii) an increase in net cash provided by operating activities due to lower cash payments for interest, (iii) an increase in the cash generated by our video, voice and broadband internet services and (iv) a decrease in the reported net cash provided by operating activities due to FX.

Investing Activities. Net cash used by investing activities decreased €0.5 million, from €223.7 million during the first three months of 2008 to €223.2 million during the first three months of 2009. This decrease is due primarily to the net effect of (i) a decrease in cash paid in connection with acquisitions, net of cash acquired, of €13.4 million and (ii) an increase in capital expenditures of €13.7 million. The increase in capital expenditures was reduced by FX.

The UPC Broadband Division accounted for €190.3 million and €178.8 million of our consolidated capital expenditures during the three months ended March 31, 2009 and 2008, respectively. The increase in the capital expenditures of the UPC Broadband Division is due primarily to the net effect of (i) an increase in expenditures for the purchase and installation of customer premise equipment, (ii) a decrease in expenditures for support capital such as information technology upgrades and general support systems, (iii) an increase in expenditures for new build and upgrade projects to expand services and (iv) an increase due to FX.

VTR accounted for €33.4 million and €31.2 million of our consolidated capital expenditures during the three months ended March 31, 2009 and 2008, respectively. The increase in the capital expenditures of VTR is due primarily to the net effect of (i) a decrease due to FX, (ii) an increase in expenditures for new build and upgrade projects, (iii) an increase in expenditures for the purchase and installation of customer premise equipment and (iv) an increase in expenditures for support capital such as information technology upgrades and general support systems.

Financing Activities. Net cash used by financing activities decreased €29.8 million, from €98.1 million during the first three months of 2008 to €68.3 million during the first three months of 2009. This decrease primarily is attributable to the net effect of (i) a €43.5 million decrease in cash used for net repayments of the shareholder loan and (ii) the payment of €20.5 million of deferred financing costs during the three months ended March 31, 2009.

2008 Consolidated Cash Flow Statement

General. During 2008, we used net cash provided by our operating activities of €1,140.8 million and €30.6 million of our existing cash and cash equivalent balances (excluding a €14.4 million decrease due to changes in foreign currency exchange rates) to fund net cash used by our investing activities of €1,042.5 million and net cash used by our financing activities of €128.9 million.

Operating Activities. Net cash flows from operating activities increased €205.9 million, from €934.9 million during 2007 to €1,140.8 million during 2008. 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) a decrease in net cash provided by operating activities due to higher cash payments for interest.

Investing Activities. Net cash used by investing activities increased €22.8 million, from €1,019.7 million during 2007 to €1,042.5 million during 2008. This increase is due primarily to the net effect of (i) a decrease in cash paid in connection with acquisitions of €75.1 million and (ii) an increase in capital expenditures of €88.1 million.

The UPC Broadband Division accounted for €866.8 million and €786.8 million of our consolidated capital expenditures during 2008 and 2007, respectively. The increase in the capital expenditures of the UPC Broadband Division is due primarily to the net effect of (i) increases in expenditures for new build and upgrade projects to expand services, (ii) increases in expenditures for the purchase and installation of customer premise equipment and (iii) decreases in expenditures for support capital, such as information technology upgrades and expenditures for general support systems. During 2008 and 2007, the UPC Broadband Division's capital expenditures represented 28.6% and 27.4%, respectively, of its revenue.

VTR accounted for €123.3 million and €115.2 million of our consolidated capital expenditures during 2008 and 2007, respectively. The increase in the capital expenditures of VTR is due primarily to the net effect of (i) increases in expenditures for new build and upgrade projects, (ii) increases in expenditures for the purchase and installation of customer premise equipment and (iii) increases in expenditures for support capital, such as information technology upgrades and general support systems. During 2008 and 2007, VTR's capital expenditures represented 25.4% and 24.9%, respectively, of its revenue.

We expect that the percentage of revenue represented by our aggregate capital expenditures (including capital lease additions) to decline during 2009, as compared to 2008, with the 2009 percentage ranging from 22% to 24% for the UPC Broadband Division and 20% to 22% for VTR. The actual amount of the 2009 capital expenditures of the UPC Broadband Division and VTR may vary from the expected amounts for a variety of reasons, including (i) changes in (a) the competitive or regulatory environment, (b) business plans or (c) our current or expected future operating results and (ii) the availability of sufficient capital. Accordingly, no assurance can be given that actual results will not vary materially from our expectations. In terms of the composition of our aggregate 2009 capital expenditures, we expect that almost half will be used to purchase and install customer premise equipment and that the remainder will be used to fund the rebuild and upgrade of portions of our broadband distribution systems and other capital requirements.

Financing Activities. Net cash used by financing activities decreased €241.2 million, from €370.1 million during 2007 to €128.9 million during 2008. This decrease primarily is attributable to a €372.2 million decrease in the net repayments of the shareholder loan that was only partially offset by a €147.8 million net decrease in third-party borrowings.

2007 Consolidated Cash Flow Statement

General. During 2007, we used net cash provided by our operating activities of €934.9 million and €454.9 million of our existing cash and cash equivalent balances (excluding a €7.6 million decrease due to changes in foreign currency exchange rates) to fund net cash used by our investing activities of €1,019.7 million and net cash used by our financing activities of €370.1 million.

Operating Activities. Net cash flows from operating activities decreased €5.4 million, from €940.3 million during 2006 to €934.9 million during 2007. This decrease 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 net cash paid for interest and (iii) a decrease in cash received related to certain derivative instruments.

Investing Activities. Net cash used by investing activities during 2007 was €1,019.7 million, compared to net cash provided by investing activities of €1,203.0 million during 2006. This change primarily is attributable to (i) the 2006 receipt of €2,015.7 million of proceeds upon the disposition of discontinued operations, net of disposal costs, and (ii) a €124.0 million increase in capital expenditures.

The UPC Broadband Division accounted for €786.8 million and €664.2 million of our consolidated capital expenditures during 2007 and 2006, respectively. The increase in the capital expenditures of the UPC Broadband Division primarily is due to (i) increased expenditures for new build and upgrade projects to expand services and improve our competitive position, (ii) increases in expenditures for support capital, such as information technology upgrades and expenditures for general support systems, (iii) increased expenditures for the purchase and installation of customer premise equipment and (iv) increases due to the effects of acquisitions. During 2007 and 2006, the UPC Broadband Division's capital expenditures represented 27.4% and 25.5%, respectively, of its revenue.

VTR accounted for €115.2 million and €110.2 million of our consolidated capital expenditures during 2007 and 2006, respectively. The increase in the capital expenditures of VTR is primarily due to (i) increases in expenditures for support capital, such as information technology upgrades and expenditures for general support systems, (ii) increased costs for the purchase and installation of customer premise equipment and (iii) increased expenditures for new build and upgrade projects to expand services and to meet increased traffic and certain regulatory commitments. During 2007 and 2006, VTR's capital expenditures represented 24.9% and 24.8%, respectively, of its revenue.

Financing Activities. Net cash used by financing activities decreased €1,318.5 million, from €1,688.6 million during 2006 to €370.1 million during 2007. This decrease primarily is attributable to the net effect of (i) a €2,257.3 million decrease in third-party debt and capital lease obligation repayments, (ii) a €1,299.6 million increase in net repayments of shareholder loan and (ii) a €311.5 million decrease in cash used related to changes in cash collateral.

Off Balance Sheet Arrangements and Aggregate Contractual Obligations

Off Balance Sheet Arrangements

In the ordinary course of business, we have provided indemnifications to (i) purchasers of certain of our assets, (ii) our lenders, (iii) our vendors and (iv) 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.

Contractual Commitments

As of December 31, 2008, the euro equivalent (based on December 31, 2008 exchange rates) of our consolidated contractual commitments are as follows:

	Payments due during:						
	2009	2010	2011	2012	2013	Thereafter	Total
	in millions						
Debt (excluding interest)	€ 10.5	€ 4.3	€ 3.6	€ 658.6	€ 1,220.3	€ 5,868.8	€ 7,766.1
Capital leases (excluding interest)	2.2	1.7	1.4	1.2	1.0	14.2	21.7
Operating leases	68.6	50.6	28.5	19.8	15.4	65.2	248.1
Programming and other purchase obligations	135.4	30.0	3.0	—	—	—	168.4
Other commitments	20.3	12.4	10.6	8.2	8.0	46.4	105.9
Total [(a)]	€ 237.0	€ 99.0	€ 47.1	€ 687.8	€ 1,244.7	€ 5,994.6	€ 8,310.2
Projected cash interest payments on debt and capital lease obligations [(b)]	€ 371.0	€ 371.8	€ 371.4	€ 362.5	€ 373.2	€ 328.0	€ 2,177.9

(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2008 balance sheet other than debt and capital lease obligations. Our liability for uncertain tax positions in the various jurisdictions in which we operate (€2.7 million at December 31, 2008) has been excluded from the table as the amount and timing of any related payments are not subject to reasonable estimation.

(b) Amounts are based on interest rates and contractual maturities in effect as of December 31, 2008. The amounts presented do not include the impact of our interest rate derivative agreements, deferred financing costs or commitment fees, all of which affect our overall cost of borrowing.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate cable service to a portion of our subscribers or dispose of a portion of our cable systems, or (iii) whether we discontinue our premium movie and sports services. The amounts reflected in the table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. Other purchase obligations include commitments to purchase customer premise equipment that are enforceable and legally binding on us. Other commitments include fixed minimum contractual commitments associated with our agreements with franchise or municipal authorities.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments and agreements with programming vendors and other third parties pursuant to which we expect to make payments in future periods. We also have commitments pursuant to agreements with, and obligations imposed by, franchise authorities and municipalities, including our obligations in certain markets to move aerial cable to underground ducts or to upgrade, rebuild or extend portions of our broadband distribution systems. Such amounts are not included in the above table because they are not fixed or determinable.

Critical Accounting Policies, Judgments and Estimates

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

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

For additional information concerning our accounting policies, see note 3 to our December 31, 2008 consolidated financial statements.

Impairment of Property and Equipment and Intangible Assets

Carrying Value. The aggregate carrying value of our property and equipment and intangible assets (including goodwill) that were held for use comprised 86.6% of our total assets at December 31, 2008 and 2007. Pursuant to SFAS 142 and SFAS 144, we are required to assess the recoverability of our long-lived assets.

SFAS 144 requires that we review, when circumstances warrant, the carrying amounts of our property and equipment and our intangible assets (other than goodwill and indefinite-lived intangible assets) to determine whether such carrying amounts continue to be recoverable. Such events or changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, which is generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such assets exceeds their fair value. We generally measure fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

Pursuant to SFAS 142, we evaluate the goodwill and other indefinite-lived intangible assets for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill and indefinite-lived intangible assets may not be recoverable. For purposes of the goodwill evaluation, we compare the fair values of our reporting units to their respective carrying amounts. A reporting unit is an operating segment or one level below an operating segment (referred to as a component). In most cases, our operating segments are deemed to be a reporting unit either because the operating segment is comprised of only a single component, or the components below the operating segment are aggregated as they have similar economic characteristics. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. Any excess of the carrying value over the fair value of franchise rights or other indefinite-lived intangible assets is also charged to operations as an impairment loss.

We performed our annual impairment tests as of October 1, 2008 and concluded that no impairment charges were necessary. However, LGI subsequently experienced a significant decline in the market price of its common stock during the fourth quarter of 2008. As a result of this decline, the carrying value of LGI's net assets exceeded LGI's aggregate market capitalization for a portion of the fourth quarter of 2008, and LGI concluded that its October 1, 2008 impairment tests should be updated. Among other revisions, the updated impairment tests used discount rates that were higher than those used in our October 1, 2008 tests. Based on these updated tests, we concluded that the estimated fair value of our Romanian reporting unit was less than its carrying value and that the implied fair value of the goodwill related to this reporting unit was less than its carrying value. The fair value of the reporting unit was based on discounted cash flow analyses that contemplated, among other matters, (i) the current and expected future impact of competition in Romania, (ii) anticipated costs associated with requirements imposed by certain municipalities to move aerial cable to underground ducts and (iii) the impact of disruptions in the credit and equity markets on our weighted average cost of capital with respect to our Romanian reporting unit. Accordingly, we recorded a €107.0 million charge during the fourth quarter of 2008 to reflect this goodwill impairment. This impairment charge is included in impairment, restructuring and other operating charges, net, in our consolidated statement of operations.

Based on business conditions and market values that existed at December 31, 2008, we concluded that no other impairments of our goodwill or other long-lived assets were required. However, the market value of the publicly-traded equity of LGI continues to be depressed and we continue to experience difficult economic environments and significant competition in most of our markets. If, among other factors, (i) LGI's equity values remain depressed or decline further or (ii) the adverse impacts of economic or competitive factors are worse than anticipated, we could conclude in future periods that additional impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Depending on (i) LGI's equity prices, (ii) economic and competitive conditions and (iii) other factors, any such impairment charges could be significant.

Under both SFAS 144 and SFAS 142, considerable management judgment is necessary to estimate the fair value of reporting units and underlying long-lived and indefinite-lived assets. We typically determine fair value using an income-based (discounted cash flows) or, in some cases, a market-based approach, based on assumptions in our long-range business plans, which we update at least annually. For purposes of our 2008 SFAS 142 impairment tests, we relied primarily on the income-based approach due to lack of recent transactions involving businesses similar to our broadband communications and programming businesses. With respect to our discounted cash flow analysis, the timing and amount of future cash flows under these business plans require estimates, among other items, of subscriber growth and retention rates, rates charged per product, expected gross margin and operating cash flow margins and expected capital expenditures. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. The discount rates used in determining fair values of our reporting units for purposes of our updated 2008 SFAS 142 impairment tests ranged from 12% to 18%. The aggregate fair values used in our updated 2008 SFAS 142 impairment tests exceeded our average market capitalization, as determined over a representative period, by an amount which we believe to be reasonable in light of the fact that our equity, and the equity of other companies within our industry, have historically traded at comparable discounts to private market valuations and transactions.

In order to assess the sensitivity of the reporting unit fair value determinations used for our updated 2008 SFAS 142 impairment calculations, we applied hypothetical decreases of 20% and 30% to the estimated fair value of each reporting unit. A hypothetical 20% decrease in the fair value of each of our reporting units would have resulted in an estimated increase in the impairment of the goodwill associated with our Romanian reporting unit ranging from approximately €40 million to €90 million. A hypothetical 30% decrease in the fair value of each of our reporting units would have resulted in (i) an estimated increase in the impairment of the goodwill associated with our Romanian reporting unit ranging from approximately €75 million to €125 million and (ii) estimated goodwill impairments with respect to our reporting units in Switzerland, Hungary and the Czech Republic, ranging, in the aggregate, from approximately €400 million to €1.0 billion.

During 2008, 2007 and 2006, we recorded impairments of our property and equipment and intangible assets (including goodwill) aggregating €107.0 million, €2.1 million and €7.6 million, respectively.

Costs Associated with Construction and Installation Activities

In accordance with SFAS 51, *Financial Reporting by Cable Television Companies*, we capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop, and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

The nature and amount of labor and other costs to be capitalized with respect to construction and installation activities involves significant judgment. In addition to direct external and internal labor and materials, we also capitalize other costs directly attributable to our construction and installation activities, including dispatch costs, quality control costs, vehicle-related costs, certain warehouse expenses and tools. We continuously monitor the appropriateness of our capitalization policy and update the policy when necessary to respond to changes in facts and circumstances, such as the development of new products and services, and changes in the manner that installations or construction activities are performed.

Useful Lives of Long-Lived Assets

We depreciate our property and equipment on a straight-line basis over the estimated economic useful life of the assets. The determination of the economic useful lives of property and equipment requires significant management judgment, based on factors such as the estimated physical lives of the assets, technological change, changes in anticipated use, legal and economic factors, rebuild and equipment swap-out plans, and other factors. Our intangible assets with definite lives primarily consist of customer relationships. Customer relationship intangible assets are amortized on a straight-line basis over the estimated weighted average life of the customer relationships. The determination of the estimated useful life of customer relationship intangible assets requires significant management judgment, and is primarily based on historical and forecasted churn rates, adjusted when necessary for risk associated with demand, competition, technical changes and other economic factors. We regularly review whether changes to estimated useful lives are required in order to accurately reflect the economic use of our property and equipment and intangible assets with definite lives. Any changes to estimated useful lives are reflected prospectively beginning in the period that the change is deemed necessary. Changes to useful lives during 2008 did not have a material impact on our depreciation and amortization expense. Depreciation and amortization expense during 2008, 2007 and 2006 was €1,093.9 million, €1,074.0 million and €1,021.8 million, respectively. A 10% increase in the aggregate amount of our depreciation and amortization expense during 2008 would have resulted in a €109.4 million or 27.3% decrease in our 2008 operating income.

Fair Value Measurements

SFAS 157 provides guidance with respect to the recurring and non-recurring fair value measurements. We adopted the provisions of SFAS 157 with respect to recurring fair value measurements effective January 1, 2008 and we will adopt the provisions of SFAS 157 with respect to non-recurring fair value measurements effective January 1, 2009.

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.

Recurring Valuations. We perform recurring fair value measurements with respect to our derivative instruments and fair value method investments, all of which are carried at fair value. We use cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments. We use quoted market prices when available and, when not available, we use a combination of an income approach (discounted cash flows) and a market approach (market multiples of similar businesses) to determine the fair value of our fair value method investments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments and fair value method investments, see note 8 to our December 31, 2008 consolidated financial statements. See also notes 6 and 7 to our December 31, 2008 consolidated financial statements for information concerning our fair value method investments and derivative instruments.

Changes in the fair values of our derivative instruments and fair value method investments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During 2008, 2007 and 2006, we reported in our statements of operations net losses of €184.0 million, €99.5 million and €258.5 million, respectively, attributable to changes in the fair value of these items.

As further described in note 8 to our December 31, 2008 consolidated financial statements, actual amounts received or paid upon the settlement of our derivative instruments or disposal of our fair value method investments, may differ materially from the recorded fair values.

Non-recurring Valuations. Our non-recurring valuations are primarily associated with the application of purchase accounting, which requires that we determine the fair values of the acquired net assets with the assistance of third-party valuation specialists. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, market comparables and discount rates, remaining useful lives of long-lived assets, replacement costs of property and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. Our estimates in this area impact, among other items, the amount of depreciation and amortization, impairment charges and income tax expense or benefit that we report in the periods following the acquisition date. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain. As noted above, we will adopt the provisions of SFAS 157 with respect to non-recurring fair value measurements effective January 1, 2009. For additional information concerning our acquisitions, see note 4 to our December 31, 2008 consolidated financial statements.

Income Tax Accounting

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

Net deferred tax assets are reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Establishing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. At December 31, 2008, the aggregate valuation allowance provided against deferred tax assets was €1,105.3 million. The actual amount of deferred income tax benefits realized in future periods will likely differ from the net deferred tax assets reflected in our December 31, 2008 balance sheet due to, among other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any of such factors could have a material effect on our current and deferred tax position as reported in our December 31, 2008 consolidated financial statements. A high degree of judgment is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we operate are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. The determination of whether the tax position meets the more-likely-than-not threshold requires a facts-based judgment using all information available. In a number of cases, we have concluded that the more-likely-than-not threshold is not met, and accordingly, the amount of tax benefit recognized in the financial statements is different than the amount taken or expected to be taken in our tax returns. As of December 31, 2008, the amount of unrecognized tax benefits for financial reporting purposes, but taken or expected to be taken on tax returns, was €27.9 million, of which €11.2 million would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

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

For additional information concerning our income taxes, see note 11 to our December 31, 2008 consolidated financial statements.

BUSINESS

We provide video, voice and broadband internet services in ten countries in Europe through our UPC Broadband Division. We provide video, broadband internet and fixed line and mobile telephony services. In terms of video subscribers, we operate the largest cable network in each of Austria, Czech Republic, Hungary, Ireland, Poland, Slovakia, Slovenia and Switzerland and the second largest cable network in the Netherlands and in Romania. We also operate VTR, our 80% owned subsidiary and the largest broadband communications provider in Chile. Provided below is country-specific information with respect to the broadband communications services of our UPC Broadband Division and VTR. Unless otherwise indicated, the operational and statistical data provided below is as of December 31, 2008**.**

The Netherlands

The UPC Broadband Division's operations in the Netherlands, which we refer to as UPC Netherlands, are located in six broad regional clusters, including the major cities of Amsterdam and Rotterdam. Its cable networks are 96% upgraded to two-way capability, and almost all of its cable homes passed are served by a network with a bandwidth of at least 860 MHz. UPC Netherlands makes its digital video, broadband internet and fixed line telephony services available to over 90% of its homes passed.

For its analog cable customers, UPC Netherlands offers a basic service of approximately 30 video channels and approximately 40 radio channels, depending on a customer's location. For its digital cable customers, UPC Netherlands offers two digital cable packages in either a standard definition (SD) version or an HD version. Its digital entry level service currently includes 50 video channels and over 70 radio channels (including the channels in its basic analog service). For an additional monthly charge, the digital subscriber may upgrade to a digital basic tier subscription. The digital basic tier includes all the channels of the digital entry level service, plus an extra channel package of approximately 40 general entertainment, sports, movies, documentary, music and ethnic channels. Both digital cable packages include an electronic program guide, interactive services and the functionality for VoD service. The VoD service includes both subscription-based VoD and transaction-based VoD. The subscription-based VoD service includes various programming, such as *Grey's Anatomy, Desperate Housewives* and *Sex and the City*. Digital cable customers may also subscribe to premium channels, such as *Film 1, Sport 1 NL* and the premium football league channel, *Eredivisie Live*, alone or in combination, for additional monthly charges. *Eredivisie Live* is also available on a pay-per-view basis. A customer also has the option for an incremental monthly charge to upgrade the digital box to one with DVR functionality. UPC Netherlands introduced digital boxes with HD DVR functionality for an incremental monthly charge in April 2008 and currently offers up to eight HD channels, depending on the digital service selected.

UPC Netherlands offers six tiers of broadband internet service with download speeds ranging from 384 Kbps to 120 Mbps, including UPC Fiber Power, an ultra high-speed internet service with download speeds of either 60 Mbps or 120 Mbps. UPC Fiber Power, which UPC Netherlands launched in September 2008, is based on Euro DOCSIS 3.0 technology. UPC Netherlands is one of the first companies in Europe to offer this ultra high-speed internet service. As of December 31, 2008, UPC Fiber Power is available to approximately 40% of UPC Netherland's two-way homes passed and is expected to be available to all two-way homes passed by year end 2009. Multi-feature telephony services are also available from UPC Netherlands through either circuit-switched telephony or VoIP. Of UPC Netherlands' total customers (excluding mobile customers), 9% subscribe to two services (double-play customers) and 26% subscribe to three services (triple-play customers) offered by UPC Netherlands (video, broadband internet and telephony).

UPC Netherlands offers mobile service to all consumers in the Netherlands. The product is a pre-paid mobile offering. UPC Netherlands is operating as a mobile virtual network operator, reselling leased network capacity.

In addition, UPC Netherlands offers a range of voice, broadband internet, private data networks and customized network services to business customers primarily in its core metropolitan networks.

Switzerland

The UPC Broadband Division's operations in Switzerland are operated by Cablecom and are located in three regional clusters, including the major cities of Bern, Zürich, Lausanne and Geneva. Cablecom's cable networks are 72% upgraded to two-way capability and 77% of its cable homes passed are served by a network with a bandwidth of at least 650 MHz. Cablecom makes its digital video, broadband internet and fixed line telephony services available to over 80% of its homes passed.

For its analog cable customers, Cablecom offers a basic service of approximately 40 video channels and approximately 45 radio channels. For 64% of its analog cable subscribers, Cablecom maintains billing relationships with landlords or housing associations, which typically provide analog cable service for an entire building and do not terminate service each time there is a change of tenant in the landlord's or housing association's premises.

For its digital cable customers, Cablecom offers a digital cable package of over 100 video channels and over 100 radio channels (including the channels in its basic analog service), a range of additional pay television programming in a variety of foreign language program packages and the functionality for NVoD services. The channel package includes general entertainment, sports, movies and ethnic channels. Cablecom offers digital boxes with DVR functionality and/or HD functionality to its customers for an incremental monthly charge and it currently offers six HD channels. Cablecom introduced digital boxes with HD DVR functionality in November 2008, and under current promotional pricing provides these boxes for free for the first two months.

Cablecom offers eight tiers of broadband internet service with download speeds ranging from 500 Kbps to 25 Mbps. In addition, Cablecom continues to offer dial-up internet services on a limited basis. In mid-2009, Cablecom plans to launch UPC Fiber Power in Zurich. Multi-feature telephony services are also available from Cablecom using VoIP. Cablecom offers a pre-paid mobile service to all customers in Switzerland. Of Cablecom's total customers (excluding mobile customers), 16% are double-play customers and 17% are triple-play customers.

Cablecom offers digital video, broadband internet and fixed line telephony service directly to the analog cable subscribers of those partner networks that enter into service operating contracts with Cablecom. Cablecom has the direct customer billing relationship with the subscribers who take these services on the partner networks. By permitting Cablecom to offer some or all of its digital video, broadband internet and fixed line telephony products directly to those partner network subscribers, Cablecom's service operating contracts have expanded the addressable markets for Cablecom's digital products. In exchange for the right to provide digital products directly to the partner network subscribers, Cablecom pays to the partner network a share of the revenue generated from those subscribers. Cablecom also provides full or partial analog television signal delivery services, network maintenance services and engineering and construction services to its partner networks.

In addition, Cablecom offers advanced data services to the Swiss business market throughout Switzerland. Cablecom provides broadband internet, multi-site data connectivity, virtual private network, security, messaging and hosting and other value-added services to business customers on a retail basis.

Austria

The UPC Broadband Division's operations in Austria (excluding the Austrian portion of Cablecom's network), which we refer to as UPC Austria, are comprised of both cable and DSL operations. The cable operations are located in regional clusters encompassing the capital city of Vienna, three other regional capitals and two smaller cities. Four of these cities (Vienna, Klagenfurt, Wr. Neustadt and Baden), directly or indirectly, own 5% of the local operating subsidiary of UPC Austria serving the applicable city. The DSL services are provided over an unbundled loop or, in certain cases, over a shared access network. The DSL operations are available in the majority of the country, wherever the incumbent telecommunications operator has implemented

DSL technology. UPC Austria's entire cable network is upgraded to two-way capability and approximately 90% of its cable homes passed are served by a network with a bandwidth of at least 860 MHz. UPC Austria makes its digital video available to almost all of its homes passed and broadband internet and fixed line telephony services available to all of its homes passed.

For its analog cable subscribers, UPC Austria offers a package of 38 video channels, mostly in the German language, plus over 30 radio channels. Customers desiring digital service may request a digital interactive television box from UPC Austria. For its digital cable customers, UPC Austria offers two digital cable packages. Its digital entry level service currently includes over 60 video channels and over 70 radio channels (including the channels in its analog package), an electronic program guide, interactive services and the functionality for NVoD service. UPC Austria provides this digital entry level service at no incremental charge over the standard analog rate. For an incremental monthly charge, the digital cable subscriber may upgrade to a digital basic tier subscription, which includes all the channels and features of the digital entry level service, plus an extra channel package of approximately 30 general entertainment, sports, movies, music and ethnic channels. Digital cable customers may also subscribe to premium channels (including ethnic channels, for example Serb and Turkish offerings), alone or in combination, for additional monthly charges. The NVoD service may be accessed for a separate fee for each movie or event ordered. A customer also has the option for an incremental monthly charge to upgrade the digital box to one with DVR functionality. UPC Austria introduced digital boxes with HD DVR functionality for an incremental monthly charge during the second quarter of 2008 and currently offers up to five HD channels, depending on the digital service selected. In the second quarter of 2009, UPC Austria plans to launch VoD services.

UPC Austria offers four tiers of broadband internet service over cable with download speeds ranging from two Mbps to 30 Mbps (as of February 2, 2008), and a student package. UPC Austria plans to launch UPC Fiber Power in Vienna and surrounding areas in mid-2009. Over DSL technology, UPC Austria offers two tiers of unbundled DSL broadband internet, plus additional tiers via wholesale offerings. It also offers a double-play package of broadband internet and telephony over DSL.

Multi-feature telephony services are also available from UPC Austria. UPC Austria also offers a bundle of fixed line and mobile telephony in a co-branding arrangement with the telephony operator Orange Austria Telecommunication GmbH. UPC Austria offers its telephony services through VoIP, which is available to all customers (DSL and cable). It also continues to offer telephony services through circuit-switched telephony. Of UPC Austria's total customers (excluding mobile customers), 28% are double-play customers and 18% are triple-play customers.

UPC Austria offers a range of voice, data, lease line and asymmetric digital subscriber line (ADSL) services to business customers throughout Austria with a primary focus on business customers in cities, including Vienna, Graz, Klagenfurt, Villach, St. Polten, Dombirn, Leibnitz, Leoben, Salzburg, Linz and Innsbruck.

Ireland

The UPC Broadband Division's operations in Ireland, which we refer to as UPC Ireland, are located in five regional clusters, including the cities of Dublin and Cork. Its cable network is 59% upgraded to two-way capability, and 57% of its cable homes passed are served by a network with a bandwidth of at least 550 MHz. UPC Ireland makes its digital video, broadband internet and fixed line telephony services available to 94%, 59% and 46%, respectively, of its homes passed. UPC Ireland continues to proactively migrate its remaining analog cable, analog premium and analog MMDS customers to its digital service to provide its customers with a wider range of channels and to release additional bandwidth for other digital services.

For its analog cable customers, UPC Ireland offers an analog cable package with up to 22 channels. For its digital cable customers, UPC Ireland offers three digital cable packages (all of which include the channels in its analog package). Its digital entry package consists of 49 video channels and 35 radio channels. Similar digital packages are also offered to certain of its subscribers via MMDS. Under the current promotional pricing, the digital entry package is priced lower than the analog service. For an incremental monthly charge, the digital cable subscriber may upgrade to one of two other digital packages, which offer up to 107 video channels and 35 radio channels, depending on the service selected and whether provided via cable or MMDS. The program offerings for each type of service include domestic, foreign, sport and premium movie channels. In addition, digital customers can receive event channels such as seasonal sport and real life entertainment events. UPC Ireland distributes up to 10 Irish channels, depending on the package selected, as part of its analog and digital packages. To complement its digital offering, UPC Ireland also offers its digital subscribers 31 channels of premium service and a pay-per-view service. A customer also has the option to upgrade the digital box to one with DVR functionality for an incremental monthly charge. In the third quarter of 2009, UPC Ireland plans to launch HD television services with approximately six HD channels.

UPC Ireland offers four tiers of broadband internet service with download speeds ranging from one Mbps to 20 Mbps. UPC Ireland also offers VoIP multi-feature telephony services. Of UPC Ireland's total customers, 12% are double-play customers and 4% are triple-play customers.

In addition, UPC Ireland offers to business customers a complete range of telecommunications solutions from standard voice and internet services to more advanced services such as Ethernet LAN extensions, corporate voice services and high-speed internet. These services are offered to large corporations, public organizations and small to medium size businesses in Ireland, primarily in Cork, Dublin, Galway, Limerick and Waterford.

Hungary

The cable networks of the UPC Broadband Division's operations in Hungary, which we refer to as UPC Hungary, are located in 18 major Hungarian towns and cities, including Budapest. Its cable networks are 97% upgraded to two-way capability, and 65% of its cable homes passed are served by a network with a bandwidth of at least 750 MHz. UPC Hungary makes its digital video service available to over 70% of its homes passed and broadband internet and fixed line telephony services available to almost all of its homes passed.

For its analog cable customers, UPC Hungary offers up to four tiers of analog programming services (between 5 and 55 channels) and one premium movie package, depending on the technical capability of the network. In April 2008, UPC Hungary began offering digital programming services and by year end 2008, digital programming services were available to 879,000 homes passed. For its digital cable customers, UPC Hungary offers a basic package of up to 73 channels (including the channels in its analog service). For an incremental monthly charge, the digital cable subscriber may upgrade to up to two of three premium packages. The premium packages offer additional channels with up to three HD channels, as well as three specialty packages. For an incremental monthly charge, UPC Hungary offers digital boxes with DVR functionality or HD DVR functionality. Programming for both analog and digital services consists of the national Hungarian terrestrial broadcast channels and selected European satellite and local programming that consist of proprietary and third-party channels. As part of the digital services launch, existing analog customers, who subscribe to the more expensive analog tiers, are being targeted to migrate to digital. UPC Hungary plans to expand its digital services to its remaining large systems and launch a VoD service in 2009.

UPC Hungary offers four tiers of broadband internet service with download speeds ranging from 512 Kbps to 20 Mbps. UPC Hungary provides these broadband internet services to subscribers on its cable network in 18 cities, including Budapest. In mid-2009, UPC Hungary plans to launch UPC Fiber Power in Budapest and other cities. It also had 28,300 ADSL subscribers at December 31, 2008, on its twisted copper pair network located in the southeast part of Pest County. Multi-feature telephony services are also available from UPC Hungary. It offers its telephony services through circuit-switched telephony to subscribers on its copper pair network and through VoIP over its two-way capable cable network throughout Hungary. Of UPC Hungary's total customers, 22% are double-play customers and 12% are triple-play customers.

UPC Hungary offers business customers located in its service areas a variety of internet and telephony packages, managed leased lines and virtual private network services primarily to its small office at home ("SOHO") customers and small to medium size business customers.

Other Central and Eastern Europe

The UPC Broadband Division also operates cable networks in Czech Republic ("UPC Czech"), Poland ("UPC Poland") and Romania ("UPC Romania"), and cable and MMDS networks in Slovakia ("UPC Slovakia") and Slovenia ("UPC Slovenia"). In each of these operations, at least 75% of the cable networks are upgraded to two-way capability, and at least 70% of the homes passed are served by a network with a bandwidth of at least 750 MHz. In each of these cable operations, for an incremental monthly fee, digital cable customers may upgrade the digital box to one with DVR functionality and/or HD functionality, except for UPC Romania which currently offers only DVR functionality. For those operations with HD available, the number of HD channels offered ranges from one in Slovenia to eight in Poland. The UPC Broadband Division also has DTH operations in certain of these countries, which it provides primarily through UPC Direct Programming II BV ("UPC Direct").

- *Czech Republic.* UPC Czech's operations are located in more than 92 cities and towns in the Czech Republic, including Prague, Brno, Ostrava, Pilsen and Northern Bohemia. For its analog cable customers, UPC Czech offers two tiers of analog programming services (lifeline and basic) with up to 44 channels, depending on the package selected, and two premium channels. Of UPC Czech's analog cable subscribers, 63% subscribe to the lower priced lifeline package of analog service. For its digital cable subscribers, UPC Czech offers two packages of digital programming services (lifeline and basic) with up to 64 channels (including the channels in its analog service), depending on the package selected. Two packages of premium services are also available. UPC Czech offers eight tiers of broadband internet service with download speeds ranging from two Mbps to 20 Mbps. UPC Czech also offers VoIP multi-featured telephony services. UPC Czech makes its digital video, broadband internet and fixed line telephony services available to 88%, 92% and 91%, respectively, of its homes passed. Of UPC Czech's total customers, 26% are double-play customers and 8% are triple-play customers.

- *Poland.* UPC Poland's operations are located in regional clusters encompassing eight of the 10 largest cities in Poland, including Warsaw and Katowice. For its analog cable subscribers, UPC Poland offers three tiers of analog service. Its lowest tier, the lifeline package, includes six to 10 channels and the intermediate package includes 14 to 31 channels. Almost 35% of UPC Poland's analog cable subscribers receive the lifeline and intermediate packages. For the highest tier (basic tier), the full package includes the channels in the lifeline package, plus up to 51 additional channels with such themes as sports, children, science/educational, news, film and music. For an additional monthly charge, UPC Poland offers two premium television services, the HBO Poland and Canal+ Multiplex packages of five movie, sport and general entertainment channels. In May 2008, UPC Poland introduced digital programming services, offering two packages of digital service (with each package including the channels in its analog service). Its lifeline package includes 14-30 channels and its basic package has over 100 channels. Four packages of digital premium services are also available. UPC Poland offers four tiers of broadband internet service in portions of its network with download speeds ranging from 512 Kbps to 20 Mbps. UPC Poland also offers VoIP multi-feature telephony services. UPC Poland makes its digital video, broadband internet and fixed line telephony services available to 70%, 90% and 87%, respectively, of its homes passed. Of UPC Poland's total customers, 21% are double-play customers and 11% are triple-play customers.

- *Romania.* UPC Romania's operations are located in nine of the 12 largest cities (with more than 200,000 inhabitants) in Romania, including Bucharest, Timisoara, Cluj and Constanta. For its analog cable customers, UPC Romania offers in all of its cities a lifeline package of 15 channels and a basic package of 30 to 56 channels (depending on location), which include Romanian terrestrial broadcast channels, European satellite programming and other programming. In the main cities, it also offers four extra basic packages of five to 12 channels each and premium pay television (*HBO Romania* and *Adult*). UPC Romania also offers three packages of digital cable service to customers in 23 cities with up to 109 channels (including the channels in its analog service), depending on the package selected, and one package of digital premium services. UPC Romania offers three tiers of broadband internet service, with download speeds ranging from one Mbps to 20 Mbps, and VoIP multi-feature telephony services. UPC Romania makes its digital video, broadband internet and fixed line telephony services available to 48%, 76% and 73%, respectively, of its homes passed. Of UPC Romania's total customers 9% are double-play customers and 10% are triple-play customers. In addition, UPC Romania offers a wide range of land line telephony, data transfer, internet access and hosting services to business customers, retail and wholesale, from SOHO customers to multinational companies.

- *Slovakia.* UPC Slovakia offers analog cable service in 30 cities and towns in Slovakia, including the five largest cities of Bratislava, Kosice, Presov, Banska Bystrica and Zilina. UPC Slovakia offers its analog cable and MMDS subscribers two tiers of analog service. Its lower tier, the lifeline package, includes four to eight channels. Of UPC Slovakia's analog cable subscribers, 26% subscribe to the lifeline analog service. UPC Slovakia's most popular tier, the basic package, includes 12 to 51 channels that generally offer all Slovakian terrestrial, cable and local channels, selected European satellite programming and other programming. For an additional monthly charge, UPC Slovakia offers an HBO premium service. For its digital cable subscribers, UPC Slovakia offers two packages of digital programming service with up to 72 channels (including the channels in its analog service), depending on the package selected, and five packages of premium services. UPC Slovakia offers five tiers of broadband internet service with download speeds ranging from 512 Kbps to 20 Mbps. UPC Slovakia also offers VoIP multi-featured telephony services. UPC Slovakia makes its digital video, broadband internet and fixed line telephony services available to 49%, 74% and 74%, respectively, of its homes passed. Of UPC Slovakia's total customers, 10% are double-play customers and 6% are triple-play customers.

- *Slovenia.* UPC Slovenia's operations are located in seven of the 10 largest cities in Slovenia, including Ljubljana and Maribor. UPC Slovenia's most popular video tier, the analog basic package, includes on average 58 video and 30 radio channels and generally offers all Slovenian terrestrial, cable and local channels, selected European satellite programming and other programming. In September 2008, UPC Slovenia began offering its subscribers digital programming services. For its digital cable subscribers, UPC Slovenia offers two packages of digital programming services with up to 100 channels (including the channels in its analog service), depending on the package selected, and two packages of premium service. UPC Slovenia also offers certain of its subscribers digital programming services via MMDS with 60 video and 30 radio channels. Two premium MMDS services are also available. UPC Slovenia offers five tiers of broadband internet service with download speeds ranging from 512 Kbps to 25 Mbps. UPC Slovenia also offers VoIP multi-featured telephony services. UPC Slovenia makes its digital video, broadband internet and fixed line telephony services available to 94%, 75% and 75%, respectively, of its homes passed. Of UPC Slovenia's total customers, 20% are double-play customers and 15% are triple-play customers.

- *UPC Direct.* UPC Direct provides DTH services to customers in Czech Republic, Hungary and Slovakia. Depending on location, subscribers receive 64 to 71 channels for basic service. For an additional monthly charge, a subscriber may upgrade to an extended basic tier package, plus various premium package options for specialty channels. UPC Direct provides DTH services to 18% of our total video subscribers in Czech Republic, 21% of our total video subscribers in Hungary and 11% of our total video subscribers in Slovakia. Through another subsidiary, the UPC Broadband Division also provides DTH services to 12% of our total video subscribers in Romania.

VTR

VTR provides video, broadband internet and fixed telephony services in Santiago, Chile's largest city, the large regional cities of Iquique, Antofagasta, Concepción, Viña del Mar, Valparaiso and Rancagua, and smaller cities across Chile. VTR is Chile's largest multi-channel television provider in terms of homes passed and number of subscribers, and a leading provider of broadband internet and residential telephony services. VTR's cable network is 71% upgraded to two-way capability and 78% of cable homes passed are served by a network with a bandwidth of at least 750 MHz. The vast majority of VTR's network is aerial plant. VTR makes its digital video, broadband internet and fixed line telephony services available to 80%, 71% and 70%, respectively, of its homes passed.

For its analog cable customers, VTR offers two tiers of analog programming service: a low tier analog service with 19 to 62 channels and a basic tier analog service with 40 to 70 channels. The basic tier programming for analog cable customers is similar to the basic tier program lineup in the United States, but includes more premium channels such as HBO, Cinemax and Cinecanal on the basic tier. VTR obtains programming from the United States, Europe, Argentina and Mexico. There is also domestic cable programming in Chile, based on local events such as soccer matches and regional content. For its digital cable customers, VTR offers a digital programming service with 87 video channels and 40 radio channels (including the channels in its analog service), four pay-per-view channels and more than 1,400 titles in VoD. It also has a digital premium service with additional programming options of 41 premium channels and two HD channels. DVR functionality is also available. Commencing in February 2009, for new cable subscribers in the areas where VTR's digital platform is available, VTR offers only the digital programming service. As a result of a joint venture with Turner Broadcasting System Latin America, Inc., in December 2008, VTR launched CNN Chile, the first 24-hour Chilean news channel, which is available through VTR's basic analog and digital programming services.

VTR offers five tiers of broadband internet services with download speeds ranging from 300 Kbps to 15 Mbps (as of January 2009) in 28 communities within Santiago and 21 cities outside Santiago. VTR also offers multi-feature telephony service over its cable network to customers in 28 communities within Santiago and 21 cities outside Santiago via either circuit-switched telephony or VoIP, depending on location. In the fourth quarter of 2008, VTR launched a new telephony service that allows customers to see the caller ID on their television. Of VTR's total customers, 20% are double-play customers and 40% are triple-play customers.

VTR offers a range of voice and broadband internet services to SOHO customers in its core communities within Santiago and its core metropolitan networks outside of Santiago.

In December 2005, the Subsecretaria de Telecomunicaciones de Chile awarded VTR regional concessions for wireless fixed telephony service in the frequency band of 3400-3600 MHz. Using this spectrum, VTR deployed broadband telephony and internet services through WiMax technology on a trial basis in parts of Santiago and plans a soft launch in Santiago during the first quarter of 2009. WiMax is a wireless alternative to cable and DSL for the last mile of broadband access. VTR anticipates WiMax will allow it to expand its service area by an estimated 1.3 million homes and increase the number of two-way homes passed by an estimated 540,000 on a more cost-effective basis than if it had to install cable.

VTR is subject to certain regulatory conditions as a result of the combination with Metrópolis Intercom S.A. in April 2005. The most significant conditions require that the combined entity (1) re-sell broadband capacity to third-party internet service providers on a wholesale basis; and (2) activate two-way service to two million homes passed within five years from the consummation date of the combination. For three years after the consummation date of the combination, the combined entity was also required to limit basic tier price increases to the rate of inflation, plus a programming cost escalator. This condition expired in May 2008. Another condition expressly prohibits us, as the controlling shareholder of VTR, from owning an interest, directly or indirectly through related parties, in any company that provides microwave or satellite television services in Chile. The DirecTV Group, Inc. ("DirecTV") owns a satellite television distribution service that operates in Chile and elsewhere in the Americas. On December 12, 2006, Liberty Media Corporation ("Liberty Media") announced publicly that it had agreed to acquire an approximate 39% interest in DirecTV. On August 1, 2007, VTR received formal written notice from the Chilean Federal Economic Prosecutor ("FNE") stating that Liberty Media's acquisition of the DirecTV interest would violate the regulatory condition prohibiting us from owning an interest in Chilean satellite or microwave television businesses. On March 19, 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, the chairman of our 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 requested 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.

Regulatory Matters

Overview

Video distribution, 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, with the exception of Switzerland, is harmonized under the regulatory structure of the European Union ("EU").

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 and could lead to increased operating costs and capital expenditures. 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. Failure to comply with current or future regulation could expose our businesses to penalties.

Europe

Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom are the Member States of the EU. As such, these countries are required to harmonize certain of their laws with certain EU rules. In addition, other EU rules are directly enforceable in those countries. Certain EU rules are also applicable across the European Economic Area, whose Member States are the EU Member States as well as Iceland, Liechtenstein and Norway.

In the broadcasting and communications sectors there has been extensive EU-level legislative action. As a result, most of the markets in Europe in which our businesses operate have been significantly affected by the regulatory framework that has been developed by the EU. The exception to this is Switzerland, which is not a Member State of the EU or the European Economic Area and is currently not seeking any such membership. Regulation in Switzerland is discussed separately below, as well as regulation in certain Member States in which we face regulatory issues that may have a material impact on our business in that country.

EU Communications Regulation

The body of EU law that deals with communications regulation consists of a variety of legal instruments and policies (collectively referred to as the EU Communications Regulatory Framework or Regulatory Framework). The key elements of the Regulatory Framework are six Directives that require Member States to harmonize their laws.

These are:

- Directive for a New Regulatory Framework for Electronic Communications Networks and Services (referred to as the Framework Directive);
- Directive on the Authorization of Electronic Communications Networks and Services (referred to as the Authorization Directive);
- Directive on Access to and Interconnection of Electronic Communications Networks and Services (referred to as the Access Directive);
- Directive on Universal Service and Users Rights relating to Electronic Networks and Services (referred to as the Universal Service and Users Rights Directive);
- Directive on Privacy and Electronic Communications (referred to as the Privacy Directive); and
- Directive on Competition in the Markets for Electronic Communications and Services (referred to as the Competition Directive).

The Regulatory Framework primarily seeks to open European markets for communications services. It harmonizes the rules for the establishment and operation of electronic communications networks, including cable television and traditional telephony networks, and the offer of electronic communications services, such as telephony, internet and, to some degree, television services. The Regulatory Framework does not generally address issues of content.

Since 2005, the EU Commission has been engaged in a process of reviewing the Regulatory Framework. On November 13, 2007, the EU Commission published revised legislative proposals. Among other things, the proposals included (1) a suggestion for a European level communications regulator, (2) the possibility for national regulators to impose functional separation on operators (which would only apply to the incumbent telecommunications operators as a means to increase competition), and (3) changes to radio spectrum licensing.

The proposals have been extensively considered both by the European Parliament and the European Council and any revised Directive can only be adopted by them, although the EU Commission will continue to make suggestions and continues to have influence over the legislative process.

By November 27, 2008, there existed three separate versions of draft Directives: one each from the EU Commission, the European Parliament and the European Council. On December 16, 2008, the EU Commission, the European Parliament and the European Council met for their first trilateral discussion on reaching a compromise. These discussions are ongoing. The goal of the parties is to reach agreement before the election of a new European Parliament in June 2009.

There can, however, be no assurance when, if ever, any new Directives will be adopted, what the final form of such Directives will be nor how they will affect UPC Holding. Pending the adoption and entry into force of any new Directives, and their transposition by the Member States, the existing legal situation is unchanged.

Certain key provisions included in the current Regulatory Framework are set forth below. This description is not intended to be a comprehensive description of all regulation in this area.

Licensing and Exclusivity. The Regulatory Framework requires Member States to abolish exclusivities on communication networks and services in their territory and allow operators into their markets based on a simple registration. The Regulatory Framework sets forth an exhaustive list of conditions that may be imposed on communication networks and services. Possible obligations include, among other things, financial charges for universal service or for the costs of regulation, environmental requirements, data privacy and other consumer protection rules, "must carry" obligations, provision of customer information to law enforcement agencies and access obligations.

Significant Market Power. Certain of the obligations allowed by the Regulatory Framework apply only to operators or service providers with "Significant Market Power" in a relevant market. For example, the provisions of the Access Directive allow EU Member States to mandate certain access obligations only for those operators and service providers that are deemed to have Significant Market Power. For purposes of the Regulatory Framework, an operator or service provider will be deemed to have Significant Market Power where, either individually or jointly with others, it enjoys a position of significant economic strength affording it the power to behave to an appreciable extent independently of competitors, customers and consumers.

As part of the implementation of certain provisions of the Regulatory Framework, each Member State's National Regulatory Authority ("NRA"), is required to analyze certain markets predefined by the EU Commission to determine if any operator or service provider has Significant Market Power. Until November 2007, there were 18 such markets but on November 13, 2007, the EU Commission adopted a new recommendation reducing the list of markets to seven. Such markets are referred to as the predefined markets. The effect of the new recommendation is that those Member States who had not analyzed one of the deleted markets, or who had analyzed such a market and found no Significant Market Power are no longer required to carry out any analysis in that market. Member States who have analyzed one of the deleted markets and found Significant Market Power will have to re-analyze that market and, if they still find Significant Market Power, notify the EU Commission of the finding of Significant Market Power outside the seven predefined markets. Pending such re-analysis, the prior finding of Significant Market Power will remain in effect until the end of its duration (typically for three years). There is no specific timetable for such re-analysis, although the EU Commission may pressure Member States if it sees them as being slow in performing market analyses.

We have been found to have Significant Market Power in some markets in some countries and further such findings are possible. In particular, in those markets where we offer telephony services, we have been found to have Significant Market Power in the termination of calls on our own network. In addition, UPC Nederland B.V. ("UPC NL"), our subsidiary, has been found to have Significant Market Power in the market for wholesale broadcasting transmission services (which is no longer a pre-defined market) in the Netherlands as described below.

NRAs might seek to define us as having Significant Market Power in any of the seven predefined markets or they may define and analyze additional markets. In the event that we are found to have Significant Market Power in any particular market, a NRA could impose certain conditions on us. Under the Regulatory Framework, the EU Commission has the power to veto a finding by an NRA of Significant Market Power (or the absence thereof) in any market whether or not it is included in the seven predefined markets.

Video Services. The distribution, but not the content, of television services to the public is harmonized by the Regulatory Framework. Member States are allowed to impose reasonable "must carry" obligations for the transmission of specified radio and television broadcast channels and on certain operators under their jurisdiction. Such obligations should be based on clearly defined general interest objectives, be proportionate and transparent and be subject to periodic review. We are subject to some degree of "must carry" regulation in all European markets in which we operate. In some cases, these obligations go beyond what we believe is allowable under the Regulatory Framework. To date, however, the EU Commission has taken very limited steps to enforce EU law in this area, leaving intact "must carry" obligations that are in excess of what we believe to be allowed. Moreover, on December 22, 2008, the European Court of Justice took a very narrow view of the restriction on must carry under the Regulatory Framework, treating it as a procedural formality. Therefore, it is unlikely that there will be any reduction in the must carry regulations in the foreseeable future.

EU Broadcasting Law

Although the distribution of video channels by a cable operator is within the scope of the Regulatory Framework, the activities of a broadcaster are harmonized by other elements of EU law, in particular the Audiovisual Media Services Directive ("AVMS"). AVMS, which was adopted on December 11, 2007, amended the EU's existing Television Without Frontiers Directive ("TVWF"). Member States must transpose the requirements of AVMS into national law by December 19, 2009.

Generally, broadcasts originating in and intended for reception within an EU Member State must respect the laws of that Member State. Pursuant to both AVMS and TVWF, however, EU Member States are required to allow broadcast signals of broadcasters established in another EU Member State to be freely transmitted within their territory so long as the broadcaster complies with the law of their home state. This is referred to as the country of origin principle.

In respect of channels originating in many European countries, The European Convention on Transfrontier Television extends the country of origin principle beyond the EU's borders into certain other European territories into which we sell our channels, including Switzerland. The Convention is an instrument of the Council of Europe, with 47 member countries including the 27 EU Member States, and is quite similar to TVWF in its aims of free movement of channels, although it only achieves that with member countries that have ratified its text and not all have so ratified. The Council of Europe is currently considering modifying the Convention along the lines of AVMS but there can be no assurance as to what the outcome of this will be.

Both TVWF and AVMS establish quotas for the transmission of European-produced programming and programs made by European producers who are independent of broadcasters. From our perspective, the key difference between AVMS and TVWF is that the former extends the scope of EU broadcasting regulation and its country of origin principle to certain on-demand television-like services such as VoD. Accordingly, we should be able, if we choose to do so to offer our own VoD services across the European Economic Area based on the regulation of the country of origin. Thus, it is possible to structure our business to have a single regulatory regime for all of our VoD services offered in Europe. In addition, when we offer third party VoD services on our network, it should be the business of the third party, in its capacity as provider of the services, and not us as the local distributor, that is regulated in respect of these services.

The process of AVMS transposition is now ongoing in most Member States and there can be no assurance that the requirements on VoD will, in fact, operate in the manner described above in any individual Member State. Thus we may face inconsistent and uncertain regulation when we offer VoD services in Europe.

Other European Level Regulation

In addition to the industry-specific regimes discussed above, our European operating companies must comply with both specific and general legislation concerning, among other matters, data protection, data retention, content provider liability and electronic commerce.

They are also subject to both national and European level regulations on competition and on consumer protection, which are broadly harmonized at the EU level. For example, while our operating companies may offer their services in bundled packages in European markets, they are sometimes not permitted to make a subscription to one service, such as cable television, conditional upon a subscription to another service, such as telephony. They may also face restrictions on the degree to which they may discount certain products included in the bundled packages.

Currently the telecommunications equipment we provide our customers, such as digital set-top boxes, save as discussed below, is not subject to regulation regarding energy consumption. The EU Commission is, however, considering the need for mandatory requirements regarding energy consumption of such equipment. Similar discussions are already underway in Switzerland. We have been participating in discussions and studies regarding energy consumption with various parts of the EU Commission, with experts working on their behalf, and with the Swiss authorities. In addition, we are working with suppliers of our digital set-top boxes to lower power consumption, as well as looking at possibilities through software to lower the power consumption of the existing fleet of digital set-top boxes. Legislation in this area may be adopted in 2009 and could adversely affect the cost and/or the functionality of equipment we deploy in customer homes.

In addition, pursuant to an EU regulation on standby power, many devices, including cable modems, will from January 4, 2010 be required to have either a low power standby mode or off mode. It is likely that this can be achieved by placing an off switch on these devices. It is unclear whether or not our set-top boxes are subject to this requirement. We continue to explore with Member States and suppliers how this regulation will affect our products. It can not be excluded that it will lead to an increase in our costs of procurement for some items.

The Netherlands

The Netherlands has an electronic communications law that broadly transposes the Regulatory Framework. According to this electronic communications law, *Onafhankelijke Post en Telecommunicatie Autoriteit* ("OPTA"), the Netherlands NRA, should perform the market analysis to determine which, if any, operator or service provider has Significant Market Power. OPTA has completed its first round of market analysis and, for the majority of predefined markets, a second round of analysis as well.

All providers of call termination on fixed networks in the Netherlands have been found to have Significant Market Power. As a result, UPC NL is subject to obligations regarding access, transparency, non-discrimination and tariff regulation. In December 2008, OPTA completed further market analyses, including a new decision on call termination for UPC NL. This decision became effective January 1, 2009, requiring UPC NL to reduce its call termination rates.

In relation to television services, on August 5, 2008, OPTA issued a draft decision on its second round market analysis again finding UPC NL, as well as other cable operators, to have Significant Market Power in the market for wholesale broadcasting transmission services and imposing new obligations. Following a national consultation procedure, OPTA issued a revised decision and submitted it to the EU Commission on January 9, 2009. On February 9, 2009, the EU Commission informed OPTA of its approval of the draft decision. The decision became effective on March 17, 2009. The new market analysis decision imposes on the four largest cable operators in the Netherlands a number of access obligations in respect of television services. The two largest cable operators, including UPC NL, have a number of additional access obligations.

The access obligations consist of (1) access to capacity for the transmission of the television signal (both analog and digital); (2) resale of the analog television signal and, in conjunction with any such resale, the provision of customer connection; and (3) access to UPC NL's digital conditional access system, including access to its operational supporting systems and co-location. OPTA has stated that any operator with its own infrastructure, such as Royal KPN NV, the incumbent telecommunications operator in the Netherlands ("KPN"), will not be allowed to resell the analog television signal or avail itself of access to UPC NL's digital platform.

The resale obligation will enable third parties to take over the customer relationship as far as the analog television signal is concerned. The decision includes the possibility for resale of an analog package that is not identical to the analog packages offered by UPC NL. Potential resellers will need to negotiate the relevant copyrights directly with program providers in order to resell the identical or almost identical analog television signals. In case of non-identical resale, the decision imposes a number of preconditions, including that the reseller must bear the costs of filtering and that OPTA will determine the reasonableness of such request on a case by case basis.

In respect of transmission of the analog television signal, a number of preconditions were established to ensure that such transmission will not cause unreasonable use of scarce capacity. A request for transmission of analog signals that are not included in UPC NL's analog television package, as well as parallel transmission of analog signals that are already part of the analog package, will in principle be deemed unreasonable.

Regarding digital, the new market analysis decision requires UPC NL to enable providers of digital television signals to supply their digital signals using their own or UPC NL's digital conditional access system. This allows the third parties to have their own customer relationship for those digital television signals and to bundle their offer with the resale of the analog television signal.

Pricing of the wholesale offer for analog and digital transmission capacity will be at cost-oriented prices. Pricing of the wholesale offer for resale of the analog package, including access to UPC NL's transmission platform for purposes of resale, will be based on a discount to UPC NL's retail rates, at a level to be determined by OPTA and, if no retail offer of UPC NL is available, on cost-oriented basis. Both access obligations come with the obligation to provide access to the relevant network elements and facilities, including set-top boxes, co-location, software systems and operational supporting systems, at cost-oriented prices if no relevant retail tariff is available to define the retail minus tariff.

UPC NL will also be required to make its tariffs publicly available on a rate card. Furthermore, UPC NL will not be allowed to discriminate between third parties and its own retail business in making these services available. This includes for example a prohibition on offering loyalty discounts to its own customers.

We believe that the proposed measures are unnecessary and disproportionate and we filed an appeal against the decision on April 15, 2009. Pending the outcome of this appeal, we will be required to comply with the decision.

The Netherlands is in the process of transposing AVMS and published its first draft of legislation in March 2009.

Switzerland

Switzerland has a regulatory system which partially reflects the principles of the EU, but otherwise is distinct from the European regulatory system of telecommunications. The Telecommunications Act (*Fernmeldegesetz*) regulates, in general, the transmission of information, including the transmission of radio and television signals. Most aspects of the distribution of radio and television, however, are regulated under the Radio and Television Act (*Radio und Fernsehgesetz*). In addition, the Competition Act and the Act on Price Surveillance are potentially relevant to our business. With respect to energy consumption of electronic home devices, the Energy Act and the Energy Ordinance are expected to be applicable to television set-top boxes as described below.

Under the Telecommunications Act, any provider of telecommunications services needs to register with the Federal Office of Communications ("OfCom"). Dominant providers have to grant access to third parties, including unbundled access to the local loop and, until 2011, bitstream access. Access regulation is restricted to the copper wire network of the incumbent, Swisscom AG ("Swisscom"), and therefore, such unbundling obligations do not apply to Cablecom and other cable operators. Also, any dominant provider has to grant access to its ducts, subject to sufficient capacity being available in the relevant duct. At this time, Cablecom has not been determined to be dominant in this regard. All operators are obliged to provide interconnection and have to ensure interoperability of services.

In 2008, Swisscom announced its intention to roll out a national FTTH network in Switzerland. Whether this will require legislative action on regulating access to such new network by third parties is under discussion. In addition, several municipality-owned utility companies have announced or started to roll out local fiber networks.

As no general state aid regulation exists in Switzerland, such initiatives could only be deemed illegal if a clear case of cross subsidization could be made. Any such fiber roll out could lead to increased competition for Cablecom.

Under the Radio and Television Act and the corresponding ordinance, cable network operators are obliged to distribute certain programs that contribute in a particular manner to media diversity (must carry programs). The Federal government and OfCom can select up to 25 programs that have to be distributed in analog without the cable operator being entitled to compensation. Currently 17 programs have must carry status.

Encryption of Cablecom's digital offering and its exclusive offering of proprietary set-top boxes are permissible under the Radio and Television Act. There is, however, an initiative pending in parliament, which would prohibit the encryption of the digital basic offering. In addition, in November 2007, the competent commission of the Swiss parliament requested the Federal government to propose a change of the Radio and Television Act with the aim to grant consumers freedom of choice regarding their set-top boxes. The initiative is subject to further discussion in parliament in 2009. We do not yet know what, if any, proposal will be accepted and implemented by the legislators or what affect it will have on our business. Such changes in the Radio and Television Act are not, however, expected to become effective before 2011.

Regarding the energy consumption of set-top boxes, the Federal government has launched a consultation process regarding a revision of the Energy Ordinance. According to the proposed legislation, as of January 1, 2010, set-top boxes would need to comply with the European Code of Conduct (Version 4) and non-compliant boxes could no longer be used in Switzerland. Although non-compliant boxes already in use by end customers would most likely not have to be exchanged, Cablecom will not be allowed to import or sell any non-compliant boxes after January 1, 2010. The enactment of this revision of the Energy Ordinance is still subject to the consultation process and we are unable to predict the final outcome on this revision. Any changes to the Energy Ordinance will not, however, become effective before January 1, 2010.

In the past, Cablecom's retail customer prices have been subject to review by the Swiss Price Regulator. As of 2007, we are no longer subject to an agreement with the Swiss Price Regulator. The Swiss Price Regulator has, however, defined certain criteria regarding Cablecom's products and prices. As long as Cablecom respects those criteria, no further regulatory action will be taken by the Swiss Price Regulator. Whether Cablecom will continue to be subject to price regulation going forward will depend on the assessment of its market position going forward.

Hungary

Hungary has broadly transposed the Regulatory Framework into law. According to this electronic communication law, Nemzeti Hírközlési Hatóság ("NHH"), the Hungarian NRA, should perform the market analysis to determine which, if any, operator or service provider has Significant Market Power.

UPC Hungary offers telephony services through either its cable network or its copper wire network. Although these networks are regulated differently, UPC Hungary's telephony operations have been found to have Significant Market Power in the call termination market by NHH.

With respect to the cable telephony services over the cable network, UPC Hungary is required to publish its general contractual terms and call termination prices. UPC Hungary's telephony services over the copper wire network have also been found to have Significant Market Power in the origination market in its own telecommunications network, as well as in the markets for wholesale unbundled access, together with all other similar network operators. This has led to a variety of requirements, including the need to provide interconnection and access to, and use of, specific network facilities, non-discrimination, transparency, accounting separation and building of cost models for the wholesale services. Such network has further been found to have Significant Market Power in a variety of retail markets relating to the provision of network access to business and to residential customers where UPC Hungary's price increases have been limited to the rise in the consumer price index minus an implied productivity ratio (3%) and in the markets for long distance and international calls for residential and business customers where UPC Hungary has been required to offer carrier pre-selection services.

Together with all other similar network operators, UPC Hungary has also been found to have Significant Market Power in the wholesale broadband access market with respect to broadband services over the copper wire network, but not the cable network. As a result, UPC Hungary is required to produce a wholesale ADSL offer on the copper wire telephony network based on a discount from its retail prices (retail minus price regulation).

With respect to broadcasting regulation, the Hungarian Parliament adopted the Act on Programme Distribution and Digital Switchover (the "Act") in July 2007. The Act defines certain distributors, including UPC Hungary, as having significant influence from a media policy point of view, thereby creating a quasi-Significant Market Power status, which should, under EU rules, be subject to specific procedural rules, including the notification of the relevant market to the EU Commission. Also, the new Act imposed certain obligations on the quasi-Significant Market Power distributors, the most significant being an obligation, in addition to existing must-carry rules, to contract with at least 40 channels, guided by media policy criteria as set forth in the Act. The distributor may not differentiate between these channels based on content. In addition, the general terms and conditions of the distribution agreements for such 40 channels shall be made public.

The Act also places limits on the amount of programs from a single group of companies that any one distributor may carry. Hungarian legislation thus has the potential to limit the flexibility or future growth of our distribution business. There have been several draft laws proposed by the Hungarian Parliament in recent months that sought to regulate elements of our business in Hungary. None of these have been the subject of any political agreement or have been introduced into a legislative process. However, it is clear that our business in Hungary faces both political and regulatory challenges.

Other Central and Eastern Europe

In contrast to the majority of our European operations, a large part of our cable network in Romania is above ground, as are the networks of most other utility providers, including other cable operators. For aesthetic and environmental reasons, cities in Romania want these companies, including UPC Romania, to move their networks underground. The issue has become most pressing in Bucharest, where the city council issued a decision requiring all existing networks to be placed underground within a period of years and engaged a single privately-owned company to build an underground duct and optical fiber network in that city (the "NetCity Project"). Legal challenges in Romania to the NetCity Project have thus far been unsuccessful and the network has recently been completed under five streets. As a result, the city is pressuring UPC Romania to move its network in the completed area to the underground network. UPC Romania is seeking permission from the city to build its own underground ducts in Bucharest which would be operationally and technically more compatible with its hybrid fiber coaxial network than the all optical fiber network of the NetCity Project. No assurance can be given that UPC Romania's efforts will be successful or that building its own duct network would be more cost effective in the long term than making use of the ducts and/or infrastructure of the NetCity Project. We anticipate the pressure to move aerial networks underground to continue to grow in both Bucharest and elsewhere in Romania. Ultimately we expect that this will lead to an increase in network costs for our Romanian operations and, possibly, a decrease in operational flexibility.

Chile

As described under "*Operations — The Americas*", VTR is subject to certain regulatory conditions as a result of its combination with Metrópolis Intercom S.A. in April 2005. These conditions are in addition to the regulations described below.

Video. Cable television services are regulated in Chile by the Ministry of Transportation and Telecommunications (the "Ministry"). VTR has permits to provide wireline cable television services in the major cities, including Santiago, and in most of the medium-sized markets in Chile. Wireline cable television permits are granted for an indefinite term and are non-exclusive. As a result, more than one operator may be in the same geographic area. As these permits do not use the radio-electric spectrum, they are granted without ongoing duties or royalties. Wireless cable television services are also regulated by the Ministry and similar permits are granted for these services. With respect to digital terrestrial television ("DTT") services, the Chilean Government is expected to adopt a technology standard in 2009.

Cable television service providers in Chile are not required to carry any specific programming, but some restrictions may apply with respect to allowable programming. The National Television Council has authority over programming content, and it may impose sanctions on providers who are found to have run programming containing excessive violence, pornography or other objectionable content. A bill is pending before the Chilean Congress, which may result in additional controls on broadcasters that provide programming not suitable for children.

Cable television providers have historically retransmitted programming from broadcast television, without paying any compensation to the broadcasters. Certain broadcasters, however, have filed lawsuits against VTR claiming that VTR breached their intellectual property rights by retransmitting their signals. These lawsuits are still pending before the Chilean courts and a final judicial decision is not expected until the third quarter of 2009.

Internet. Internet services are considered complementary telecommunication services and, therefore, do not require concessions, permits or licenses. Pursuant to a condition imposed on VTR as a result of its combination with Metrópolis Intercom S.A., VTR offers its broadband capacity for resale of internet services on a wholesale basis. The Chilean Government is reviewing new standards for internet services and the quality of such services. These standards could become law in 2009. Development of these standards may increase VTR's costs relating to the provision of internet service and the development of quality service monitoring and reporting systems.

Telephony. The Ministry also regulates telephony services. The provision of telephony services (both fixed and mobile) requires a public telecommunication service concession. VTR has telecommunications concessions to provide wireline fixed telephony in most major and medium-sized markets in Chile. Telephony concessions are non-exclusive and have renewable 30-year terms. The original term of VTR's wireline fixed telephony concessions expires in November 2025. Long distance telephony services are considered intermediate telecommunications services and, as such, are also regulated by the Ministry. VTR has concessions to provide this service, which is non-exclusive, for a 30-year renewable term expiring in September 2025.

VTR has been awarded wireless fixed telephony concessions under which it has an exclusive right to use a specific block of spectrum in 3,400 MHz in most of the Chilean regions. With these concessions, VTR plans to offer telephony and internet services using WiMax technology in Santiago during the first quarter of 2009. Wireless fixed telephony concessions have been granted for renewable terms of 30 years. Such concessions are non-exclusive and the rates are not regulated.

Local service concessionaires are obligated to provide telephony service to all customers that are within their service area or are willing to pay for an extension to receive service. All local service providers, including VTR, must give long distance telephony service providers equal access to their network connections at regulated prices and must interconnect with all other public services concessionaires whose systems are technically compatible.

In January 2008, the Ministry requested the Chilean Antitrust Tribunal to review the telephony market. In February 2009, the Antitrust Tribunal concluded that, although the local service telephony market cannot be characterized as competitive, it has enhanced its level of competition since it was reviewed in 2003. As a result, the Antitrust Tribunal determined that incumbent local telephone operators will no longer be subject to price regulation at a retail level. The final interpretation the Ministry will give to this decision is pending. Notwithstanding, we believe that such decision requires the Ministry to set forth rules only for the incumbent operators (identifying Compañia de Telecomunicaciones de Chile SA ("Telefónica"), Telefónica de Sur ("TelSur") and Entel Telefonía Local S.A.), forbidding, among other things, price discrimination, fixed/mobile bundles and differentiated prices for on net and off net traffic. Also, the Antitrust Tribunal ordered the Ministry to set forth rules, for all operators, forbidding tied sales of telecommunication services included in a bundle, and imposing an effective network unbundling and number portability. The Antitrust Tribunal also declared some ancillary services and network unbundling services to be subject to price regulation for all companies, including VTR. This decision could be revised by the Supreme Court during 2009.

Interconnect charges (including access charges and charges for network unbundling services) are determined by the regulatory authorities, which establish the maximum rates that may be charged by each operator for each type of service. This rate regulation is applicable to incumbent operators and all local and mobile telephony companies, including VTR. The maximum rates that may be charged by each operator for the corresponding service are made on a case-by-case basis, and are effective for five years. VTR's current interconnection and unbundling rates are effective until June 2012.

Chile plans to award high capacity mobile licenses through a bid process. On January 27, 2009, the Chilean Supreme Court ruled that, although incumbent mobile operators may participate in the process, any bidder that exceeds the limit of 60 MHz of spectrum rights for mobile telephony services must divest the excess spectrum through a public bidding process. Currently one incumbent mobile operator has 60 MHz of spectrum rights and two others have 55 MHz of spectrum rights. Therefore this decision means there will be spectrum available for new entrants. The bidding process is expected for July 2009. VTR plans to submit a bid, but no assurance can be given that it will be granted a license for such services.

In April 2007 a bill regarding Telecommunications Antennas Towers was introduced in the House of Representatives. It includes the application of stricter restrictions on the construction of new telecom towers including (i) the requirement to obtain prior authorization from local authorities and certain neighbors (as defined) to build antennas in new sites and (ii) antennas cannot be placed in sites smaller than 400 square meters. The Ministry has also expressed its support to add a mandatory co-localization regime. Based on public statements by Ministry officials, we expect this bill to be approved by the House of Representative during 2009.

Rate Adjustments. With respect to VTR's ability to increase the price of its different telecommunication services to its subscribers, the General Consumer Protection Laws contain provisions that may be interpreted by the National Consumer's Service ("Sernac") to require that any increase in rates — over the inflation rate — to existing subscribers must be previously accepted and agreed to by those subscribers, impairing VTR's capacity to rationalize its price policy over current customers. VTR disagrees with this interpretation and is evaluating its options for adjusting or increasing its subscriber rates in compliance with applicable laws.

Channel Lineup. With respect to VTR's ability to modify its channel lineup without the previous consent of the subscribers, Sernac expressed that such action may be against certain provisions of the applicable Consumer Protection Law, including those provisions prohibiting misleading advertisement, unilateral modification of the clients' contracts and abusive clauses. Sernac filed several lawsuits against VTR. In June 2008, the Court of Appeals of Santiago ruled against VTR in one of these lawsuits, and the Supreme Court rejected an appeal of this decision. Based on nine favorable rulings recently obtained by VTR, granting the company the right to modify its grid, VTR disagrees with Sernac's interpretation. To prevent future conflicts with Sernac, VTR is negotiating with Sernac to establish common acceptable criteria to enable modifications of VTR's channels grid.

Competition

The markets for video, broadband internet and telephony services, and for video programming, generally are highly competitive and rapidly evolving. Consequently, our businesses have faced and are expected to continue to face increased competition in these markets in the countries in which they operate and specifically, as a result of deregulation, in the EU. The percentage information in this section is as of the date of the relevant sources listed in the following sentences. The percentage information provided below for the UPC Broadband Division is based on information from either the website of DataXis for the third quarter of 2008 or Screen Digest for the month of January 2009.

For Chile, the percentage information is based on internal market studies as of December 31, 2008, and information obtained from public filings by competitors and market information provided by the Subsecretaria de Telecomunicaciones de Chile as of various dates from September 30, 2008 to December 31, 2008. The competition in certain countries in which we operate is described more specifically after the respective competition overview on video, broadband internet and telephony.

Broadband Communications

Video Distribution

Our businesses compete directly with a wide range of providers of news, information and entertainment programming to consumers. Depending upon the country and market, these may include: (1) traditional over-the-air broadcast television services; (2) DTH satellite service providers; (3) DTT broadcasters, which transmit digital signals over the air providing a greater number of channels and better quality than traditional analog broadcasting; (4) other cable operators in the same communities that we serve; (5) other fixed line telecommunications carriers and broadband providers, including the incumbent telecommunications operators, offering video products (a) through broadband internet connections over networks using DSL or ADSL technology (which we refer to as DSL-TV), (b) through DTH satellite systems, or (c) over fiber optic lines of FTTH networks; (6) satellite master antenna television systems, commonly known as SMATVs, which generally serve condominiums, apartment and office complexes and residential developments; (7) MMDS operators; and (8) movie theaters, video stores and home video products. Our businesses also compete to varying degrees with other sources of information and entertainment, such as newspapers, magazines, books, live entertainment/ concerts and sporting events.

Europe. In Europe, historically our principal competition in the provision of video services came from traditional over-the-air broadcasters in all markets; DTH satellite providers in many markets, such as Austria and Ireland where we compete with long-established satellite platforms; and cable operators in certain markets, such as Poland and Romania where portions of our systems have been overbuilt. In some markets, competition from SMATV or MMDS could be a factor.

Over the last several years, competition has increased significantly from both new entrants and established competitors using advanced technologies and aggressively priced services. DTT is a significant part of the competitive market in Europe as a result of a number of different business models that range from full blown encrypted pay television to FTA television. Similarly DSL-TV, which is either provided directly by the owner of the network or by a third party, is fast becoming a significant part of the competitive environment. Further launches of DTT and DSL-TV are expected in 2009.

In most of our Central and Eastern European markets, we are also experiencing significant competition from Digi TV, the DTH platform of a Romanian cable, telephony and internet service provider that is targeting our analog cable, MMDS and DTH customers with aggressively priced DTH packages, in addition to overbuilding portions of our cable network in Hungary and Romania. The incumbent telecommunications operator in Romania also operates a competing DTH platform. Our DTH platforms, through UPC Direct and another subsidiary, offer advanced services and functionality, including HD and DVR, to four of our Central and Eastern Europe markets.

In most of our European markets, competitive video services are now being offered by the incumbent telecommunications operator, whose video strategies include DSL-TV, DTH, and DTT. The ability of incumbent operators to offer the so-called "triple-play" of video, broadband internet and telephony services is exerting growing competitive pressure on our operations, including the pricing and bundling of our video products. In order to gain video market share, the incumbent operators and alternative service providers in a number of our larger markets have been pricing their DTT and DSL-TV video packages at a discount to the retail price of the comparable digital cable service and, in the case of DSL-TV, including DVRs as a standard feature.

FTTH networks are not widespread in Europe, although they are present or planned in a number of countries. FTTH networks have been launched by Reggefiber FttH (a partnership between Reggefiber ttH bv and KPN) in the Netherlands, by Orange Slovensko, a.s. (part of France Télécom S.A.) and Slovak Telekom, a.s. in Slovakia, and by Telefónica 02 Czech Republic, a.s. in the Czech Republic. In Switzerland, Swisscom has announced plans to connect approximately 100,000 homes with FTTH by the end of 2009, with an anticipated investment of CHF 8 billion over the next six years. In Hungary, Magyar Telekom Rt has announced plans to increase its FTTH network to 780,000 homes passed by 2013. In addition, there is increasing willingness from government and quasi-government entities in Europe to invest in such networks, which would create a new source of competition.

To meet the challenges in this competitive environment, we tailor our packages in each country in line with one or more of three general strategies: a general price reduction, discounts for bundled services and loyalty contracts. Generally, discounts for bundled services are available in all our Europe operations. In addition, we seek to compete by accelerating the migration of our customers from analog to digital services, upgrading our digital television service to include the functionality for VoD, HD, DVRs and other advanced products and services, and offering attractive content packages and bundles of services at reasonable prices. As a result, 2008 saw the launch of new digital platforms in a number of our territories with additional launches of DVR functionality and HD services as part of the digital offering. Also, in Europe, the triple-play bundle is used as a means of driving video, as well as other products where convenience and price can be leveraged across the portfolio of services.

The Netherlands. The Netherlands has one of the highest cable penetration rates in Europe with 76% of all households subscribing to a cable service. Ziggo B.V. continues to be the largest cable provider with cable service supplied to 43% of the total video households in the Netherlands. UPC Netherlands provides video cable services to 28% of the total video households in the Netherlands. Satellite television penetration is 11% of the total video households and has historically been the main source of our competition in the Netherlands. Also, competition from the DTT and DSL-TV services offered by KPN continues to be strong. KPN is the majority owner of the Netherlands DTT service, Digitenne. It also offers a DSL-TV service that includes VoD, an electronic program guide and DVR functionality. KPN is targeting our price sensitive analog customers and our digital customers with discounted Digitenne and DSL-TV video packages, respectively. With its nationwide telecommunications network and ability to offer bundled triple-play services, KPN is a significant competitor. In addition, FTTH networks may become more competitive with Reggefiber FttH's 2008 launch of FTTH networks in certain cities and any future expansion of these networks. To enhance its competitive position, UPC Netherlands offers VoD services, DVR functionality and HD set-top boxes to all UPC Netherlands digital cable customers. Such services allow UPC Netherlands subscribers to personalize their programming. Also, UPC Netherlands markets a variety of bundle options from which subscribers can select various combinations of services, including internet and telephony options, to meet their needs.

Switzerland. We are the largest cable television provider in Switzerland based on the number of video cable subscribers and are the sole provider in substantially all of our network area. Due to a small program offering, competition from terrestrial television in Switzerland is limited, although DTT is now available in most parts of Switzerland. DTH satellite services are also limited due to various legal restrictions such as construction and zoning regulations or rental agreements that prohibit or impede installation of satellite dishes. Given technical improvements, such as the availability of smaller satellite antennae, as well as the continuous improvements of DTH offerings, continued competition is expected from the satellite television operators. Our main competition is Swisscom, the incumbent telecommunications operator, which launched its DSL-TV service in late 2006 and has grown to 95,000 subscribers through the end of the third quarter of 2008. Swisscom offers VoD services as well as DVR functionality and HD services. To effectively compete, Cablecom enhanced its digital television platform with the rollout of DVR functionality and HD services in 2008 and plans to launch VoD in 2009.

Austria. In Austria, we are the largest cable television provider based on number of video cable subscribers. Our primary competition for video customers is from FTA television received via satellite and from the DSL-TV service provided by the incumbent telecommunications operator, Telekom Austria AG. In addition, the public broadcaster, Österreichischer Rundfunk, offers DTT services in Austria. Approximately 49% of Austrian households receive FTA television compared to approximately 39% of Austrian households receiving cable services. UPC Austria provides video cable services to approximately 40% of the cable households in Austria. Newer technologies such as DSL-TV from Telekom Austria represent an increasing threat with digital services incorporating premium services, such as VoD, offered at a heavy discount to the video subscription price within the market. To stay competitive, UPC Austria launched HD DVR functionality in 2008 and plans to launch a VoD service in 2009.

Ireland. Ireland has one of the highest digital and pay television penetration rates in Europe with almost 80% of the population subscribing to a video service. We are the largest cable television provider in Ireland based on number of video cable subscribers. Our primary competition for video customers is from British Sky Broadcasting plc, which provides DTH services in Ireland. We will also face competition from a new DTT entrant, Boxer DTT Limited (a joint venture between Boxer TV-Access AB and Communicorp Group Ltd.). Boxer DTT Limited has announced plans to launch DTT service in 2009, which will compete with our analog and MMDS services. In addition, a public service broadcaster is expected to launch a DTT service with FTA channels in late 2009. The FTA channels are expected to include a number of channels currently available to pay television operators, including UPC Ireland. Such FTA channels, however, are not expected to be high value channels and will overlap only a few channels in UPC Ireland's digital entry package.

Hungary. In Hungary, we are the largest cable television provider based on number of video cable subscribers. Of the Hungarian households receiving cable television, 34% receive their cable service from UPC Hungary. In addition, UPC Hungary provides satellite service, branded UPC Direct, to 26% of Hungarian DTH households. In providing DTH services, UPC Hungary competes with three other providers. One of these, Digi TV, is an aggressive competitor whose services can reach up to 20% of UPC Hungary's DTH service area. Digi TV is targeting UPC Hungary's analog cable and DTH subscribers with low-priced video packages. UPC Hungary also faces competition from Antenna Hungaria Rt., a digital DTT provider that entered the market in December 2008, and from the incumbent telecommunications company Magyar Telekom Rt. (in which Deutsche Telekom has a majority stake). Magyar Telekom Rt. offers a DSL-TV service, including a VoD service to internet subscribers of its ISP subsidiary, and triple-play packages. Both Digi TV and Magyar Telekom Rt also provide services over FTTH networks. To meet such competition, UPC Hungary launched a digital television platform in the second quarter of 2008, including DVR functionality and HD services, and will be making further enhancements in 2009 with the launch of a VoD service. In addition, UPC Hungary provides discounts through long-term service arrangements to subscribers in certain parts of its service area.

Other Central and Eastern Europe. As in Hungary, Digi TV is also an aggressive DTH competitor in Romania, Czech Republic and Slovakia. In Romania, competition also comes from alternative distributors of television signals, including DTH satellite television providers (five service providers) and DTT service providers (four service providers). Currently, Czech Republic has four operators providing either DTH or DTT services, which makes the market for television subscribers extremely competitive with price often the deciding factor. In addition, over half of the Czech Republic can receive DTT services. In Poland, UPC Poland competes with three DTH service providers, including the incumbent telecommunications provider Telekomunikaeja

Polska S.A., which launched its DTH service in 2008 and offers a mobile broadband service. Also, competition from DTT providers is expected to increase significantly in 2009 and FTTH networks are being trialed or expanded. Subscribers in Central and Eastern Europe tend to be more price sensitive than in other European markets. To address such sensitivity and meet competition, our operations in Central and Eastern Europe offer a variety of bundled service packages and UPC Romania offers discounts for long-term service arrangements. Also, certain of our operations provide senior citizen and other social discounts.

The Americas. In Chile, we are the largest cable television provider based on number of video cable subscribers. VTR competes primarily with DTH service providers in Chile, including the incumbent Chilean telecommunications operator Telefónica, TelSur, Telmex Internacional SAB de CV (Telmex) and DirecTV Chile. Telefónica offers double-play and triple-play packages of video, voice and internet. Other competition comes from video services offered by or over the networks of fixed line telecommunications operators using DSL or ADSL technology (such as TelSur in the southern regions). GTD Manquehue offers triple-play packages over its hybrid fiber coaxial cable networks in localized areas of Santiago. Telmex is offering triple-play packages using DTH and, in certain areas of Santiago, through a hybrid fiber coaxial cable network. Telmex is also expanding its hybrid fiber coaxial cable network in certain regional cities of Chile. Telmex is an aggressive competitor targeting video subscribers, including VTR subscribers, with low price video packages. VTR's share of the video market in Chile is 59%, compared to 17% for Telefónica and 24% for all others. To effectively compete, VTR is expanding its digital platform to additional neighborhoods and has launched VoD, DVR and HD services.

Internet

With respect to broadband internet services and online content, our businesses face competition in a rapidly evolving marketplace from incumbent and non-incumbent telecommunications companies, mobile operators and cable-based ISPs, many of which have substantial resources. The internet services offered by these competitors include both traditional dial-up internet services, wireline broadband internet services using DSL or FTTH, and wireless broadband internet services, in a range of product offerings with varying speeds and pricing, as well as interactive computer-based services, data and other non-video services to homes and businesses. As the technology develops, competition from wireless services using various advanced technologies may become significant. We are seeing intense competition in Europe from mobile carriers that offer mobile data cards allowing a laptop user to access the carrier's broadband wireless data network with varying speeds and pricing.

We seek to compete on speed and price, including increasing the maximum speed of our connections and offering varying tiers of service and varying prices, as well as a bundled product offering and a range of value added services. In 2008, UPC Netherlands launched a new bundling strategy, along with (and including) its UPC Fiber Power internet products with speeds of up to 120 Mbps to compete with FTTH initiatives. UPC Fiber Power or similar products based on Euro DOCSIS 3.0 technology will be launched in most of our other European markets in 2009. The focus is to launch high-end internet products to safeguard our high-end customer base and allow us to become more aggressive at the low and medium-end of the internet market.

Europe. Across Europe, our key competition in this product market is from the offering of broadband internet products using various DSL-based technologies both by the incumbent phone companies and third parties. The introduction of cheaper and ever faster broadband offerings is further increasing the competitive pressure in this market. Broadband wireless services, however, are taking a foothold in a number of countries using ultra high speed mobile networks and high-speed downlink packet access developments.

In the Netherlands, we face competition from KPN, the largest broadband internet provider, and operators using the unbundled local loop. As of September 30, 2008, UPC Netherlands provided broadband internet services to 12% of the total broadband internet market (or about 25% of UPC Holding's current footprint based on internal research).

In Switzerland, Swisscom is the largest provider of broadband internet services, with an estimated market share of half of all broadband internet customers. Cablecom serves 19% of all broadband internet customers.

UPC Austria's largest competitor with respect to internet services is the incumbent telecommunications company, Telekom Austria AG, with approximately 48% of the total broadband subscribers in Austria. In addition, UPC Austria faces competition from unbundled local loop access and mobile broadband operators, which has increased the competition in the broadband internet market significantly. Competitors in the Austrian broadband internet market are focusing on the low and medium priced markets due to a general price decrease in the Austrian market. To compete, UPC Austria has launched new bundled offers specifically aimed at these market segments. UPC Austria uses its triple-play bundling capabilities across all market segments to encourage customers from other providers to switch to UPC Austria's services and to reduce churn in the existing customer base.

Mobile data card providers are gaining market share in Ireland. The incumbent in Ireland, Telefónica O2 Ireland Limited, offers a range of mobile internet products at competitive prices. The trend towards mobile internet is visible throughout Europe, where market developments in Austria and Ireland (driven by "3", a brand name of Hutchison 3G Austria GmbH and Hutchison 3G Ireland Ltd.) are most significant.

In Hungary, the internet market is growing rapidly. Our primary competitor is the incumbent telecommunications company, Magyar Telekom Rt. Strong competition from Digi TV and its triple play offerings as well as from mobile broadband operators has shifted the market further towards the lower tiers of service. The sales mix has changed, such that the existing low-end options have become more prominent in the market. UPC Hungary provides broadband internet services to 22% of the total broadband internet market. In Central and Eastern Europe competition is focused mostly on mobile broadband because fixed line penetration is limited. Mobile broadband is an increasing threat in the Czech Republic and Slovakia. With respect to Romania, subscribers use local area networks that provide higher access speeds in the local area. UPC Romania offers local networks with double the speed available when a subscriber requests internet services outside the local area. Pricing is also considered when attracting and retaining internet subscribers.

The Americas. In Chile, VTR faces competition primarily from non-cable-based internet service providers such as Telefónica, Telmex and Telsur. In 2008, in response to the availability of mobile data in Chile, VTR more than doubled its internet speeds for customers as a differentiation strategy. VTR expects increased pricing and bandwidth pressure from Telefónica, Telmex and Telsur and more effective competition from these companies as they bundle their internet service with other services. VTR's share of the residential high-speed (300 kbps and greater) broadband internet market in Chile is 41%, compared to 49% for Telefónica and 10% for all others. To effectively compete, VTR is expanding its two-way coverage and offering attractive bundling with telephony and digital video service. VTR will also launch broadband services through WiMax in Santiago during the first quarter of 2009.

Telephony

With respect to telephony services, our businesses face competition from the incumbent telecommunications operator in each country. These operators have substantially more experience in providing telephony services, greater resources to devote to the provision of telephony services and longstanding customer relationships. In many countries, our businesses also face competition from other cable telephony providers, wireless telephony providers, FTTH-based providers or other indirect access providers. Competition in both the residential and business telephony markets will increase with certain market trends and regulatory changes, such as general price competition, the offering of carrier pre-select services, number portability, continued deregulation of telephony markets, the replacement of fixed line with mobile telephony, and the growth of VoIP services. Carrier pre-select allows the end user to choose the voice services of operators other than the incumbent while using the incumbent's network. We seek to compete on pricing as well as product innovation, such as personal call manager and unified messaging. We also offer varying plans to meet customer needs and various bundle options.

Europe. Across Europe our telephony businesses are generally small compared to the existing business of the incumbent phone company. The incumbent telephone companies remain our key competitors but mobile operators and new entrant VoIP operators offering service across broadband lines are also important in these markets. Generally, we expect telephony markets to remain extremely competitive.

Our telephony strategy in Europe is focused around price leadership, and we position our services as "unlimited", using our existing product portfolio. Our portfolio includes a basic telephony product for line rental (which includes unlimited network calling in some countries, like Romania), unlimited national off peak calling branded "Freetime" and unlimited national 24/7 calling branded "Anytime". In Poland, UPC Poland has offered an EU-wide telephony product on a trial basis. Such product provides unlimited international calls within the EU. We are currently evaluating this trial offer and may extend this EU telephony product to our other operations.

In the Netherlands, KPN is the dominant telephony provider, but all of the large MSOs, including UPC Netherlands, as well as ISPs, offer VoIP services and continue to gain market share from KPN. In Switzerland, we are the largest VoIP service provider, but Swisscom is the dominant fixed line telephony service provider followed by two carriers that offer pre-select services.

In Austria and in Hungary, the incumbent telephone companies dominate the telephony market. Most of the fixed line competition to the incumbent telephone operators in these countries is from entities that provide carrier pre-select services. We also compete with ISPs that offer VoIP services and mobile operators. In Austria, we serve our subscribers with circuit-switched telephony services, VoIP over our cable network, and DSL technology service over an unbundled loop. In Hungary, we provide circuit-switched telephony services over our copper wire telephony network and VoIP telephony services over our cable network. We continue to gain market share with our VoIP telephony service offerings in all of our Europe markets.

The Americas. In Chile, VTR faces competition from the incumbent telecommunications operator, Telefónica, and other telecommunications operators such as TelSur, GTD Manquehue and Telmex. Telmex launched a telephony service through WiMax in March 2007. Telefónica and TelSur have substantial experience in providing telephony services, resources to devote to the provision of telephony services and longstanding customer relationships. Claro Chile S.A., Telefonica Moviles Chile S.A. and Entel PCS Telecomunicaciones S.A. are the primary companies that offer mobile telephony in Chile. Competition in both the residential and business telephony markets is increasing as a result of market trends and regulatory changes affecting general price competition, number portability, and the growth of VoIP services. Also, mobile services are expected to be bundled with other services by competitors, thereby enhancing their competitive position. VTR offers circuit-switched and VoIP telephony services over its cable network. Although mobile phone use has increased, call volume over VTR's fixed line services has continued to increase because of the unlimited flat fee offers by VTR. VTR's share of the fixed line telephony market in Chile is 17%, compared to 62% for Telefónica and 21% for all others.

Legal Proceedings

From time to time, we may become involved in litigation relating to claims arising out of our operations in the normal course of business. We believe the ultimate resolution of any of these existing contingencies would not likely have a material adverse effect on our business, results of operations, financial condition or liquidity.

The Netherlands Regulatory Developments

For a description of current regulatory developments in the Netherlands which affect UPC NL, please see *"Business of UPC Holding — Regulatory Matters — The Netherlands"* in this offering memorandum.

Chilean Antitrust Matter

For a description of current regulatory developments in Chile which affect VTR, please see *"Business of UPC Holding — VTR"* in this offering memorandum.

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. We expect that the amounts, if any, which may be required to satisfy these contingencies will not be material in relation to our financial condition or results of operations.

Employees

As of March 31, 2009, we, including our consolidated subsidiaries, have an aggregate of approximately 13,600 employees, certain of whom belong to organized unions and works councils. Certain of our subsidiaries also use contract and temporary employees, which are not included in this number, for various projects. We believe that our employee relations are good.

Financial Information About Geographic Areas

Financial information related to the geographic areas in which we do business appears in note 12 to the March 31, 2009 condensed consolidated financial statements and in note 19 to the December 31, 2008 consolidated financial statements included in this offering memorandum.

MANAGEMENT AND GOVERNANCE

Management of UPC Holding B.V.

The managing director of the Issuer is Liberty Global Europe Management (formerly UGC Europe Management B.V.) which is an indirect wholly owned subsidiary of LG Europe (formerly UGC Europe Inc.). The address for the managing director is Boeing Avenue 53, 1119 PE Schiphol Rijk, the Netherlands. The managing director is authorized to conduct the day to day business of the Issuer and its subsidiaries within the governance of LGI and its subsidiaries.

Principal Shareholders of UPC Holding B.V.

The Issuer is a wholly owned direct subsidiary of LGE Financing, a wholly owned indirect subsidiary of LG Europe. LG Europe is in turn wholly owned through a series of intermediate holding companies by LGI.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Pay and transactional television

Chellomedia, which does not form part of UPC Holding and is part of the Chellomedia division of Liberty Global Europe, provides our operating companies with their pay television products, currently offering a number of thematic channels some of which originate from Chellomedia's digital media center located in Amsterdam.

The related party revenue recognized from Chellomedia, its subsidiaries and equity method affiliates for programming services provided to Chellomedia was €1.7 million during the year ended December 31, 2008. Related party operating expenses are recognized primarily for programming and digital interactive 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 amount of €53.9 million during the year ended December 31, 2008. We also recorded aggregate net credits for services provided by us to Chellomedia and for programming services provided by Chellomedia of €3.7 million during the year ended December 31, 2008.

Effective April 1, 2008, the business activities and certain assets of Chellomedia Interactive Services Group were transferred from Chellomedia to us for no material consideration. Due to the relative immateriality of the amounts involved, we did not restate the December 31, 2008 consolidated financial statements and as such we recorded the carrying value of the assets transferred of €10.1 million as a capital transaction during 2008.

Shareholder Loan

We have 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 UPCH Notes in the event of (a) our total or partial liquidation, dissolution or winding up, (b) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to us or our property, (c) an assignment for the benefit of creditors or (d) any marshalling of our 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 on the shareholder loan is reviewed annually, with any adjustment effective on October 1 of each year. The interest rates in effect for the 12 month periods beginning October 1, 2008 and 2007 were 7.58% and 7.06%, respectively. The net decrease in the shareholder loan during 2008 includes (i) cash payments of €1,729.4 million, (ii) cash borrowings of €553.8 million, (iii) the capitalization of €621.2 million in non-cash accrued interest, (iv) a €15.1 million non-cash increase relating to charges from LGI to our company in connection with LGI stock incentive awards exercised by our subsidiaries' employees and (v) individually insignificant net non-cash decreases aggregating €18.1 million.

General Service Agreements

UPC Broadband Operations B.V., a subsidiary of ours, and Liberty Global Services LLC, a subsidiary of LGI, have entered into mutual agreements for the provision of certain services. These services include financing and treasury functions, accounting, financial reporting, investor relations, budgeting and forecasting models, data processing, policy monitoring and enforcement, human resources and other services as mutually agreed. To the extent Liberty Global Services LLC provides or procures the provision of the services, we pay an annual fee. Similarly, to the extent UPC Broadband Operations B.V. provides or procures the provision of the services, Liberty Global Services LLC pays an annual fee. The amount of the annual fee pursuant to each service agreement is determined at the beginning of each calendar year based on annual budgeted costs for the services to be requested and is settled quarterly in arrears. At the end of each year, the companies then modify the respective annual fees based on actual costs for the services provided by each company to the other. In addition, each company reimburses the other company for expenses incurred by it that are directly attributable to the other company. The agreements automatically renew for additional one year terms unless either company elects to terminate upon prior notice. We recorded net credits related to cost allocations pursuant to these agreements of €9.3 million during the year ended December 31, 2008.

Allocated Stock-Based Compensation

LGI allocates stock-based compensation to us associated with the stock incentive awards held by certain employees of our subsidiaries. During the year ended December 31, 2008, this allocation totalled €39.3 million.

Tax losses of Dutch entities

We and our Dutch subsidiaries are part of a Dutch tax fiscal unity with its ultimate Dutch parent company Liberty Global Europe and certain other non-UPC Holding subsidiaries. The Dutch fiscal unity combines individual tax paying Dutch entities and their parent company as one taxpayer for Dutch tax purposes. The income taxes of subsidiaries not included within this fiscal unity are presented in our financial statements on a separate return basis for each tax paying entity or group based on the local tax law.

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

The pre-fiscal unity losses of Liberty Global Europe and of us and our subsidiaries can only be offset with profits that occur within these groups. The loss for the year ended December 31, 2008 that relates to us and our subsidiaries can also be offset against profits of other entities within the fiscal unity of Liberty Global Europe. As of January 1, 2007, net operating losses are no longer available to offset taxable income indefinitely. A nine year expiry period has been implemented, whereby, as a transition rule, net operating losses dating from 2001 and earlier will start to expire as of 2011, if not used to offset taxable income before that period.

Conflicts of Interest

Except as disclosed in this offering memorandum, there are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of UPC Holding towards UPC Holding and their private interests and/or other duties.

DESCRIPTION OF OTHER INDEBTEDNESS

The following contains a summary of the material provisions of the UPC Broadband Holding Bank Facility, the intercreditor deed with respect to the UPC Broadband Holding Bank Facility, the Existing Notes, the UPC Holding Facility, the VTR Bank Facility and certain intercompany loans. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. Some of the terms used herein are defined in these agreements and the Issuer has not included all of such definitions herein.

UPC Broadband Holding Bank Facility

The UPC Broadband Holding Bank Facility is a senior secured credit facility agreement entered into on January 16, 2004, as amended or supplemented from time, including as amended and restated pursuant to a deed of amendment and restatement dated May 10, 2006 and further amended pursuant to amendment letters dated December 11, 2006 and April 16, 2007, between, among others, UPC Broadband Holding, as borrower, Toronto Dominion (Texas) LLC as facility agent, TD Bank Europe Limited, as security trustee, and certain banks and financial institutions as lenders.

Pursuant to the UPC Broadband Holding Bank Facility, Toronto Dominion (Texas) LLC as facility agent, and a number of banks and financial institutions, agreed to make available to UPC Broadband Holding, UPC Financing and the subsidiaries of UPC Broadband from time to time (the “Borrower Group”) (other than each subsidiary of UPC Broadband Holding, the acquisition cost of which and whose on going funding requirements are not funded directly or indirectly by any member of the Borrower Group by way of drawings under the UPC Broadband Holding Bank Facility) certain term loans and additional facilities, from time to time, by procuring additional lenders to accede to the UPC Broadband Holding Bank Facility and to make available such additional facilities. The Issuer, along with certain of its subsidiaries, is a guarantor under the UPC Broadband Holding Bank Facility.

Structure

The details of borrowings under the UPC Broadband Holding Bank Facility, as of March 31, 2009 are summarized in the following table:

		March 31, 2009						
Facility	Final Maturity Date	Interest Rate	Facility Amount (in borrowing currency) (a)		Unused Borrowing Capacity		Outstanding Principal Amount	
			in millions					
I	April 1, 2010	EURIBOR + 2.50%	€	48.0	€	48.0	€	—
L	July 3, 2012	EURIBOR + 2.25%	€	327.0		175.0		152.0
M	(b)	EURIBOR + 2.00%	€	3,890.0		—		3,890.0
N	(b)	LIBOR + 1.75%	$	1,900.0		—		1,436.3
O	July 31, 2013	(c)		(c)		—		44.1
P	September 2, 2013	LIBOR + 2.75%	$	511.5		—		386.6
Q	(d)	EURIBOR + 2.75%	€	267.0		—		267.0
R	(d)	EURIBOR + 3.25%	€	236.0		—		236.0
Total					€	223.0	€	6,412.0

(a) Facilities I and L are repayable and redrawable term loans. The total committed amounts of Facilities I and L are €250.0 million and €830.0 million, respectively, however, €202.0 million and €503.0 million have been novated to Liberty Global Europe BV at March 31, 2009. Therefore, total third-party commitments under Facilities I and L were €48.0 million and €327.0 million, respectively.

(b) The final maturity date for Facilities M and N is the earlier of (i) December 31, 2014 or (ii) October 17, 2013, the date falling 90 days prior to the date on which our 8⅝% Notes fall due if such 8⅝% Notes have not been repaid, refinanced or redeemed prior to such date. Subsequent to March 31, 2009, we completed and launched certain refinancing transactions with respect to Facilities M and N. For additional information, see note 13 in our March 31, 2009 condensed consolidated financial statements.

(c) The applicable interest payable under Facility O is 2.75% per annum plus the specified percentage rate per annum determined by the Polish Association of Banking Dealers — Forex Poland or the National Bank of Hungary, as appropriate for the relevant period. The facility amount of Facility O is comprised of (i) a HUF 5,962.5 million (€19.4 million) sub-tranche and (ii) a PLN 115.1 million (€24.7 million) sub-tranche.

(d) The final maturity dates for Facilities Q and R are the earlier of (i) July 31, 2014 and December 31, 2015, respectively, and (ii) October 17, 2013, the date falling 90 days prior to the date on which our 8⅝% Notes fall due if such 8⅝% Notes have not been repaid, refinanced or redeemed prior to such date.

For a description of recent changes to the UPC Broadband Holding Bank Facility, see "*General Description of Our Business and the Offering — Our Recent Developments*".

Interest Rates

Under the UPC Broadband Holding Bank Facility, the rate of interest for each interest period in respect of each facility under the UPC Broadband Holding Bank Facility is the percentage rate per annum equal to the aggregate of an applicable margin, EURIBOR (or, in relation to any loan drawn under any facility in U.S. dollars, LIBOR) and any mandatory cost (calculated in accordance with the standard LMA calculations and formulae). Interest accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months) and is calculated on the basis of a 360-day year.

Guarantees and Security

The Issuer and certain of its subsidiaries act as guarantors in guaranteeing the obligations of the borrowers under the UPC Broadband Holding Bank Facility to the extent permitted by law. In addition, the UPC Broadband Holding Bank Facility requires, under certain circumstances, that additional members of the Borrower Group, as defined therein, become guarantors under the UPC Broadband Holding Bank Facility in order to ensure that the guarantors and their subsidiaries account for 95% of the Borrower Group's, as defined therein, consolidated EBITDA.

The indebtedness under the UPC Broadband Holding Bank Facility is primarily secured by way of a pledge over the shares in the holding company in each of the main jurisdictions in which the Borrower Group, as defined therein, operates. In addition pledges over certain intercompany receivables have also been granted.

Prepayment

In addition to scheduled repayments of principal, the UPC Broadband Holding Bank Facility must be prepaid (each facility in such proportion as described in the senior credit agreement) on the occurrence of any of the following events: (i) change of control; (ii) issuance of Relevant Convertible Preference Shares; (iii) receipt of Excess Cash Flow; or (iv) receipt of net proceeds of asset sales, each as defined therein.

Further, the indebtedness under the UPC Broadband Holding Bank Facility may be voluntarily prepaid in whole or in part, on giving at least five business days' prior written notice and in a minimum amount of €10,000,000 (or its equivalent in U.S. dollars or other currency), without premium or penalty and subject to break funding costs if any such prepayment is not made on an interest payment date. Any such voluntary prepayment is to be applied against the facilities in such proportions as stipulated by UPC Broadband Holding B.V. in the notice of prepayment.

The UPC Broadband Holding Bank Facility contains detailed provisions in relation to voluntary and mandatory prepayment. Such prepayments are described as being subject to certain conditions and exceptions such as the application of prepayment proceeds and the order of such application.

Undertakings

The UPC Broadband Holding Bank Facility contains certain negative undertakings that, subject to certain customary and other agreed exceptions, limit the ability of the Borrower Group, as defined therein, and, in certain cases, the Issuer to, amongst other things:

- incur, create or otherwise permit to be outstanding, any financial indebtedness;
- reduce its capital or purchase or redeem any class of its shares or any other ownership interest in it;
- create or permit to subsist any security interest on or over the whole or any part of its assets, rights or remedies or prefer any future indebtedness of any member of the Borrower Group;
- sell, transfer, lease out, lend, cease to exercise direct control over or otherwise dispose of any part of its assets, rights, revenue or shareholdings;
- grant or permit to subsist any guarantees, indemnities or any loan or grant any credit;
- amend its constitutional documents;
- declare, make or pay any dividend on or make any distribution or pay any other amounts in respect of, or redeem its share capital, capital stock or other securities;
- make any payment of principal of, or interest on, any loans, transfer assets or other payments to LGE Financing, the Issuer and certain associated companies of LGE Financing;
- enter into any interest rate or currency swaps or other hedging arrangements other than as permitted under the senior facility agreement; and
- issue any shares of any class to a member of the Borrower Group.

In addition, the UPC Broadband Holding Bank Facility also requires UPC Broadband Holding B.V. and each obligor to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions.

Financial Covenants

The UPC Broadband Holding Bank Facility requires UPC Broadband Holding B.V. to procure the maintenance of the following financial ratios (each as defined therein) and set out specific ratios to be met in relation to each of the below, to be tested quarterly:

- senior debt to annualized EBITDA not to exceed 4.00 to 1;
- EBITDA to total cash interest not to be less than 3.00 to 1;
- EBITDA to senior debt service not to be less than 1.00 to 1;
- EBITDA to senior interest not to be less than 3.40 to 1; and
- total debt to annualized EBITDA not to exceed 5.75 to 1.

Provided UPC Broadband Holding B.V. complies with the required financial covenant levels, it has the ability to increase its borrowings under the UPC Broadband Holding Bank Facility. The covenants under the UPC Broadband Holding Bank Facility provide for the following ratios (which vary depending on the period used for the calculation): (i) senior debt to annualized EBITDA not to exceed 4.00 to 1; (ii) EBITDA to total cash interest not to be less than 3.00 to 1; (iii) EBITDA to senior debt service not to be less than 1.00 to 1; (iv) EBITDA to senior interest not to be less than 3.40 to 1; and (v) total debt to annualized EBITDA not to exceed 5.75 to 1.

We have recently agreed to an amendment to the definition of EBITDA under the UPC Broadband Holding Bank Facility. This amendment does not result in any change to historical EBITDA as calculated under the prior definition for the last four financial quarters and is reflected in the definition of Consolidated EBITDA in the terms of the Notes offered hereby. See "*Description of the Notes.*"

Events of Default

The UPC Broadband Holding Bank Facility contains events of default customary for senior secured financing, including:

- payment default;
- breach of financial covenants;
- breach of certain other covenants;
- other financial indebtedness of a member of the Borrower Group or a member of the UGCE Borrower Group (each as defined therein) is not paid when due or is accelerated or capable of acceleration; any commitment for such financial indebtedness is cancelled or suspended; or any creditor becomes entitled to declare any such financial indebtedness payable prior to its specified maturity, provided that such indebtedness is greater than €15,000,000, in the case of any member of the Borrower Group, or €50,000,000, in the case of any member of the UGCE Borrower Group;
- insolvency events in relation to any obligor, material subsidiary or member of the UGCE Borrower Group;
- invalidity, unlawfulness in relation to or repudiation by obligors or a subordinated creditors of any finance document;
- cessation of business by the Borrower Group;
- material breach of the intercreditor deed by an obligor or a subordinated creditor;
- breach of the security deed by an obligor or a subordinated creditor; or
- any other event or circumstance occurs which would or is reasonably likely to have a material adverse effect.

Security Deeds

A security deed executed in October 2000 (the "October Security Deed"), and a security deed executed in January 2004, (the "January Security Deed"), which together with the October Security Deed, it refers to as (the "Security Deeds"), were entered into in connection with a senior credit agreement between UPC Broadband Holding B.V. as borrower, TD Bank Europe Limited, as facility agent and certain other banks and financial institutions and was executed on October 26, 2000 (the "October Facility") and the UPC Broadband Holding

Bank Facility, respectively. The October Security Deed regulates the sharing and enforcement of the security as between the lenders, their agent, and the relevant hedge providers and is still in force notwithstanding the fact that the October Facility has now been repaid in full. The January Security Deed, which is substantially in the same form as the October Security Deed, regulates the sharing and enforcement of the security as between the lenders under the UPC Broadband Holding Bank Facility, their agent and the relevant hedge providers. The main difference between the two Security Deeds is that the senior hedging banks and senior hedging counterparties are not party to the January Security Deed since their interests are already secured and are covered in the October Security Deed. However, the high yield hedging counterparties and high yield hedging banks under the October Security Deed are party to the January Security Deed, which provides that the high yield hedging banks shall share, pro rata with the lenders and the senior hedging banks, up to €200,000,000 on any enforcement (as opposed to €100,000,000 under the October Security Deed). High yield hedging covers any agreement that hedges interest rate or currency exposure in relation to high yield notes or any other form of subordinated debt raised outside of the Borrower Group and on-lent to the Borrower Group for application (in whole or in part) in prepayment of the facilities.

Any sums advanced as an additional facility (under the senior credit agreement) will benefit from the security granted in connection with the UPC Broadband Holding Bank Facility and such additional facility lender will accede to the January Security Deed.

€500 million 7¾% Senior Notes

On July 29, 2005, we issued the 7¾% Notes. The 7¾% Notes mature on January 15, 2014. The 7¾% Notes benefit from the intercreditor arrangements described below. The 7¾% Notes are senior obligations that rank equally with all of our existing and future senior debt and are senior to all of our existing and future subordinated debt. The 7¾% Notes are secured by a first ranking pledge of the shares of UPC Holding. In addition, the 7¾% Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €50.0 million or more in the aggregate of UPC Holding or its Restricted Subsidiaries (as defined in the indenture), including UPC Broadband Holding, is an event of default under the 7¾% Notes.

We may redeem some or all of the 7¾% Notes at certain redemption prices (expressed as a percentage of the principal amount) plus accrued interest and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during a specified 12 month period.

We may redeem all of the 7¾% Notes at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in tax law. If we or certain of our subsidiaries sell certain assets or experience specific changes in control, we must offer to repurchase the 7¾% Notes at a redemption price of 101%.

On April 30, 2009, we exchanged €115.4 million of the then outstanding 7¾% Notes for an equal aggregate principal amount of 9¾% Notes in the Exchange Offer. The 7¾% Notes exchanged in the Exchange Offer were subsequently cancelled by us upon closing of the Exchange Offer.

€300 million 8⅝% Senior Notes

On October 10, 2005, we issued the 8⅝% Notes. The 8⅝% Notes mature on January 15, 2014. The 8⅝% Notes benefit from the intercreditor arrangements described below. The 8⅝% Notes are senior obligations that rank equally with all of our existing and future senior debt and are senior to all of our existing and future subordinated debt. The 8⅝% Notes are secured by a second ranking pledge of the shares of UPC Holding. In addition, the 8⅝% Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €50.0 million or more in the aggregate of UPC Holding or its Restricted Subsidiaries (as defined in the indenture), including UPC Broadband Holding, is an event of default under the 8⅝% Notes.

We may redeem some or all of the 8⅝% Notes at certain redemption prices (expressed as a percentage of the principal amount) plus accrued interest and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during a specified 12 month period.

We may redeem all of the 8⅝% Notes at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in tax law. If we or certain of our subsidiaries sell certain assets or experience specific changes in control, we must offer to repurchase the 8⅝% Notes at a redemption price of 101%.

On April 30, 2009, we exchanged €69.1 million of the 8⅝% Notes for an equal aggregate principal amount of 9¾% Notes in the Exchange Offer. The 8⅝% Notes exchanged in the Exchange Offer were subsequently cancelled by us upon closing of the Exchange Offer.

€300 million 8% Senior Notes

On October 31, 2006, Cablecom issued the 8% Notes which, upon consummation of the Cablecom Transfer on April 17, 2007, became our direct obligations on terms substantially identical (other than as to interest, maturity and redemption) to those governing the 2005 UPCH Notes. The 8% Notes benefit from the intercreditor arrangements described below. The 8% Notes mature on November 1, 2016. The 8% Notes are senior obligations that rank equally with all of our existing and future senior debt and are senior to all of our existing and future subordinated debt. The 8% Notes are secured by a third ranking pledge of the shares of UPC Holding. In addition, the 8% Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €50.0 million or more in the aggregate of UPC Holding or its Restricted Subsidiaries (as defined in the indenture), including UPC Broadband Holding, is an event of default under the 8% Notes.

At any time prior to November 1, 2009, we may redeem some or all of the 8% Notes by paying a "make-whole" premium, which is the present value of all scheduled interest payments until November 1, 2009, using the discount rate equal to the yield of the comparable German government bond (Bund) issue as of the redemption date plus 50 basis points.

We may redeem some or all of the 8% Notes at certain redemption prices (expressed as a percentage of the principal amount) plus accrued interest and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during a specified 12 month period. In addition, at any time prior to November 1, 2009, we may redeem up to 35% of the 8% Notes (at a redemption price of 108.000% of the principal amount) with the net proceeds from one or more specified equity offerings.

We may redeem all of the 8% Notes at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in tax law. If we or certain of our subsidiaries sell certain assets or experience specific changes in control, we must offer to repurchase the 8% Notes at a redemption price of 101%.

€250 million 9¾% Senior Notes (the "Original Notes")

On April 30, 2009, we issued the Original Notes. The Original Notes mature on April 15, 2018. The Original Notes benefit from the intercreditor arrangements described below. The Original Notes are senior obligations that rank equally with all of our existing and future senior debt and are senior to all of our existing and future subordinated debt. The Original Notes are secured by a fifth ranking pledge of the shares of UPC Holding. The Additional Notes will be issued under the same indenture and will have the terms as, and constitute a single class of, debt securities with the Original Notes. For a summary of the material provisions of the Indenture and the Notes, see "*Description of the Notes*".

$400 million 9⅞% Senior Notes

Concurrently with the offering of the Additional Notes hereby, we announced an intention to issue $400 million aggregate principal amount of new 9⅞% Senior Notes due 2018. See "*Our Recent Developments — Concurrent Offering of Dollar Denominated 9⅞% Notes*". The 9⅞% Notes will have substantially similar terms as the Notes.

UPC Holding Facility

The UPC Holding Facility is a loan facility agreement entered into between us as borrower, Toronto Dominion (Texas) LLC as facility agent, certain banks and other financial institutions, that was executed in June 2007 and first amended on July 9, 2007. Currently, no amounts are outstanding under the UPC Holding Facility.

Pursuant to the UPC Holding Facility, the facility agent and other banks and financial institutions, from time to time, have agreed to make available to us a term loan as described below and additional facilities, from time to time, by procuring additional lenders to accede to the UPC Holding Facility.

Structure

Prior to May 16, 2008, the UPC Holding Facility consisted of a €250 million term loan facility (the "UPCH Loan"). Effective May 16, 2008, the fully drawn commitments of the lenders under the €250 million UPC Holding Facility were rolled into Facility M under the UPC Broadband Holding Bank Facility (the "Conversion").

Interest Rates

The interest rate for each interest period in respect of the facility is the percentage rate per annum equal to the aggregate of an applicable margin, EURIBOR and any mandatory cost (being the cost of compliance with reserve asset, liquidity, cash margin or other like regulatory requirements). Interest accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months) and is calculated on the basis of a 360-day year.

The applicable margin for the UPCH Loan prior to the Conversion was 2.75% per annum and 2.00% thereafter. The applicable margin for any additional facility provided under the UPC Holding Facility will be prescribed in the relevant accession agreement.

Security

The indebtedness under the UPC Holding Facility is secured by way of a fourth ranking pledge over the shares of UPC Holding granted by LGE Financing.

Prepayment

In addition to scheduled repayments of principal, the UPC Holding Facility must be prepaid (to the extent specified therein) on the occurrence of any of the following events: (i) change of control; (ii) receipt of net proceeds of asset sales, or (iii) refinancing of the UPCH Loan and any additional facility as an additional facility under the UPC Broadband Holding Bank Facility.

With respect to item (iii) with not less than five business days notice to the facility agent, we may require that certain lenders under the UPC Holding Facility become lenders under the UPC Broadband Holding Bank

Facility by way of accession as lenders under the relevant additional facility. A lender's right to be prepaid on refinancing under the UPC Holding Facility shall be netted against its obligation to fund under the additional facility pursuant to the UPC Broadband Holding Bank Facility. The refinancing of the UPCH Loan or any additional facility under the UPC Holding Facility does not constitute a voluntary prepayment nor does any prepayment premium apply.

Further, the indebtedness under the UPC Holding Facility may be voluntarily prepaid in whole or in part, on giving at least three business days' prior written notice, without premium or penalty (except if the prepayment is made on or prior to May 16, 2008 in which case a prepayment premium of 1% of the principal amount being repaid will apply) and subject to break funding costs if any such prepayment is not made on an interest payment date. Any such voluntary prepayment is to be applied against the facilities in such proportions as stipulated by us in the notice of prepayment.

We have the right to repay and cancel the commitment of a single lender under certain circumstances described therein. Any prepayment in part of any loan shall be applied pro rata against the participations of the lenders in that loan save for in the case of the replacement of a lender.

Undertakings

The UPC Holding Facility contains certain negative undertakings typical in bond instruments that, subject to certain customary and other agreed exceptions, limit our ability and certain of our designated restricted subsidiaries, amongst other things to:

- incur financial indebtedness resulting in a leverage ratio after giving effect to the relevant indebtedness, in the case of a designated restricted subsidiary, above 4.00 to 1.00 and in the case of us, above 5.00 to 1.00;
- reduce our capital or purchase or redeem any class of our shares or any other ownership interest in us;
- declare, make or pay any dividend on or make any distribution or pay any other amounts in respect of, or redeem our share capital, capital stock or other securities;
- create or permit to subsist any security interest on or over the whole or any part of our assets or property;
- create, permit to subsist or become effective any restriction on the ability of any designated restricted subsidiary to pay dividends to us, make loans to us or any other designated restricted subsidiary, or transfer any property or assets to us or any other designated restricted subsidiary;
- sell, transfer, lease out, lend, cease to exercise direct control over or otherwise dispose of any part of our shares, property or other assets;
- enter into or conduct any transaction with any affiliate of ours in excess of €5,000,000 in any fiscal year;
- with respect to UPC Holding, incur subordinated indebtedness that ranks *pari passu* with the UPC Holding Facility;
- impair the security granted under the UPC Holding Facility;
- with respect to our designated restricted subsidiaries, guarantee indebtedness of UPC Holding without an equal and rateable guarantee under the UPC Holding Facility; and
- with respect to UPC Holding, consolidate, merge or convey, transfer or lease all or substantially all of our assets to any person.

In addition, the UPC Holding Facility requires us and our designated restricted subsidiaries to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions.

Events of Default

The UPC Holding Facility contains events of default customary for financings on similar terms, including but not limited to:

- payment default;
- failure to comply with general undertakings;
- failure to comply with obligations in respect of merger and consolidation;
- failure to comply with other agreements constituting the Finance Documents (as defined therein);
- default by UPC Holding or any of our designated restricted subsidiaries under an instrument of indebtedness which is caused by the failure to pay the principal at stated maturity or results in acceleration of the indebtedness prior to stated maturity, where the principal is greater than €50,000,000;
- insolvency events in relation to UPC Holding or any Significant Subsidiary (as defined therein);
- failure by UPC Holding or any Significant Subsidiary (as defined therein) to pay final judgments aggregating in excess of €50,000,000; and
- invalidity of the security interest granted to secure the UPC Holding Facility.

Intercreditor Agreement with respect to the UPCH Notes and the UPC Holding Facility

The $7\frac{3}{4}$% Notes, the $8\frac{5}{8}$% Notes, the 8% Notes, the UPC Holding Facility (if applicable) and the Original Notes currently benefit from a first ranking share pledge, a second ranking share pledge, a third ranking share pledge, a fourth ranking share pledge and a fifth ranking share pledge, respectively, over all of the shares of UPC Holding. The Additional Notes will also benefit from the fifth ranking share pledge. In addition, the $9\frac{7}{8}$% Notes will benefit from a sixth ranking share pledge.

Order of Priority

The Intercreditor Agreement will provide that the following order of priority shall apply to the satisfaction of our obligations with respect to the security:

- first, the $7\frac{3}{4}$% Notes, the $8\frac{5}{8}$% Notes, the 8% Notes, the UPC Holding Facility (if applicable) and the $9\frac{3}{4}$% Notes and certain other future indebtedness of ours that ranks *pari passu* on a secured basis; and
- second, certain other future indebtedness that ranks junior to the $7\frac{3}{4}$% Notes, the $8\frac{5}{8}$% Notes, the 8% Notes, the UPC Holding Facility and the $9\frac{3}{4}$% Notes on a junior secured basis.

Please note that this contractual arrangement is subject to certain limitations under Dutch law.

We are also a guarantor of the UPC Broadband Holding Bank Facility on a senior basis. We do not anticipate that the lenders under the UPC Broadband Holding Bank Facility will become party to the Intercreditor Agreement.

VTR Bank Facility

The VTR Bank Facility is an amended and restated senior secured credit facility agreement dated May 18, 2007 and effective May 25, 2007, entered into among VTR, as borrower, Toronto Dominion (Texas) LLC, as facility agent (which was replaced by Citibank, N.A. on 25 June 2007 pursuant to a resignation letter), and certain banks and financial institutions.

Pursuant to the VTR Bank Facility, a number of banks and financial institutions, from time to time, have agreed to make available to VTR certain term loans as described below and incremental facility advances, from time to time, by procuring additional lenders to accede to the VTR Bank Facility.

Structure

The VTR Bank Facility consists of the following facilities which have not been prepaid or permanently cancelled:

		March 31, 2009					
Facility [(1)]	Final Maturity Date	Facility Amount (in borrowing currency)		Unused Borrowing Capacity		Outstanding Principal Amount	
				in millions			
A	September 2013	CLP	122,554.1	CLP	122,554.1		—
B	September 2014	$	475.0		—	$	465.5
C	March 2013	CLP	13,837.5	CLP	13,837.5		—
Total				CLP	136,391.6	$	465.5

(1) Pursuant to the deposit arrangements with the lenders in relation to the VTR Bank Facility, UPC Financing is required to fund a cash collateral account in an amount equal to the outstanding principal and interest under the VTR Bank Facility.

Interest Rates

The interest rate for each interest period in respect of Facility B under the VTR Bank Facility is the percentage rate per annum equal to the aggregate of an applicable margin and the Eurodollar Rate, as defined therein. Interest accrues daily from and including the first day of an interest period and is payable on the last day of each interest period.

The interest rate for each additional facility advance under the VTR Bank Facility is the percentage rate per annum equal to the aggregate of an applicable margin and the Nominal TAB Rate, as defined therein. Interest accrues daily from and including the first day of an interest period and is payable on each Interest Payment Date, as defined therein.

The applicable margin for Facility B is 2.00% per annum. The applicable margin for additional facility advances is 2.50% per annum.

Security

The indebtedness under the VTR Bank Facility is secured by way of a security agreement granted by UPC Financing over certain time deposits made from time to time by it and deposited in an account held with the facility agent (the "Collateral Account") executed in May 2007, which is referred to in this section as the UPCF security agreement. The Collateral Account must at all times have on deposit an amount sufficient such that the funds on deposit are equal to the aggregate principal amount under the VTR Bank Facility.

The UPCF security agreement provides that the lenders will consent to an amendment or waiver to the VTR Bank Facility requested by UPC Financing to the extent that such amendment or waiver conforms to an amendment or waiver made or granted under the senior credit agreement or is required to remove any inconsistency with the senior credit agreement.

Prepayment

The indebtedness under the VTR Bank Facility may be voluntarily prepaid in whole or in part, on giving at least three business days' prior written notice, without premium or penalty. Any such voluntary prepayment is to be applied against the facilities in such proportions as stipulated by VTR in the notice of prepayment.

Undertakings

The VTR Bank Facility contains a negative undertaking that, subject to certain agreed exceptions, limit the ability of VTR to merge or consolidate with or into any person or permit any of its subsidiaries to do so.

In addition, the VTR Bank Facility also requires VTR to observe certain affirmative undertakings subject to materiality and other customary and agreed exceptions.

Events of Default

The VTR Bank Facility contain events of default customary for senior secured financing, including:

- payment default;
- incorrect representation or warranty;
- breach of undertakings;
- other financial indebtedness of VTR or any of its subsidiaries is not paid when due or is accelerated or declared due and payable, provided that such indebtedness is greater than $20,000,000;
- insolvency events in relation to VTR or any of its subsidiaries;
- invalidity of any loan document;
- any authority asserting or exercising governmental or police powers in Chile shall take any action preventing or hindering the fulfillment by VTR or any of its subsidiaries in Chile of VTR's obligations under the VTR Bank Facility;
- VTR or any of its subsidiaries in Chile shall take any action involving the rescheduling of VTR's debts or the rescheduling of the currency in which VTR may pay its obligations; or
- all or a material part of the assets, rights or revenue of, or shares or other ownership interests in VTR are seized, nationalized, expropriated or compulsorily acquired by or under authority of any government.

The VTR Transfer was completed on May 23, 2007, when certain of our subsidiaries that collectively own an 80% interest in VTR were transferred to a subsidiary of UPC Broadband Holding. In connection with the VTR Transfer, VTR's then existing bank facilities were refinanced. A single lender acquired the interests and was subrogated to the rights of the lenders under VTR's then existing term loan B facility. The existing term loan B facility was then amended and restated pursuant to the VTR Bank Facility. The amendments included, among other things, a 100 basis point reduction in the interest rate margin payable under the term loan B facility and the elimination of certain restrictive covenants and undertakings. VTR's then existing term loan A and term loan C facilities were cancelled and replaced in the VTR Bank Facility on substantially the same terms. 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 payable under the VTR Bank Facility. In this regard, we used borrowings under Facility M3 (as defined in the UPC Broadband Holding Bank Facility) to fund a deposit with the new lender securing VTR's obligations under the VTR Bank Facility.

Intercreditor Deed with Respect to the UPC Broadband Holding Bank Facility

The obligors and finance parties under the UPC Broadband Holding Bank Facility entered into an intercreditor deed on January 16, 2004 with, among others, TD Bank Europe Limited and Toronto Dominion (Texas) LLC as facility agents under the October Facility, TD Bank Europe Limited as facility agent under the UPC Broadband Holding Bank Facility and certain subsidiaries of UPC Broadband Holding, to regulate the arrangements in respect of security created under the October Facility, the UPC Broadband Holding Bank Facility and the relationships between the parties holding the benefit of such security.

The intercreditor deed stipulates that the security created under the January Security Documents will rank *pari passu* with the security created under the October Security Documents (regardless of, for example, the order in which any document is registered or executed, or the point at which any debt is incurred, or any fluctuations in the outstanding amount of any debt incurred pursuant to the UPC Broadband Holding Bank Facility). Please note that this contractual arrangement is subject to certain limitations under Dutch law.

UPC Holding Subordinated Loans

LGE Financing and UPC Holding are parties to a master (loan) agreement dated February 28, 2001 under which LGE Financing from time to time provides loans to us which currently accrue interest at a rate of 7.58% per annum.

As of March 31, 2009, €8.4 billion of UPC Holding Subordinated Loans were outstanding. The UPC Holding Subordinated Loans mature on March 1, 2020 and, subject to the terms of the indenture for the UPCH Notes, may be repaid by us at any time prior to maturity. In addition, subject to the terms of the indenture of the UPCH Notes, interest on the UPC Holding Subordinated Loans, which may be set by the lender from time to time, is payable in cash or, at the option of UPC Holding, in kind.

Subordination of the UPC Holding Subordinated Loans

Until the UPCH Notes are discharged, we will not be permitted to make any payment on the UPC Holding Subordinated Loans other than as provided under the Indenture for the UPCH Notes. In addition, we will not be permitted to take any prohibited action that would cause the UPC Holding Subordinated Loans to not constitute Subordinated Shareholder Loans (as defined under "*Description of the Notes — Certain Definitions*"). The UPC Holding Subordinated Loans:

(1) are without prejudice to the ability of UPC Holding to make voluntary prepayments not prohibited by the Indenture for the UPCH Notes, do not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the stated maturity of the UPCH Notes;

(2) are without prejudice to the ability of UPC Holding to make payments of interest not prohibited by the Indenture for the UPCH Notes, do not require, prior to the first anniversary of the stated maturity of the UPCH Notes, any mandatory payment of cash interest, cash withholding amounts or other gross-ups, or any similar mandatory cash payments;

(3) contain no change of control or similar provisions that are effective, and do not accelerate and have no right to declare a default or event of default or take any enforcement action or otherwise require any mandatory payment prior to the first anniversary of the stated maturity of the UPCH Notes; and

(4) do not provide for or require any security interest or encumbrance over any asset of UPC Holding or any of its Restricted Subsidiaries (as defined under "*Description of the Notes*").

In addition, we may not make any payment or distribution of any kind of character with respect to any obligations on, or relating to, any of the UPC Holding Subordinated Loans if (i) a payment default on the UPCH Notes occurs and is continuing or (ii) any other default under the Indenture for the UPCH Notes occurs and is continuing on the UPCH Notes that permits the holders of the UPCH Notes to accelerate their maturity and we receive notice of such default from the requisite holders of the UPCH Notes, until in each case the earliest of (a) the date on which such default is cured or waived or (b) 180 days from the date such default occurs (and only once such notice may be given during any 360 day period).

LGE Financing, as lender of the UPC Holding Subordinated Loans, will also agree under the UPC Holding Subordinated Loans not to take any prohibited action with respect to the UPC Holding Subordinated Loans, including actions that would cause the UPC Holding Subordinated Loans not to constitute Subordinated Shareholder Loans under the Indenture. The provisions of the UPC Holding Subordinated Loans will result in the UPC Holding Subordinated Loans constituting Subordinated Shareholder Loans for purposes of the Indenture for the UPCH Notes.

If at any time on or before the UPCH Notes are paid in full, LGE Financing, as lender of the UPC Holding Subordinated Loans, or any other subordinated creditor of the Issuer receives in respect or on account of any liabilities under the UPC Holding Subordinated Loans or any other indebtedness subordinated pursuant to the terms of the UPC Holding Subordinated Loans a payment or distribution other than in accordance with the terms of the Indenture for the UPCH Notes, including any payment or distribution by UPC Holding upon its winding-up, LGE Financing or such other subordinated creditor, as the case may be, will promptly turn over to the trustee all such amounts received in violation of the Indenture for the UPCH Notes for application in accordance with the applicable provisions of the security documents and the Indenture for the UPCH Notes. UPC Holding is permitted under the terms of the Indenture for the UPCH Notes to incur debt which ranks *pari passu* with the UPCH Notes on a secured or unsecured basis.

UPC Broadband Holding Intercompany Loans

UPC Holding and UPC Broadband Holding are parties to a framework agreement dated October 31, 2000 under which UPC Holding from time to time provides intercompany loans to UPC Broadband Holding, each of which are pledged on a first ranking basis to the lenders under the UPC Broadband Holding Bank Facility. Pursuant to the terms of the pledge agreement, upon an Insolvency Event (as defined therein) occurring in respect of a member of the Borrower Group (as defined therein), the claims of UPC Holding under the framework agreement shall be subordinated in all respects to the secured obligations owed by the borrower and other obligors, to the lenders under the UPC Broadband Holding Bank Facility. As of March 31, 2009, UPC Broadband Holding had outstanding intercompany loans payable to UPC Holding of €6,677.0 million. The UPC Broadband Holding intercompany loans mature on November 1, 2029 and may be repaid by UPC Broadband Holding at any time prior to maturity, subject to the terms of the UPC Broadband Holding Bank Facility.

DESCRIPTION OF THE NOTES

UPC Holding B.V. (the "Issuer") will issue additional Notes (the "Additional Notes") under the Indenture (the "Indenture") dated April 30, 2009 (the "Issue Date") between, among others, the Issuer and The Bank of New York Mellon, as trustee (the "Trustee") pursuant to which the Issuer issued, on April 30, 2009, €250.0 million aggregate principal amount of 9¾% Senior Notes due 2018 (the "Original Notes" and, together with the Additional Notes, the "Notes"). The Original Notes and the Additional Notes will be part of the same issue of Notes, and the Additional Notes will vote on all matters with the holders of the Original Notes.

You will find the definitions of capitalized terms used in this description under the heading "— *Certain Definitions*". For purposes of this description, references to "the Issuer", "we", "our" and "us" refer only to UPC Holding B.V. and not to its Subsidiaries.

The Indenture is unlimited in aggregate principal amount, but the issuance in this offering of Additional Notes is limited to €150 million.

The Issuer will apply to list the Notes on the Official List and to trade on the regulated market of the Irish Stock Exchange.

This Description of the Notes is intended to be a useful overview of the material provisions of the Notes, the Indenture and the Security Documents. Since this Description of the Notes is only a summary, you should refer to the Indenture and the Security Documents for a complete description of the obligations of the Issuer and your rights. Copies of the Indenture and the Security Documents are available as set forth under "*Listing and General Information*".

General

The Notes

The Notes:

- will be general senior obligations of the Issuer;
- will mature on April 15, 2018;
- will be issued in denominations of €50,000 and integral multiples of €1,000 in excess thereof;
- will be represented by one or more registered Notes in global form, but in certain circumstances may be represented by Notes in definitive form;
- will be secured by the Share Pledge as described below under the caption "— *Ranking and Security*";
- will together with the €500 million 7¾% Senior Notes due 2014, the €300 million 8⅝% Senior Notes due 2014, the €300 million 8% Senior Notes due 2016 and the Original Notes (the "Existing Notes") and the 9⅞% Notes rank equally in right of payment with all existing and future unsubordinated Indebtedness of the Issuer and senior in right of payment to any existing and future Subordinated Obligations of the Issuer; and
- will be effectively subordinated to all Indebtedness of the Issuer's Subsidiaries.

Interest

Interest on the Notes will:

- accrue at the rate of 9¾% per annum;
- accrue from April 30, 2009 or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on April 15 and October 15, commencing on October 15, 2009;
- be payable to the holder of record on the April 1 and October 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Form of Notes

The Notes will be represented initially by global notes in registered form. Notes initially offered and sold in reliance on Rule 144A under the Securities Act will be represented by one global Note (the "Rule 144A Global Note"), and Notes initially offered and sold in reliance on Regulation S under the Securities Act will be represented by a second global Note (the "Regulation S Global Note"). The combined principal amounts of the Rule 144A Global Note and the Regulation S Global Note (together, the "Global Notes") will at all times equal the outstanding principal amount of the Notes represented thereby.

The Global Notes will be deposited with The Bank of New York Mellon, London branch, as common depositary (the "Common Depositary") for the Euroclear System ("Euroclear") and for Clearstream. Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream. Such beneficial interests in the Notes are referred to as "Book-Entry Interests".

Holders of Book-Entry Interests will be entitled to receive Definitive Notes in registered form ("Definitive Notes") in exchange for their holdings of Book-Entry Interests only in the limited circumstances set forth in "*Book-Entry, Delivery and Form*". Title to the Definitive Notes will pass upon registration of transfer in accordance with the provisions of the Indenture. In no event will Definitive Notes in bearer form be issued.

Payments on the Notes

Principal, premium, if any, interest, and Additional Amounts, if any, on the Global Notes will be payable, and the Global Notes may be exchanged or transferred, at the corporate trust office or agency of the Trustee in London, England except that, at the option of the Issuer, payment of interest may be made by check mailed to the address of the holders of the Notes as such address appears in the Note register. Payment of principal premium, if any, interest, Additional Amounts, if any, on Notes in global form registered in the name of or held by the Common Depositary or its nominee will be made in immediately available funds to the Common Depositary or its nominee, as the case may be, as the registered holder of such Global Note. Upon the issuance of Definitive Notes, and for so long as the Notes are listed on the Irish Stock Exchange and the guidelines of such stock exchange so require, holders of the Notes will be able to receive principal, interest and Additional Amounts on the Notes at the Irish office of the paying agent, subject to the right of the Issuer to mail payments in accordance with the terms of the Indenture. The Issuer will pay interest on the Notes to Persons who are registered holders at the close of business on the record date immediately preceding the interest payment date for such interest. Such holders must surrender their Notes to a Paying Agent to collect principal payments.

Global Clearance and Settlement under Book-entry System

Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the Business Day following the settlement date against payment for value on the settlement date.

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds.

Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Paying Agent and Registrar

The Bank of New York Mellon will initially act as Paying Agent and as Registrar for the Notes. The Issuer may change the Paying Agent or Registrar for the Notes, and the Issuer may act as Paying Agent or Registrar for the Notes. In the event that a Paying Agent is replaced, the Issuer will provide notice thereof in accordance with the procedures described under *"— Notices"*. In addition, the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the European Council of Economics and Finance Ministers ("ECOFIN") meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Transfer and Exchange

A holder of Notes may transfer or exchange Notes in accordance with the Indenture. The Registrar and the Trustee for the Notes may require a holder of a Note, among other things, to furnish appropriate endorsements and transfer documents, and the Issuer may require such holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuer is not required to transfer or exchange any Note selected for redemption. Also, the Issuer is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed. The registered holder of a Note will be treated as the owner of such Note for all purposes. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

In case of a partial transfer of a Definitive Note, a holder will receive new Notes through the transfer agent.

Book-Entry Interests will be subject to certain restrictions on transfer and certification requirements as described under *"Transfer Restrictions"*.

All transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants. See *"Book-Entry, Delivery and Form"*.

Subject to certain restrictions on transfer and certification requirements, as described under "*Transfer Restrictions*", a Book-Entry Interest in a Rule 144A Global Note, if any, may be transferred to a Person who takes delivery thereof in the form of a Book-Entry Interest in a Regulation S Global Note, and vice versa, by means of an instruction originated through Euroclear or Clearstream, as applicable. Any Book-Entry Interest that is so transferred will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note and will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest. In connection with such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the first-mentioned Global Note and a corresponding increase in the principal amount of the other Global Note, as applicable.

Subject to the restrictions on transfer described under *"Transfer Restrictions"*, Notes issued as Definitive Notes in registered form may be transferred, in whole or in part, in minimum denominations of €50,000 and integral multiples of €1,000 thereof to persons who take delivery thereof in the form of Definitive Notes in registered form. In connection with any such transfer, the Indenture will require the transferor to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee Euroclear or Clearstream, to furnish certain certificates and to pay any taxes, duties and governmental charges in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Note in registered form:

(1) for a period of 15 calendar days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 calendar days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a payment period of 15 calendar days prior to the record date with respect to any interest payment date; or

(4) that the registered holder of Notes has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

Ranking and Security

Ranking

The Notes will be general senior obligations of the Issuer, secured by the Share Pledge. The Notes will rank senior in right of payment to all existing and future Subordinated Obligations of the Issuer and will rank equally in right of payment with all existing and future unsubordinated Indebtedness of the Issuer.

The Issuer conducts all of its operations through its Subsidiaries and, therefore, the Issuer depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. Except as described in the next succeeding sentence, the Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's Subsidiaries. Any right of the Issuer to receive assets of any of its Subsidiaries upon the Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that Subsidiary's creditors, except to the extent that the Issuer is itself recognized as a creditor of the Subsidiary, in which case the claims of the Issuer would still be subordinated in right of payment to any security in the assets of the Subsidiary and any Indebtedness of the Subsidiary senior to that held by the Issuer.

Although the Indenture will limit the Incurrence of Indebtedness by the Issuer and the Restricted Subsidiaries, such limitation is subject to a number of significant qualifications. The Issuer and its Subsidiaries may be able to incur substantial amounts of indebtedness in certain circumstances. See "*Certain Covenants — Limitation on Indebtedness*" below.

Security

The obligations of the Issuer under the Notes will be secured by the shares of Capital Stock of the Issuer held by LGE Financing (the "Security").

The Security will be automatically and unconditionally released and discharged:

(1) upon repayment in full of the Notes; or

(2) upon defeasance or discharge of the Notes in accordance with the terms of the Indenture.

The Trustee, acting on behalf of the holders of the Notes, will accede to the intercreditor agreement (as amended, the "Intercreditor Agreement") which was originally entered into on July 29, 2005 among LGE Financing, the security agent and the trustee on behalf of the holders of the €500 million 7¾% Senior Notes due 2014 and acceded to on October 10, 2005 and April 17, 2007 by the trustee on behalf of the holders of the €300 million 8⅝% Senior Notes due 2014 and the €300 million 8% Senior Notes due 2016, respectively, acceded to on June 14, 2007 by the security agent on behalf of the lenders under the UPC Holding Facility (to the extent any amount are outstanding thereunder from time to time), and acceded to on April 30, 2009 by the Trustee on behalf of the holders of the Original Notes, which effectively provides that all Additional Notes and Pari Passu Indebtedness may be secured by a pledge of the Security to the extent permitted by the applicable provisions of the Indenture; *provided*, that enforcement of remedies against the Security under the Intercreditor Agreement and the Security Documents may only be taken by the security agent at the instruction of creditors or their representatives representing at least 50% of the total Indebtedness secured by the Security under the Security Documents and the security agent under the Intercreditor Agreement and the Security Documents shall in general be directed by creditors or their representatives representing such percentage.

The Existing Notes, including the Original Notes, and the UPC Holding Facility currently benefit from first-, second-, third-, fourth- and fifth-ranking pledges over all of the shares of the Issuer. As a matter of Dutch law, the Share Pledge granted to the holders of the Notes (including the Additional Notes which will also benefit from the fifth ranking pledge) will be a fifth-ranking pledge because it will be granted at a later point in time than the first, second, third and fourth pledges. In addition, the 9⅞% Notes will benefit from a sixth ranking share pledge over all of the shares of the Issuer. However, the terms of the Intercreditor Agreement (which is also applicable to the Existing Notes and the UPC Holding Facility) provide that the benefit of the six share pledges will be shared equally by the Notes offered hereby, the Existing Notes and the UPC Holding Facility (as applicable). Please note that this contractual arrangement is subject to certain limitations under Dutch law.

Optional Redemption

Optional Redemption on or after April 15, 2013

Except as described below and under "— *Redemption for Taxation Reasons*", the Notes are not redeemable until April 15, 2013. On or after April 15, 2013, the Issuer may redeem all, or from time to time a part, of the Notes upon not less than 30 nor more than 60 days' notice in amounts of €50,000 and in integral multiples of €1,000 in excess thereof, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on April 15 of the years set out below:

Year	Percentage
2013	104.875%
2014	102.437%
2015 and thereafter	100.00%

Optional Redemption prior to April 15, 2013

At any time prior to April 15, 2013, the Issuer may also redeem all, or from time to time a part, of the Notes upon not less than 30 nor more than 60 days' notice in amounts of €50,000 and in integral multiples of €1,000 in excess thereof, at a price equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued but unpaid interest and Additional Amounts, if any, to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Optional Redemption upon Equity Offerings

At any time, or from time to time, prior to April 15, 2012, the Issuer may, at its option, use the Net Cash Proceeds of one or more Equity Offerings (except for sales of Capital Stock of a Parent the proceeds of which are contributed as Subordinated Shareholder Loans) to redeem, upon not less than 30 nor more than 60 days' notice in amounts of €50,000 and in integral multiples of €1,000 in excess thereof, up to 35% of the principal amount of the Notes issued under the Indenture (including the principal amount of any Additional Notes) at a redemption price of 109.75% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 65% of the principal amount of Notes (which includes Additional Notes, if any) issued under the Indenture remains outstanding immediately after any such redemption; and

(2) the Issuer makes such redemption not more than 90 days after the consummation of any such Equity Offering.

In each case above, any such redemption and notice may, in the Issuer's discretion, be subject to satisfaction of one or more conditions precedent.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuer.

Selection and Notice

In the case of any partial redemption, selection of the Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not listed, then on a *pro rata* basis, by lot or by such other method as the Trustee in its sole discretion will deem to be fair and appropriate, although no Note of €50,000 in original principal amount or less will be redeemed in part. The Trustee will not be liable for selections made by it in accordance with this paragraph. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note.

The Issuer will publish in a leading newspaper having a general circulation in London (which is expected to be the *Financial Times*) or through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency), and, so long as the Notes are listed on the Irish Stock Exchange and the guidelines of such Stock Exchange so require, in Ireland, a notice specifying the aggregate principal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered and provide notification of such partial redemption to the Irish Stock Exchange.

Withholding Taxes

All payments made by the Issuer or any successor thereto (a "Payor") on the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") unless the withholding or deduction of such Taxes is then required by law or by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) The Netherlands or any political subdivision or governmental authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on the Notes is made, or any political subdivision or governmental authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which a Payor is organized or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a "Relevant Taxing Jurisdiction"),

will at any time be required from any payments made with respect to the Notes, including payments of principal, redemption price, interest or premium, the Payor will pay (together with such payments) such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments by each holder of the Notes, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts) equal the amounts which would have been received in respect of such payments in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts will be payable with respect to:

(a) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder or beneficial owner and the Relevant Taxing Jurisdiction imposing such Taxes (other than the mere ownership or holding of such Note or enforcement of rights thereunder or under the Indenture or the receipt of payments in respect thereof);

(b) any Taxes that would not have been so imposed if the holder had made a declaration of non-residence or any other claim or filing for exemption to which it is entitled (*provided* that (x) such declaration of non-residence or other claim or filing for exemption is required by the applicable law of the Relevant Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or a part of any such Taxes and (y) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption is required under the applicable law of the Relevant Taxing Jurisdiction, the relevant holder at that time has been notified (in accordance with the procedures set forth in the Indenture) by the Payor or any other person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption is required to be made);

(c) any Note presented for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented during such 30-day period);

(d) any Taxes that are payable otherwise than by withholding from a payment of the principal of, premium, if any, or interest on the Notes;

(e) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(f) any withholding or deduction imposed on a payment to an individual and required to be made pursuant to the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive; or

(g) any Taxes which could have been avoided by the presentation (where presentation is required) of the relevant Note to another Paying Agent in a member state of the European Union.

Such Additional Amounts will also not be payable where, had the beneficial owner of the Note been the holder of the Note, it would not have been entitled to payment of Additional Amounts by reason of any of clauses (a) to (g) inclusive above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies (or, if certified copies are not available despite reasonable efforts of the Payor, other evidence of payment reasonably satisfactory to the Trustee) to each holder. The Payor will attach to each certified copy (or other evidence) a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per €1,000 principal amount of the Notes. Copies of such documentation will be available for inspection during ordinary business hours at the office of the Trustee by the holders of the Notes upon request and will be made available at the offices of the Irish Paying Agent if the Notes are then listed on the Irish Stock Exchange.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable (unless such obligation to pay Additional Amounts arises shortly before or after the 30th day prior to such date, in which case it shall be promptly thereafter), if the Payor will be obligated to pay Additional Amounts with respect to such payment, the Payor will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable, the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to holders on the payment date. Each such Officers' Certificate shall be relied upon until receipt of a further Officers' Certificate addressing such matters. The Trustee shall be entitled to rely solely on each such Officers' Certificate as conclusive proof that such payments are necessary.

Wherever mentioned in the Indenture, the Notes or this Description of the Notes, in any context: (1) the payment of principal, (2) purchase prices in connection with a purchase of Notes, (3) interest, or (4) any other amount payable on or with respect to the Notes, such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery or registration of any Notes or any other document or instrument referred to therein (other than a transfer of the Notes), or the receipt of any payments with respect to the Notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside the United Kingdom, Ireland, the Netherlands or any jurisdiction in which a Paying Agent is located, other than those resulting from, or required to be paid in connection with, the enforcement of the Notes, the Security or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized or any political subdivision or taxing authority or agency thereof or therein.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 30 nor more than 60 days' notice to the holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "Tax Redemption Date") (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), and Additional Amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuer determines that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) (each of the foregoing in clauses (1) and (2), a "Change in Tax Law"),

the Issuer is, or on the next interest payment date in respect of the Notes would be, required to pay more than *de minimis* Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to it (including, without limitation, by appointing a new or additional paying agent in another jurisdiction). The Change in Tax Law must become effective on or after the date of this offering memorandum. In the case of a successor to the Issuer, the Change in Tax Law must become effective after the date that such entity first makes payment on the Notes. Notice of redemption for taxation reasons will be published in accordance with the procedures described in the Indenture as described under "— *Notices*". Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officers' Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it cannot avoid the obligations to pay Additional Amounts by taking reasonable measures available to it; and (b) an opinion of an independent tax counsel reasonably satisfactory to the Trustee to the effect that the circumstances referred to above exist. The Trustee will accept such Officers' Certificate and opinion as sufficient evidence of the existence of satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

Redemption at Maturity

On April 15, 2018, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Certain Covenants

Change of Control

If a Change of Control shall occur at any time, the Issuer shall, pursuant to the procedures described below and in the Indenture, offer (the "Change of Control Offer") to purchase all Notes in whole or in part in denominations of €50,000 and in integral multiples of €1,000 in excess thereof, at a purchase price (the "Change of Control Purchase Price") in cash in an amount equal to 101% of the principal amount of such Notes, plus any Additional Amounts and accrued and unpaid interest, if any, to the date of purchase (the "Change of Control Purchase Date") (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date). No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below €50,000 .

Within 30 days of any Change of Control, the Issuer shall notify the Trustee thereof and give written notice of such Change of Control to each holder of Notes by first-class mail, postage prepaid, at such holder's address appearing in the security register, stating, among other things:

- that a Change of Control has occurred and the date of such event;

- the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to *pro forma* historical income, cash flow and capitalization after giving effect to the Change of Control);

- the purchase price and the purchase date which shall be fixed by the Issuer on a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the Exchange Act;

- that any Note not tendered will continue to accrue interest and unless the Issuer defaults in payment of the Change of Control Purchase Price, any Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Purchase Date; and

- certain other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Issuer shall cause to be published in a leading newspaper having a general circulation in London (which is expected to be the *Financial Times*) or through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency) and, so long as the Notes are listed on the Irish Stock Exchange and the guidelines of such Stock Exchange so require, in Ireland, the notice described above. The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. See "*Risk Factors — Risks Relating to the Notes — We may not be able to obtain enough funds necessary to finance an offer to repurchase your Notes upon the occurrence of certain events constituting a change of control (as defined in the Indenture) as required by the Indenture*".

The Trustee will promptly authenticate and deliver a new note or notes equal in principal amount to any unpurchased portion of Notes surrendered, if any, to the holder of Notes in global form or to each holder of certificated notes; *provided* that each such new note will be in a principal amount of €50,000 and in integral multiples of €1,000 in excess thereof. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The term "all or substantially all" as used in the definition of "Change of Control" has not been interpreted under New York law (which is the governing law of the Indenture) to represent a specific quantitative test. As a consequence, in the event the holders of the Notes elect to exercise their rights under the Indenture and the Issuer elects to contest such election, there could be no assurance as to how a court interpreting New York law would interpret the phrase.

The provisions of the Indenture will not afford holders of the Notes the right to require the Issuer to repurchase the Notes in the event of a highly leveraged transaction or certain transactions with the Issuer's management or its Affiliates, including a reorganization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of the Issuer by management or its affiliates) involving the Issuer that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control.

The Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws or regulations in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this covenant (other than the obligation to make an offer pursuant to this covenant), the Issuer will comply with the securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that:

(1) the Restricted Subsidiaries may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving effect thereto on a *pro forma* basis the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries would not exceed 4.00 to 1.00; and

(2) the Issuer may Incur Pari Passu Indebtedness (including Acquired Indebtedness constituting Pari Passu Indebtedness) if on the date of such Incurrence and after giving effect thereto on a *pro forma* basis the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries would not exceed 5.00 to 1.00.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Pari Passu Indebtedness of the Issuer and Indebtedness of the Restricted Subsidiaries under Credit Facilities in the aggregate principal amount at any one time outstanding not to exceed an amount equal to (a) €1,150 million plus (b) the aggregate principal amount of term loan borrowings outstanding under the Senior Credit Facilities on the Issue Date;

(2) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary (other than a Receivables Entity) or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any other Restricted Subsidiary (other than a Receivables Entity); *provided*, *however*, that:

(a) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary (other than a Receivables Entity) of the Issuer; and

(b) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary (other than a Receivables Entity) of the Issuer,

shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Subsidiary, as the case may be and *provided*, *further*, that if the Issuer is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes;

(3) Indebtedness represented by the Notes (other than any Additional Notes issued after the Issue Date);

(4) any Indebtedness (other than the Indebtedness described in clauses (1), (2), (3), (6), (8), (9), (10) and (11)) outstanding on the Issue Date;

(5) any Refinancing Indebtedness Incurred in respect of any Indebtedness described in clause (4), this clause (5), clause (6) or clause (8) or Incurred pursuant to the first paragraph of this covenant;

(6) Indebtedness of a Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary was acquired by the Issuer (other than Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Issuer or (b) otherwise in connection with, or in contemplation of, such acquisition); *provided*, *however*, that immediately following the consummation of the acquisition of such Restricted Subsidiary by the Issuer, the Consolidated Leverage Ratio of the Issuer would not be greater than immediately prior to such acquisition;

(7) Indebtedness under Currency Agreements and Interest Rate Agreements; *provided*, that in the case of Currency Agreements, such Currency Agreements are related to business transactions of the Issuer or its Restricted Subsidiaries entered into in the ordinary course of business or in the case of Currency Agreements and Interest Rate Agreements, such Currency Agreements and Interest Rate Agreements are entered into for *bona fide* hedging purposes of the Issuer or its Restricted Subsidiaries (as determined in good faith by the Board of Directors or senior management of the Issuer) and substantially correspond in terms of notional amount, duration, currencies and interest rates, as applicable, to Indebtedness of the Issuer or its Restricted Subsidiaries;

(8) Indebtedness represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations with respect to assets other than Capital Stock or other Investments, in each case Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvements of property used in the business of the Issuer or such Restricted Subsidiary, in an aggregate principal amount not to exceed €50.0 million at any time outstanding;

(9) Indebtedness Incurred in respect of (a) workers' compensation claims, self-insurance obligations, performance, bid, surety and similar bonds and completion guarantees and warranties provided by a Restricted Subsidiary Incurred in the ordinary course of business and (b) letters of credit, bankers' acceptances or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business;

(10) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, Incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Restricted Subsidiary, *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds (including the fair market value of non-cash proceeds) actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(11) Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, *provided*, *however*, that such Indebtedness is extinguished within five Business Days of Incurrence;

(12) guarantees by the Issuer or any Restricted Subsidiary of Indebtedness or any other obligation or liability of the Issuer or any Restricted Subsidiary (other than of any Indebtedness incurred by such Restricted Subsidiary in violation of this covenant);

(13) Indebtedness of the Issuer and its Restricted Subsidiaries in any Qualified Receivables Transaction;

(14) Subordinated Shareholder Loans Incurred by the Issuer; and

(15) in addition to the items referred to in clauses (1) through (14) above, Pari Passu Indebtedness of the Issuer and other Indebtedness of the Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (15) and then outstanding, will not exceed €50.0 million at any time outstanding.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify and, from time to time, may reclassify such Indebtedness, in any manner that complies with

this covenant and such item of Indebtedness will be treated as having been Incurred pursuant to only one of such clauses of the second paragraph of this covenant or pursuant to the first paragraph of this covenant;

(2) any borrowings under the Senior Credit Facilities shall be deemed initially Incurred on the Issue Date under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (3) of the second paragraph of this covenant and may not be reclassified;

(3) guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1) of the second paragraph above and the letters of credit relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Issuer, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP.

Accrual of interest, accrual of dividends, the accretion of accreted value, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock and increases in the amount of Indebtedness due to a change in accounting principles will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (ii) the principal amount or liquidation preference thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

In addition, the Issuer will not permit any of its Unrestricted Subsidiaries to Incur any Indebtedness or issue any shares of Disqualified Stock, other than Non-Recourse Debt. If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this "— *Limitation on Indebtedness*" covenant, the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the euro-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable euro-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any

Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly:

(1) to declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:

(a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or Subordinated Shareholder Loans; and

(b) dividends or distributions payable to the Issuer or a Restricted Subsidiary of the Issuer (and if such Restricted Subsidiary is not a Wholly Owned Subsidiary, to its other holders of common Capital Stock on a *pro rata* basis);

(2) to purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer;

(3) to purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than (x) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement or (y) Indebtedness permitted under clause (2) of the second paragraph under the covenant described under "— *Limitation on Indebtedness*"); or

(4) to make any Restricted Investment in any Person;

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (4) shall be referred to herein as a "Restricted Payment"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result therefrom); or

(b) the Issuer is not able to Incur an additional €1.00 of Pari Passu Indebtedness pursuant to the first paragraph under the covenant described under "— *Limitation on Indebtedness*", after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made subsequent to January 1, 2009 and not returned or rescinded would exceed the sum of:

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the beginning of the first fiscal quarter commencing after January 1, 2009 to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which financial statements are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds and the fair market value, as determined in good faith by the Board of Directors of the Issuer, of marketable securities received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock) or Subordinated Shareholder Loans or other capital contributions subsequent to January 1, 2009 (other than (x) Net Cash Proceeds received from an issuance or sale of such Capital Stock to a Restricted Subsidiary of the Issuer or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination or (y) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds and the fair market value, as determined in good faith by the Board of Directors of the Issuer, of marketable securities received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary of the Issuer) by the Issuer or any Restricted Subsidiary subsequent to January 1, 2009 of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock) or Subordinated Shareholder Loans; and

(iv) the amount equal to the net reduction in Restricted Investments made by the Issuer or any of its Restricted Subsidiaries resulting from:

(A) repurchases or redemptions or other acquisitions or retirements of such Restricted Investments, proceeds realized upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary; or

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Issuer or any Restricted Subsidiary in such Unrestricted Subsidiary,

which amount in each case under this clause (iv) was included in the calculation of the amount of Restricted Payments; *provided*, *however*, that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income.

The Fair Market Value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by the Issuer.

The provisions of the preceding paragraph will not prohibit:

(1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Subordinated Shareholder Loans or Subordinated Obligations of the Issuer made by exchange (including any such exchange pursuant to exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock, Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is

financed by loans from or guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination), Subordinated Shareholder Loans or a substantially concurrent capital contribution to the Issuer; *provided*, *however*, that (a) such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments and (b) the Net Cash Proceeds from such sale or issuance of Capital Stock or Subordinated Shareholder Loans or from such capital contribution will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations of the Issuer made by exchange for, or out of the proceeds of the substantially concurrent sale of, Subordinated Obligations of the Issuer that is permitted to be Incurred pursuant to the covenant described under "— *Limitation on Indebtedness*" and that in each case constitutes Refinancing Indebtedness; *provided*, *however*, that such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Issuer or such Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "— *Limitation on Indebtedness*" and that in each case constitutes Refinancing Indebtedness; *provided*, *however*, that such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments;

(4) dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this provision; *provided*, *however*, that such dividends will be included in subsequent calculations of the amount of Restricted Payments;

(5) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock of the Issuer or any Restricted Subsidiary of the Issuer or any parent of the Issuer held by any existing or former employees or management of the Issuer or any Subsidiary of the Issuer or their assigns, estates or heirs, in each case in connection with the repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees; *provided* that such redemptions or repurchases pursuant to this clause will not exceed €3.0 million in the aggregate during any calendar year (with any unused amounts in any preceding calendar year being carried over to the succeeding calendar year); *provided*, *however*, that the amount of any such repurchase or redemption will be included in subsequent calculations of the amount of Restricted Payments;

(6) repurchases of Capital Stock deemed to occur upon the exercise of stock options, warrants or other convertible securities if such Capital Stock represents a portion of the exercise price thereof; *provided*, *however*, that such repurchases will be excluded from subsequent calculations of the amount of Restricted Payments;

(7) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Obligation (i) at a purchase price not greater than 101% of the principal amount of such Subordinated Obligation in the event of a Change of Control in accordance with provisions similar to the "— *Change of Control*" covenant or (ii) at a purchase price not greater than 100% of the principal amount thereof in accordance with provisions similar to the "— *Limitation on Sales of Assets and Subsidiary Stock*" covenant; *provided* that, prior to or simultaneously with such purchase, repurchase, redemption, defeasance or other acquisition or retirement, the Issuer has made the Change of Control Offer or Asset Disposition Offer, as applicable, as provided in such

covenant with respect to the Notes and has completed the repurchase or redemption of all Notes validly tendered for payment in connection with such Change of Control Offer or Asset Disposition Offer; and *provided*, *further*, that such purchase, redemption or other acquisition will be excluded from subsequent calculations of the amount of Restricted Payments;

(8) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to:

(i) the amounts required for any Parent to pay Parent Expenses;

(ii) the amounts required for any Parent to pay Public Offering Expenses;

(iii) the amounts required for any Parent to pay Related Taxes; and

(iv) amounts constituting payments satisfying the requirements of clauses (11) and (12) of the second paragraph of the covenant described under "— *Limitation on Affiliate Transactions*",

provided, that the Issuer or any Restricted Subsidiary receives a corporate benefit as the result of any such dividend, loan, advance or distribution or other payment; and *provided further*, that such dividends, loans, advances, distributions or other payments will be excluded from subsequent calculations of the amount of Restricted Payments;

(9) Investments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause, *provided* that the amount of such Investments will be excluded from subsequent calculations of the amount of Restricted Payments;

(10) payments by the Issuer, or loans, advances, dividends or distributions to any parent company of the Issuer to make payments to holders of Capital Stock of the Issuer or any parent company of the Issuer in lieu of the issuance of fractional shares of such Capital Stock; *provided* that the net amount of such payments will be excluded from subsequent calculations of the amount of Restricted Payments;

(11) so long as no Default or Event of Default of the type specified in clauses (1) or (2) under "— *Events of Default*" has occurred and is continuing, Restricted Payments to be applied to scheduled cash interest payments on Indebtedness of any Parent to the extent that such Indebtedness is guaranteed by the Issuer pursuant to a guarantee otherwise permitted to be Incurred under the Indenture; *provided*, *however*, that the amount of such payments will be included in subsequent calculations of the amount of Restricted Payments;

(12) so long as no Default or Event of Default of the type specified in clauses (1) or (2) under "— *Events of Default*" has occurred and is continuing, the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Shareholder Loan to the extent that, after giving *pro forma* effect to any such purchase, repurchase, redemption, defeasance, or other acquisition or retirement, the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries would not exceed 5.00 to 1.00, *provided* that the net amount of such payments will be included in subsequent calculations of the amount of Restricted Payments; and

(13) Restricted Payments in an aggregate amount at any time outstanding, when taken together with all other Restricted Payments made pursuant to this clause (13), not to exceed €25.0 million in the

aggregate in any calendar year (with any unused amounts in any preceding calendar year being carried over to the succeeding calendar year); *provided* that the amount of such Restricted Payments will be included in subsequent calculations of the amount of Restricted Payments.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount and any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith whose resolution with respect thereto shall be delivered promptly to the Trustee.

Limitation on Liens

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, Incur or suffer to exist any Lien (other than Permitted Liens) upon any of its property or assets (including Capital Stock of Restricted Subsidiaries of the Issuer), whether owned on the date of the Indenture or acquired after that date, which Lien is securing any Indebtedness (such Lien, the "Initial Lien"), unless contemporaneously with the Incurrence of such Initial Lien effective provision is made to secure the Indebtedness due under the Indenture and the Notes equally and ratably with (or prior to, in the case of Liens with respect to Subordinated Obligations) the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured.

Any such Lien thereby created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, (ii) any sale, exchange or transfer to any Person other than the Issuer or any Restricted Subsidiary of the property or assets secured by such Initial Lien, (iii) the full and final payment of all amounts payable by the Issuer under the Notes and the Indenture, or (iv) the defeasance or discharge of the Notes in accordance with the defeasance provisions described under "— *Defeasance*".

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(2) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(3) transfer any of its property or assets to the Issuer or any Restricted Subsidiary;

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock and (y) the subordination of (including but not limited to, the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

The preceding provisions will not prohibit:

(1) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the date of the Indenture, including, without limitation, the Indenture, any Credit Facility and related documentation, in effect on the Issue Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person relating to any Capital Stock or Indebtedness of a Person, Incurred on or before the date on which such Person was acquired by or merged or consolidated with or into the Issuer or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged or consolidated with or into the Issuer or any Restricted Subsidiary or in contemplation of such transaction) and outstanding on such date, *provided*, that any such encumbrance or restriction shall not extend to any assets or property of the Issuer or any other Restricted Subsidiary other than the assets and property so acquired and *provided*, *further*, that for the purposes of this clause, if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement effecting a refunding, replacement or refinancing of Indebtedness Incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement referred to in clause (1) or (2) of this paragraph or this clause (3) or contained in any amendment to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement are no less favorable in any material respect to the holders of the Notes than the encumbrances and restrictions contained in such agreements referred to in clauses (1) or (2) of this paragraph (as determined in good faith by the Issuer);

(4) in the case of clause (3) of the first paragraph of this covenant, any encumbrance or restriction:

(i) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any such lease, license or other contract;

(ii) contained in Liens permitted under the Indenture securing Indebtedness of the Issuer or a Restricted Subsidiary to the extent such encumbrances or restrictions restrict the transfer of the property subject to such mortgages, pledges or other security agreements; or

(iii) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to (a) purchase money obligations for property acquired in the ordinary course of business and (b) Capitalized Lease Obligations permitted under the Indenture, in each case that impose encumbrances or restrictions of the nature described in clause (3) of the first paragraph of this covenant on the property so acquired;

(6) any Purchase Money Note or other Indebtedness or contractual requirements Incurred with respect to a Qualified Receivables Transaction relating exclusively to a Receivables Entity that, in the good faith determination of the Board of Directors, are necessary to effect such Qualified Receivables Transaction;

(7) any restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(8) customary provisions in leases, joint venture agreements and other agreements entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(9) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;

(10) any encumbrance or restriction on cash or other deposits imposed by customers under agreements entered into in the ordinary course of business;

(11) any encumbrance or restriction pursuant to Currency Agreements or Interest Rate Agreements; and

(12) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "— *Limitation on Indebtedness*" if such encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer) and either (x) the Issuer determines that such encumbrance or restriction will not materially affect the Issuer's ability to make principal or interest payments on the Notes as and when they come due or (y) such encumbrance or restriction applies only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness.

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition *unless*:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Issuer (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;

(2) unless the Asset Disposition is a Permitted Asset Swap, at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer or such Restricted Subsidiary, as the case may be:

  (a) to the extent the Issuer or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness), to prepay, repay or purchase Senior Indebtedness of the Issuer (including the Notes) or Indebtedness of a Restricted Subsidiary (in each case other than Indebtedness owed to the Issuer or an Affiliate of the Issuer) within 365 days from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; *provided*, *however*, that, in connection with any prepayment, repayment or purchase of Bank Indebtedness pursuant to this clause (a), the Issuer or such Restricted Subsidiary will retire such Bank Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or

(b) to the extent the Issuer or such Restricted Subsidiary elects to invest in or commit to invest in Additional Assets within 365 days from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; *provided*, *however*, that any such reinvestment in Additional Assets made pursuant to a definitive agreement or a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 6 months of such 365th day;

provided that pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Issuer and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested as provided in the preceding paragraph will be deemed to constitute "Excess Proceeds". On the 366th day after an Asset Disposition, if the aggregate amount of Excess Proceeds exceeds €50.0 million, the Issuer will be required to make an offer ("Asset Disposition Offer") to all holders of Notes and to the extent required by the terms of other Indebtedness of the Issuer that does not constitute Subordinated Obligations, to all holders of such other Indebtedness outstanding with similar provisions requiring the Issuer to make an offer to purchase such Indebtedness with the proceeds from any Asset Disposition ("Other Asset Disposition Indebtedness"), to purchase the maximum principal amount of Notes and any such Other Asset Disposition Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount of the Notes and Other Asset Disposition Indebtedness plus accrued and unpaid interest to the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Other Asset Disposition Indebtedness, as applicable, in each case in a principal amount of €50,000 and in integral multiples of €1,000 in excess thereof. To the extent that the aggregate amount of Notes and Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of Notes surrendered by holders thereof and Other Asset Disposition Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and Other Asset Disposition Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Other Asset Disposition Indebtedness. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

The Asset Disposition Offer will remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the "Asset Disposition Offer Period"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Issuer will purchase the principal amount of Notes and Other Asset Disposition Indebtedness required to be purchased pursuant to this covenant (the "Asset Disposition Offer Amount") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Other Asset Disposition Indebtedness validly tendered in response to the Asset Disposition Offer.

If the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to holders who tender Notes pursuant to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Other Asset Disposition Indebtedness or portions of Notes and Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer

Amount has been validly tendered and not properly withdrawn, all Notes and Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn, in each case in a principal amount of €50,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant and, in addition, the Issuer will deliver all certificates and notes required, if any, by the agreements governing the Other Asset Disposition Indebtedness. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering holder of Notes or holder or lender of Other Asset Disposition Indebtedness, as the case may be, an amount equal to the purchase price of the Notes or Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note, and the Trustee, upon delivery of an Officers' Certificate from the Issuer will authenticate and mail or deliver such new Note to such holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount of €50,000 and in integral multiples of €1,000 in excess thereof. In addition, the Issuer will take any and all other actions required by the agreements governing the Other Asset Disposition Indebtedness. Any Note not so accepted will be promptly mailed or delivered by the Issuer to the holder thereof. The Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

For the purposes of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness (other than Subordinated Obligations) of the Issuer or Indebtedness of a Restricted Subsidiary and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition (in which case the Issuer will, without further action, be deemed to have applied such deemed cash to Indebtedness in accordance with clause (3)(a) above);

(2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary of the Issuer from the transferee that are promptly converted by the Issuer or such Restricted Subsidiary into cash;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any guarantee of payment of the principal amount of such Indebtedness in connection with such Asset Disposition; and

(4) consideration consisting of Indebtedness of the Issuer or any Restricted Subsidiary.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (an "Affiliate Transaction") involving aggregate consideration in excess of €5.0 million for such Affiliate Transactions in any fiscal year, *unless*:

(1) the terms of such Affiliate Transaction are no less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction in arm's-length dealings with a Person who is not such an Affiliate;

(2) in the event such Affiliate Transaction involves an aggregate consideration in excess of €10.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Issuer; and

(3) in the event such Affiliate Transaction involves an aggregate consideration in excess of €30.0 million, the Issuer has received a written opinion from an independent investment banking, accounting or appraisal firm of internationally recognized standing (as determined by the Issuer in good faith, who shall deliver a copy of the same to the Trustee) that such Affiliate Transaction either is fair, from a financial standpoint, to the Issuer and its Restricted Subsidiaries or is not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arm's length basis from a Person that is not an Affiliate.

The preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "— *Limitation on Restricted Payments*" or any Permitted Investment (except with respect to clause (16)(b) of the definition of "Permitted Investment", which will be subject to clause (6) below);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultant plans (including, without limitation, valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) and/or indemnities provided on behalf of officers, employees or directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) loans or advances to employees, officers or directors in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries but in any event not to exceed €10.0 million in the aggregate outstanding at any one time with respect to all loans or advances made since the Issue Date;

(4) any transaction between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries and guarantees issued by the Issuer or a Restricted Subsidiary for the benefit of the Issuer or a Restricted Subsidiary, as the case may be, in accordance with "— *Limitation on Indebtedness*";

(5) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Issuer or the senior management of the Issuer or the relevant Restricted Subsidiary, as applicable, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(6) any transaction in the ordinary course of business between the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer controlled by the Issuer that is a joint venture or similar entity; *provided*, any transaction described in this clause (6) will both:

(a) be subject to the requirements of clause (1) and (2) of the first paragraph of this covenant; and

(b) either (i) comply with the provisions of clause (3) of the first paragraph of this covenant (substituting €50.0 million for €30.0 million) or (ii) be substantially identical to a transaction between such Affiliate and a non-Affiliated third party which involves aggregate consideration in an amount substantially identical to the aggregate consideration involved in such substantially identical transaction;

(7) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, directors of the Issuer or any Restricted Subsidiary of the Issuer;

(8) the performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any agreement to which the Issuer or any of its Restricted Subsidiaries is a party as of or on the Issue Date, as these agreements may be amended, modified, supplemented, extended or renewed from time to time; *provided*, *however*, that any future amendment, modification, supplement, extension or renewal entered into after the Issue Date will be permitted to the extent that its terms are not more disadvantageous to the holders of the Notes than the terms of the agreements in effect on the Issue Date;

(9) sales or other transfers or dispositions of accounts receivable and other related assets customarily transferred in an asset securitization transaction involving accounts receivable to a Receivables Entity in a Qualified Receivables Transaction, and acquisitions of Permitted Investments in connection with a Qualified Receivables Transaction;

(10) the issuance of Capital Stock or any options, warrants or other rights to acquire Capital Stock (other than Disqualified Stock) of the Issuer to any Affiliate;

(11) the payment to any Permitted Holder of all reasonable out-of-pocket expenses incurred by any Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries and unpaid amounts accrued for prior periods (but after the Issue Date);

(12) the payment to any Parent or Permitted Holder (1) of Management Fees (a) on a bona fide arm's-length basis in the ordinary course of business or (b) of up to €15.0 million in any calendar year or (2) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including without limitation in connection with acquisitions or divestitures, which payments are approved by a majority of Disinterested Directors;

(13) commercial contracts entered into in the ordinary course of business between *chello* Media and Priority Telecom, the Issuer or any other Restricted Subsidiary that are on arm's-length terms or on a basis which the Issuer reasonably believes allocates costs fairly;

(14) guarantees issued in accordance with the "— *Limitation on Indebtedness*" covenant; and

(15) if otherwise permitted under the Indenture, the issuance of Capital Stock (other than Disqualified Stock) or Subordinated Shareholder Loans (including the payment of cash interest thereon; *provided* that, after giving *pro forma* effect to any such cash interest payment, the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries would not exceed 5.00 to 1.00) of the Issuer to any direct Parent of the Issuer or any Permitted Holder for cash or marketable securities.

Limitation on Layering

The Issuer will not, directly or indirectly, incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated to any other Indebtedness of the Issuer which ranks *pari passu* with the Notes, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinate to the Notes to the same extent and in the same manner as such Indebtedness is subordinated to such other Indebtedness of the Issuer.

Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries

The Issuer will not permit any Restricted Subsidiary to, directly or indirectly, guarantee any Indebtedness of the Issuer unless such Restricted Subsidiary simultaneously executes and delivers to the Trustee a supplemental indenture providing for the guarantee of payment of the Notes by such Restricted Subsidiary; *provided*:

(1) if the Indebtedness is *pari passu* in right of payment to the Notes, any such guarantee of such Restricted Subsidiary with respect to such Indebtedness shall rank *pari passu* in right of payment to its guarantee of the Notes;

(2) if the Indebtedness is subordinated in right of payment to the Notes, any such guarantee of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated in right of payment to the guarantee of the Notes substantially to the same extent as such Indebtedness is subordinated in right of payment to the Notes;

(3) a Restricted Subsidiary's guarantee may be limited in amount to the extent required by fraudulent conveyance, corporate benefit, financial assistance or other similar laws (but, in such a case (A) each of the Issuer and its Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal limit and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit and (B) the relevant guarantee shall be given on an equal and ratable basis with the guarantee of any other Indebtedness giving rise to the obligation to guarantee the Notes); and

(4) for so long as it is not permissible under applicable law for a Restricted Subsidiary to become a guarantor, such Restricted Subsidiary need not become a guarantor (but, in such a case, each of the Issuer and its Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal prohibition precluding the giving of the guarantee and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant legal prohibition, and shall give such guarantee at such time (and to the extent) that it thereafter becomes permissible).

The preceding paragraph shall not apply to: (1) the granting by such Restricted Subsidiary of a Permitted Lien under circumstances which do not otherwise constitute the guarantee of Indebtedness of the Issuer; or (2) the guarantee by any Restricted Subsidiary of Indebtedness that refinances Indebtedness which benefited from a guarantee by any Restricted Subsidiary Incurred in compliance with this covenant immediately prior to such refinancing.

Notwithstanding the foregoing, any guarantee of the Notes created pursuant to the provisions described in the foregoing paragraph shall provide by its terms that it shall be automatically and unconditionally released and discharged upon:

(1) such Subsidiary ceasing to be a Restricted Subsidiary (including as a result of any sale, exchange or transfer, to any Person, of all of the Issuer's Capital Stock in such Restricted Subsidiary) in compliance with the covenant described under "— *Limitation on Sales of Assets and Subsidiary Stock*" (including the requirements relating to the application of proceeds) and otherwise in compliance with the Indenture; or

(2) the release by the holders or lenders of the Indebtedness of the Issuer described in the preceding paragraph of their guarantee by such Restricted Subsidiary (including any deemed release upon

payment in full of all obligations under such Indebtedness (but not under the relevant guarantee)), at a time when (a) no other Indebtedness of the Issuer has been guaranteed by such Restricted Subsidiary or (b) the holders of all such other Indebtedness which is guaranteed by such Restricted Subsidiary also release their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Indebtedness (but not under the relevant guarantee)) and, in either such case, such Restricted Subsidiary is not obligated in respect of any Indebtedness incurred by such Restricted Subsidiary under the provisions described in the last sentence of the first paragraph under the caption "— *Limitation on Indebtedness*".

Reports

The Issuer will provide to the Trustee and will post on its website (or make similar disclosure) and shall make available to potential investors:

(1) for so long as the Ultimate Parent files an Annual Report on Form 10-K with the SEC, a copy of such Annual Report within 120 days after the end of the Ultimate Parent's year end;

(2) within 150 days after the end of each fiscal year ending subsequent to the Issue Date, an annual report of the Issuer, containing the following information: (A) audited combined or consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited combined or consolidated income statements and statements of cash flow of Issuer for the three most recent fiscal years, in each case prepared in accordance with GAAP, including appropriate footnotes to such financial statements and a report of the independent public accountants on the financial statements; (B) to the extent relating to such annual periods, an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; and (C) a description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; *provided*, *however*, that such reports need not (i) contain any segment data other than as required under GAAP or as provided by the Ultimate Parent in its financial reports with respect to the period presented, (ii) include any exhibits, or (iii) include separate financial statements for any Affiliates of the Issuer or any acquired businesses;

(3) within 60 days after each of the first three fiscal quarters in each fiscal year, a quarterly report of the Issuer containing the following information: (A) unaudited consolidated income statements of the Issuer for such period, prepared in accordance with GAAP, and (B) a financial review of such period (including a comparison against the prior year's comparable period), consisting of a discussion of (i) the financial condition and results of operations of the Issuer on a consolidated basis, and material changes between the current period and the period of the prior year, (ii) material developments in the business of the Issuer and its Restricted Subsidiaries, (C) financial developments and trends in the business in which the Issuer and its Restricted Subsidiaries is engaged and (D) information with respect to any material acquisition or disposal during the period *provided*, *however*, that such reports need not (i) contain any segment data other than as required under GAAP or as provided by the Ultimate Parent in its financial reports with respect to the period presented, (ii) include any exhibits, or (iii) include separate financial statements for any Affiliates of the Issuer or any acquired businesses; and

(4) within 10 days after the occurrence of such event, information with respect to (A) any change in the independent public accountants of the Issuer or any of its Restricted Subsidiaries, (B) any material acquisition or disposal, and (C) any material development in the business of the Issuer and its Restricted Subsidiaries.

If the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries constitute Significant Subsidiaries of the Issuer, then the annual and quarterly information required by the first two clauses of this covenant shall include a reasonably detailed presentation, either on the face of the financial statements, in the footnotes thereto or in a separate report delivered therewith, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of such Unrestricted Subsidiaries.

For so long as the Notes are listed on the Irish Stock Exchange and the guidelines of that Stock Exchange will so require, the above information will also be made available in Ireland through the offices of the Paying Agent in Ireland. The Issuer's website, and information contained thereon, will not constitute a part of this offering memorandum or form a part of the Listing Particulars with respect to the Notes.

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b) of the Exchange Act, the Issuer shall furnish to the holders of the Notes and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Merger and Consolidation

The Issuer will not consolidate with, or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Company") will be a corporation, partnership, trust or limited liability company organized and existing under the laws of any member of the state of the European Union that is a member of the European Union on the date of the Indenture, or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not the Issuer) will expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, the Successor Company would be able to Incur at least an additional €1.00 of Pari Passu Indebtedness pursuant to the first paragraph of the covenant described under "— *Limitation on Indebtedness*"; and

(4) the Issuer shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and that the supplemental indenture, the Indenture and the Notes are legal, valid and binding obligations of the Successor Company, enforceable (subject to customary exceptions and exclusions) in accordance with their terms.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture, and upon such substitution, the predecessor Issuer will be released from its obligations under the Indenture and the Notes, but, in the case of a lease of all or substantially all its assets, the predecessor Issuer will not be released from the obligation to pay the principal of and interest on the Notes.

Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Notwithstanding the preceding clause (3) (which does not apply to transactions referred to in this paragraph), (x) any Restricted Subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Issuer or another Restricted Subsidiary and (y) the Issuer may merge with an Affiliate incorporated solely for the purpose of reincorporating the Issuer in another jurisdiction to realize tax benefits; *provided* that, in the case of a Restricted Subsidiary that merges into the Issuer, the Issuer will not be required to comply with the preceding clause (4).

In addition, the Indenture will expressly provide that the Issuer will continue to be the direct holder of 100% of the issued and outstanding Capital Stock of UPC Broadband Holding N.V., excluding treasury shares and directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer.

Impairment of Security Interests

The Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary of the Issuer to, take or omit to take any action which action or omission would have the result of materially impairing the security interest with respect to the Security (it being understood that the incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Security) for the benefit of the Trustee and the holders of the Notes, and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the security agent, for the benefit of the Trustee and the holders of the Notes and the other beneficiaries described in the Security Documents, any interest in any of the Security; *provided* that the Issuer and its Restricted Subsidiaries may incur Permitted Collateral Liens; *provided further*, *however*, that (a) nothing in this provision shall restrict the release or replacement of any Security in compliance with the terms of the Indenture as described under "— *Ranking and Security*" and (b) any Security may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, if contemporaneously with any such action, the Issuer delivers to the Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (2) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the Security so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee shall (subject to customary protections and indemnifications) consent to any such amendment, extension, renewal, restatement, supplement, modification or replacement without the need for instructions from holders of the Notes.

Suspension of Covenants on Achievement of Investment Grade Status

If, during any period after the Issue Date, the Notes have achieved and continue to maintain Investment Grade Status and no Event of Default has occurred and is continuing (such period hereinafter referred to as an "Investment Grade Status Period"), then the covenants in the Indenture described under "*— Limitation on Indebtedness*", "*— Limitation on Restricted Payments*", "*— Limitation on Restrictions on Distributions from Restricted Subsidiaries*", "*— Limitation on Sales of Assets and Subsidiary Stock*", "*— Limitation on Affiliate Transactions*", *and under* "*— Change of Control*", the provisions of clause (3) of the first paragraph of the covenant described under "*— Merger and Consolidation*" and any related default provisions of the Indenture will be suspended and will not, during such Investment Grade Status Period, be applicable to the Issuer and its Restricted Subsidiaries. As a result, during any such Investment Grade Status Period, the Notes will lose the covenant protection initially provided under the Indenture. No action taken during an Investment Grade Status Period or prior to an Investment Grade Status Period in compliance with the covenants then applicable will require reversal or constitute a default under the Notes in the event that suspended covenants are subsequently reinstated or suspended, as the case may be. An Investment Grade Status Period will terminate immediately upon the failure of the Notes to maintain Investment Grade Status. The Issuer will promptly notify the Trustee in writing of any failure of the Notes to maintain Investment Grade Status.

Events of Default

Each of the following is an Event of Default:

(1) default in any payment of interest or Additional Amounts on any Note when due, continued for 30 days;

(2) default in the payment of principal of or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase or otherwise;

(3) failure by the Issuer to comply with its obligations under "*— Certain Covenants — Merger and Consolidation*";

(4) failure by the Issuer to comply for 30 days after notice with any of its obligations under the covenants described under "*Certain Covenants*" above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above and other than a failure to comply with "*— Certain Covenants — Merger and Consolidation*" which is covered by clause (3) above);

(5) failure by the Issuer to comply for 60 days after notice with its other agreements contained in the Notes or the Indenture;

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default:

    (a) is caused by a failure to pay principal of such Indebtedness at its Stated Maturity prior to the expiration of the grace period provided in such Indebtedness ("payment default"); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the "cross acceleration provision");

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €50.0 million or more;

(7) certain events of bankruptcy, insolvency or reorganization of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "bankruptcy provisions");

(8) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary, to pay final judgments aggregating in excess of €50.0 million (net of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days (the "judgment default provision"); or

(9) the Security shall, at any time, cease to be in full force and effect other than as a result of its release in accordance with the Indenture and the Security Documents or any security interest created thereunder shall be declared invalid or unenforceable in a judicial proceeding and such Default continues for ten days after the notice specified in the Indenture.

However, a default under clauses (4), (5) or (9) of this paragraph will not constitute an Event of Default until the Trustee or the holders of 25% in principal amount of the outstanding Notes notify the Issuer of the default and the Issuer does not cure such default within the time specified in clauses (4), (5) or (9) of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (7) above) occurs and is continuing, the Trustee by notice to the Issuer, or the holders of at least 25% in principal amount of the outstanding Notes by notice to the Issuer and the Trustee, may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, if any, and Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest and Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (6) under "Events of Default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (6) shall be remedied or cured by the Issuer or a Restricted Subsidiary of the Issuer or waived by the holders of the relevant Indebtedness within 20 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest and Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived. If an Event of Default described in clause (7) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest and Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders. The holders of a majority in principal amount of the outstanding Notes may waive all past defaults (except with respect to nonpayment of principal, premium, interest or Additional Amounts) and rescind any such acceleration with respect to the Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, interest and Additional Amounts, if any, on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and (3) the Issuer has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses, disbursements and advances.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, interest or Additional Amounts, if any, when due, no holder of Notes may pursue any remedy with respect to the Indenture or the Notes *unless*:

(1) such holder of Notes has previously given the Trustee written notice that an Event of Default is continuing;

(2) holders of at least 50% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such holders of Notes have offered the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture provides that in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use under the circumstances in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder of Notes or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to security or indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The Indenture provides that if a Default occurs and is continuing and is actually known to the Trustee, the Trustee must give notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of principal of, premium, if any, interest or Additional Amounts, if any, on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the holders. In addition, the Issuer is required to deliver to the Trustee, within 90 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposing to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions, the Indenture, the Notes and the Security Documents may be amended or supplemented with the consent of the holders of a majority in principal amount of the Notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any past default or compliance with any provisions of the Indenture, the Notes and the Security Documents may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes, an amendment may not:

(1) reduce the amount of Notes whose holders must consent to an amendment;

(2) reduce the stated rate of or extend the stated time for payment of interest or Additional Amounts on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) whether through an amendment or waiver of provisions in the covenants, definitions or otherwise (i) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed as described above under "*Optional Redemption*", or (ii) reduce the premium payable upon repurchase of any Note or change the time at which any Note is to be repurchased as described under "*— Certain Covenants — Change of Control*" or "*Certain Covenants — Limitation on Sales of Assets and Subsidiary Stock*" at any time after the obligation to repurchase has arisen;

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any holder to receive payment of, premium, if any, principal of or interest or Additional Amounts, if any, on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes; or

(7) make any change in the amendment or waiver provisions described in this sentence.

Notwithstanding the foregoing, without the consent of any holder, the Issuer and the Trustee may amend the Indenture, the Notes and the Security Documents to:

(1) cure any ambiguity, omission, defect or inconsistency;

(2) provide for the assumption by a Successor Company of the obligations of the Issuer under the Indenture, the Notes and the Security Documents;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes;

(4) add guarantees with respect to the Notes;

(5) secure the Notes;

(6) add to the covenants of the Issuer for the benefit of the holders or surrender any right or power conferred upon the Issuer;

(7) in the case of the Indenture, make any change that does not adversely affect the rights of any holder;

(8) release the Security as provided by the terms of the Indenture;

(9) issue Additional Notes;

(10) give effect to Permitted Collateral Liens;

(11) evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof; or

(12) to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is permitted by the Indenture and the Security Documents.

In formulating its opinion on such matters, the Trustee shall be entitled to require and rely on such evidence as it deems appropriate, including an Opinion of Counsel and an Officers' Certificate.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender. After an amendment under the Indenture becomes effective, the Issuer is required to mail to the holders a notice briefly describing such amendment. For so long as the Notes are listed on the Irish Stock Exchange and the guidelines of such Stock Exchange so require, the Issuer will notify the Irish Stock Exchange of any such amendment, supplement and waiver.

Defeasance

The Issuer at any time may terminate all its obligations under the Notes and the Indenture ("legal defeasance"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes.

The Issuer at any time may terminate its obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) under "*— Certain Covenants — Merger and Consolidation*") and the default provisions relating to such covenants under "*— Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision described under "*— Events of Default*" above and the limitations contained in clauses (3) and (4) under "*— Certain Covenants — Merger and Consolidation*" above ("covenant defeasance").

The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clauses (4), (5), (6), (7) (with respect only to Significant Subsidiaries), (8) or (9) under "*— Events of Default*" above or because of the failure of the Issuer to comply with clauses (3) or (4) under "*— Certain Covenants — Merger and Consolidation*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "defeasance trust") with the Trustee euro or euro-denominated government obligations for the payment of principal, premium, if any, interest and Additional Amounts, if any, on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including, among other things, delivery to the Trustee of an Opinion of Counsel (subject to customary exceptions and exclusions) to the effect that holders of the Notes will not recognize income, gain or loss for United States Federal income tax purposes as a result of such deposit and defeasance and will be subject to United States Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable United States Federal income tax law.

Currency Indemnity

The euro is the sole currency of account and payment for all sums payable by the Issuer under the Indenture. Any amount received or recovered in a currency other than euros in respect of the Notes (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Subsidiary or otherwise) by the holder in respect of any sum expressed to be due to it from the Issuer will constitute a discharge of the Issuer only to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If that euro amount is less than the euro amount expressed to be due to the recipient under any Note, the Issuer will indemnify the recipient against any loss sustained by it as a result. In any event the Issuer will indemnify the recipient against the cost of making any such purchase.

For the purposes of this indemnity, it will be sufficient for the holder to certify that it would have suffered a loss had an actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on such date had not been practicable, on the first date on which it would have been practicable). These indemnities constitute a separate and independent obligation from the other obligations of the Issuer, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any holder and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Listing

The Issuer will use all reasonable efforts to have the Notes admitted to trading on the Irish Stock Exchange within a reasonable period after the Issue Date and will maintain such listing as long as the Notes are outstanding; *provided*, *however*, that if the Issuer can no longer maintain such listing or it becomes unduly burdensome to make or maintain such listing (for the avoidance of doubt, preparation of financial statements in accordance with IFRS or any accounting standard other than U.S. GAAP and any other standard pursuant to which the Issuer then prepares its financial statements shall be deemed unduly burdensome), the Issuer may cease to make or maintain such listing on the Irish Stock Exchange *provided* that the Issuer will use its reasonable best efforts to obtain and maintain the listing of the Notes on another recognized listing exchange for high yield issuers (which may be a stock exchange that is not regulated by the European Union).

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator, member or stockholder of the Issuer, as such, shall have any liability for any obligations of the Issuer under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver and release may not be effective to waive liabilities under the United States federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Consent to Jurisdiction and Service of Process

The Indenture will provide that the Issuer will irrevocably appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Security Documents, as the case may be, brought in any federal or state court located in the Borough of Manhattan in the City of New York and that each of the parties submit to the jurisdiction thereof. If for any reason CT Corporation System is unable to serve in such capacity, the Issuer shall appoint another agent reasonably satisfactory to the Trustee.

Concerning the Trustee

The Bank of New York Mellon will be the Trustee, Principal Paying Agent, Registrar and Transfer Agent with regard to the Notes. BNY Financial Services plc will be appointed Irish Transfer Agent and Irish Paying Agent with regard to the Notes.

Governing Law

The Indenture will provide that it and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Notices

Notices regarding the Notes will be sent by the Issuer through the newswire service of Bloomberg (or if Bloomberg does not operate, any similar agency). Alternatively, such notices will be published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and, if and so long as the Notes are listed on the Irish Stock Exchange and the guidelines of such Stock Exchange shall so require, published in the Irish Times or other daily a newspaper having general circulation in Ireland approved by the Trustee. Additionally, in the event the Notes are in the form of Definitive Notes, notices will be sent, by first-class mail, with a copy to the Trustee, to each holder of the Notes at such holder's address as it appears on the registration books of the registrar. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. If and so long as such Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange. Notices given by publication will be deemed given on the first date on which publication is made and notices given by first-class mail, postage prepaid, will be deemed given five calendar days after mailing.

Certain Definitions

"Acquired Indebtedness" means Indebtedness (i) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or (ii) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such acquisition. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (i) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (ii) of the preceding sentence, on the date of consummation of such acquisition of assets.

"Additional Assets" means:

(1) any property or assets (other than Indebtedness and Capital Stock) to be used by the Issuer or a Restricted Subsidiary in a Related Business or are otherwise useful in Related Business (it being understood that capital expenditure on property or assets already used in a Related Business or to replace any property or assets that are the subject of such Asset Disposition or any operating expenses incurred in the day-to-day operations of a Related Business shall be deemed an Investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Related Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary of the Issuer; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Issuer.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Applicable Premium" means with respect to a Note at any redemption date prior to April 15, 2013, the excess of (A) the present value at such redemption date of (1) the redemption price of such Note on April 15, 2013 (such redemption price being described under "*Optional Redemption — Optional Redemption on or after April 15, 2013*" exclusive of any accrued and unpaid interest) plus (2) all required remaining scheduled interest payments due on such Note through April 15, 2013 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate plus 50 basis points over (B) the principal amount of such Note on such redemption date.

"Asset Disposition" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction.

Notwithstanding the preceding, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary (other than a Receivables Entity) to a Restricted Subsidiary;

(2) the sale of Cash Equivalents or Investment Grade Securities in the ordinary course of business;

(3) a disposition of inventory in the ordinary course of business;

(4) a disposition of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and that is disposed of in each case in the ordinary course of business;

(5) transactions permitted under "*— Certain Covenants — Merger and Consolidation*";

(6) an issuance of Capital Stock by a Restricted Subsidiary of the Issuer to the Issuer or to another Restricted Subsidiary;

(7) for purposes of "*— Certain Covenants — Limitation on Sales of Assets and Subsidiary Stock*" only, the making of a Permitted Investment or a disposition subject to "*Certain Covenants — Limitation on Restricted Payments*";

(8) dispositions of assets in a single transaction or series of related transactions with an aggregate fair market value in any calendar year of less than €10.0 million (with unused amounts in any calendar year being carried over to the next succeeding year subject to a maximum of €10.0 million of carried over amounts for any calendar year);

(9) dispositions in connection with Permitted Liens;

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sublicensing of intellectual property or other general intangibles and licenses, leases or subleases of other property;

(12) foreclosure, condemnation or similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonably terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales of accounts receivable and related assets or an interest therein of the type specified in the definition of "Qualified Receivables Transaction" to a Receivables Entity;

(15) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) disposals of assets, rights or revenue not constituting part of the Distribution Business of the Issuer and its Restricted Subsidiaries;

(17) disposals of other interests in other entities in an amount not to exceed €5.0 million; and

(18) any other disposal of assets comprising in aggregate percentage value of 10% or less of the Total Assets of the Issuer and its Restricted Subsidiaries as set forth in the consolidated financial statements of the Issuer for the fiscal year ended December 31, 2004.

"Average Life" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (2) the sum of all such payments.

"Bank Indebtedness" means any and all amounts, whether outstanding on the Issue Date or Incurred after the Issue Date, payable under or in respect of any Credit Facility (other than any refunding, replacement, restructuring or refinancing thereof) and any related notes, collateral documents, letters of credit and guarantees and any Interest Rate Agreement entered into in connection with any Credit Facility, including principal, premium, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization at the rate specified therein whether or not a claim for post filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

"Board of Directors" means, as to any Person, the board of directors of such Person or any duly authorized committee thereof, or, in the case of the Issuer, its managing director; *provided*, any action required to be taken under the Indenture by the Board of Directors of the Issuer can, in the alternative, at the option of the Issuer, be taken by the Board of Directors of the Ultimate Parent.

"Bund Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

(1) "Comparable German Bund Issue" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to April 15, 2013 and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to April 15, 2013; *provided*, *however*, that, if the

period from such redemption dated to April 15, 2013 is not equal to the fixed maturity of the German Bundesanleihe security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German Bundesanleihe securities for which such yields are given, except that if the period from such redemption date to April 15, 2013, is less than one year, a fixed maturity of one year shall be used;

(2) "Comparable German Bund Price" means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "Reference German Bund Dealer" means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) "Reference German Bund Dealer Quotations" means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Issuer in good faith of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3.30 p.m. Frankfurt, Germany, time on the third Business Day preceding the redemption date.

"Business Day" means each day that is not a Saturday, Sunday or other day on which banking institutions in Dublin, Ireland, New York, New York or London, England are authorized or required by law to close.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Capitalized Lease Obligation" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with GAAP, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"Cash Equivalents" means:

(1) securities issued or directly and fully guaranteed or insured by the United States Government or a member state of the European Union as of January 1, 2004 (each a "Qualified Country") or any agency or instrumentality thereof (*provided* that the full faith and credit of such Qualified Country is pledged in support thereof), having maturities of not more than one year from the date of acquisition;

(2) marketable general obligations issued by any political subdivision of any Qualified Country or any public instrumentality thereof maturing within one year from the date of acquisition of the United States (*provided* that the full faith and credit of the Qualified Country is pledged in support thereof) and, at the time of acquisition, having a credit rating of "A2" or better from either Standard & Poor's Ratings Services or Moody's Investors Service, Inc.;

(3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to any Credit Facility or by any bank or trust company (x) the long-term debt of

which is rated at the time of acquisition thereof at least "A" or the equivalent thereof by Standard & Poor's Ratings Services, or "A" or the equivalent thereof by Moody's Investors Service, Inc. (or if at the time neither is issuing comparable ratings, then a comparable rating of another nationally recognized rating agency);

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1), (2) and (3) entered into with any bank meeting the qualifications specified in clause (3) above;

(5) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by Standard & Poor's Ratings Services or "P-2" or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(6) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (5) above.

"Change of Control" means:

(1) UGC (a) ceases to be the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer and (b) ceases, by virtue of any powers conferred by the articles of association or other documents regulating the Issuer to, directly or indirectly, direct or cause the direction of management and policies of the Issuer;

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) other than a Permitted Holder; or

(3) the adoption by the stockholders of the Issuer of a plan or proposal for the liquidation or dissolution of the Issuer, other than a transaction complying with the covenant described under "— *Certain Covenants — Merger and Consolidation*".

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or nonvoting) of such Person's common stock whether or not outstanding on the Issue Date, and includes, without limitation, all series and classes of such common stock.

"Consolidated EBITDA" means, for any period, the net profit (loss) after Taxes and Management Fees for such period determined in accordance with GAAP ("GAAP Net Income"), plus, without duplication, to the extent deducted in the calculation of GAAP Net Income, any amount attributable to non-cash compensation payable to employees or directors of the Issuer or its Restricted Subsidiaries deducted in the calculation of GAAP Net Income, any depreciation, amortization, other non-cash charges (such as deferred taxes), accrued Management Fees (whether or not paid), fees accrued (whether or not paid) in respect of Indebtedness; Consolidated interest expense; and other non-cash charges in respect of Indebtedness) for such period adjusted as follows:

(1) *minus* extraordinary income for such period;

(2) *plus* any extraordinary expense (including one off restructuring costs) for such period;

(3) *minus* any interest income of the relevant person for such period; and

(4) *minus* any Management Fees paid during such period,

in each case as determined in accordance with GAAP.

"Consolidated Leverage Ratio", as of any date of determination, means the ratio of:

(1) the outstanding Indebtedness (other than (x) Subordinated Shareholder Loans, (y) any Indebtedness which is a contingent obligation of the Issuer or a Restricted Subsidiary and (z) for the purposes of determining the Consolidated Leverage Ratio under clause (1) of the first paragraph under "*— Certain Covenants — Limitations on Indebtedness*", outstanding Indebtedness of the Issuer) of the Issuer and its Restricted Subsidiaries on a Consolidated basis, to

(2) the *Pro forma* EBITDA for the period of the most recent two consecutive fiscal quarters for which financial statements have previously been furnished to holders of the Notes pursuant to the covenant described under "*— Certain Covenants — Reports*", multiplied by 2.0.

"Consolidated Net Income" means, for any period, the net income (loss) of the Issuer and its consolidated Restricted Subsidiaries determined in accordance with GAAP; *provided*, *however*, that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person (other than the Issuer) if such Person is not a Restricted Subsidiary, except that:

  (a) subject to the limitations contained in clauses (4), (5) and (6) below, the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

  (b) the Issuer's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period will be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Issuer or a Restricted Subsidiary;

(2) any net income (loss) of any Person acquired by the Issuer or a Subsidiary of the Issuer in a pooling of interests transaction for any period prior to the date of such acquisition;

(3) any net income of any Restricted Subsidiary if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its stockholders (unless otherwise permitted, or not prohibited by, restrictions specified in the covenant set forth under the section entitled *"— Limitations on Restrictions on Distributions from Restricted Subsidiaries"*), except that:

  (a) subject to the limitations contained in clauses (4), (5) and (6) below, the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause); and

(b) the Issuer's equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income;

(4) any gain (or loss) realized upon the sale or other disposition of any asset of the Issuer or any Restricted Subsidiaries (including pursuant to any Sale/Leaseback Transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors of the Issuer);

(5) any extraordinary, exceptional, unusual or nonrecurring gain, loss or charge (including without limitation any fees, expenses and charges associated with any acquisition, merger, consolidation Equity Offering or recapitalization after January 1, 2009);

(6) the cumulative effect of a change in accounting principles;

(7) any non-cash compensation charge arising from any grant of stock, stock options or other equity-based awards;

(8) all deferred financing costs written off and premiums paid in connection with any early extinguishment of Indebtedness; and

(9) any capitalized interest on Subordinated Shareholder Loans.

"Consolidation" means the consolidation of the accounts of each of the Restricted Subsidiaries with those of the Issuer in accordance with GAAP consistently applied; *provided*, *however*, that "Consolidation" will not include consolidation of the accounts of any Unrestricted Subsidiary, but the interest of the Issuer or any Restricted Subsidiary in an Unrestricted Subsidiary will be accounted for as an investment. The term "Consolidated" has a correlative meaning.

"Credit Facility" means, one or more debt facilities or arrangements (including, without limitation, the Senior Credit Facilities) or commercial paper facilities with banks or other institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions or investors and whether provided under the Senior Credit Facilities or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (i) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (ii) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (iii) increasing the amount of Indebtedness incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"Currency Agreement" means, in respect of a Person, any foreign exchange contract, currency swap agreement, futures contract, option contract, derivative or other similar agreement as to which such Person is a party or a beneficiary.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Disinterested Director" means, with respect to any transaction with an Affiliate, a member of the Board of Directors of a Parent of the Issuer having no material direct or indirect financial interest in or with respect to such transaction with an Affiliate. A member of the Board of Directors of such Parent of the Issuer shall not be deemed to have such a financial interest by reason of such member's holding Capital Stock of the Issuer or any Parent or any options, warrants or other rights in respect of such Capital Stock.

"Disqualified Stock" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(3) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of the date (a) of the Stated Maturity of the Notes or (b) on which there are no Notes outstanding, *provided* that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; *provided*, *further* that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (each defined in a substantially identical manner to the corresponding definitions in the Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable), *provided* that the Issuer may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Issuer with the provisions of the Indenture described under the captions "*— Certain Covenants — Change of Control*" and "*— Certain Covenants — Limitation on Sales of Assets and Subsidiary Stock*" and such repurchase or redemption complies with "*— Certain Covenants — Limitation on Restricted Payments*".

"Equity Offering" means a sale of (x) Capital Stock of the Issuer (other than Disqualified Stock), or (y) Capital Stock of a Parent the proceeds of which are contributed as equity share capital to the Issuer or (z) Subordinated Shareholder Loans.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Excluded Contribution" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the Issuer after January 1, 2009 or from the issuance or sale (other than to a Restricted Subsidiary) of Capital Stock (other than Disqualified Stock) of the Issuer, in each case to the extent designated as an Excluded Contribution pursuant to an Officers' Certificate of the Issuer.

"GAAP" means generally accepted accounting principles in the United States ("U.S. GAAP") as in effect as of the date of the Indenture or, with respect to the covenant "Reports", as in effect from time to time. At any time after the Issue Date, the Issuer may elect to apply for all purposes of the Indenture, in lieu of U.S. GAAP, IFRS, and, upon such election, references to GAAP herein will be construed to mean IFRS as in effect at the Issue Date; *provided* that (1) any such election once made shall be irrevocable (unless (a) such an election was made in order to comply with applicable law with respect to the reporting standards of the Issuer and (b) subsequent to such election, such applicable law is modified or rescinded, and at the time of such modification or rescission, the Ultimate Parent prepares its consolidated financial statements in accordance with U.S. GAAP), (2) all financial statements and reports to be provided, after such election, pursuant to the Indenture shall be prepared on the basis of IFRS as in effect from time to time (including that, upon first reporting its fiscal year results under

IFRS, the Issuer shall restate its financial statements on the basis of IFRS for the fiscal year ending immediately prior to the first fiscal year for which financial statements have been prepared on the basis of IFRS), and (3) from and after such election, all ratios, computations, and other determinations based on GAAP contained in the Indenture shall be computed in conformity with IFRS with retroactive effect being given thereto assuming that such election had been made on the Issue Date.

"guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided*, *however*, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"guarantor" means the obligor under a guarantee.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"holder" means a Person in whose name a Note is registered on the Registrar's books.

"IFRS" means the accounting standards issued by the International Accounting Standards Board and its predecessors.

"Incur" means issue, create, assume, guarantee, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication):

(1) money borrowed or raised and debit balances at banks;

(2) any bond, note, loan stock, debenture or similar debt instrument;

(3) acceptance or documentary credit facilities;

(4) receivables sold or discounted (otherwise than on a non-recourse basis and other than in the normal course of business for collections);

(5) payments for assets acquired or services supplied deferred for a period of over 180 days (or 360 days if such deferral is in accordance with the terms pursuant to which the relevant assets were or are to be acquired or services were or are to be supplied) after the relevant assets were or are to be acquired or the relevant services were or are to be supplied to the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money;

(6) Capitalized Lease Obligations (excluding network leases) of such Person;

(7) any other transaction (including without limitation forward sale or purchase agreements) having the commercial effect of a borrowing or raising of money or any of (2) to (6) above;

(8) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends); and

(9) the principal component of Indebtedness of other Persons to the extent guaranteed by such Person,

provided that Indebtedness which has been cash-collateralized shall not be included in any calculation of Indebtedness to the extent so cash-collateralized.

Notwithstanding the foregoing, "Indebtedness" shall not include any deposits or prepayments received by the Issuer or a Restricted Subsidiary from a customer or subscriber for its service. The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

"Independent Financial Advisor" means an accounting, appraisal or investment banking firm of nationally recognized standing that is, in the good faith judgment of the Issuer, qualified to perform the task for which it has been engaged.

"Interest Rate Agreement" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"Investment" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan (other than advances or extensions of credit to customers in the ordinary course of business) or other extensions of credit (including by way of guarantee or similar arrangement, but excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP; *provided* that none of the following will be deemed to be an Investment:

(1) Hedging Obligations entered into in the ordinary course of business and in compliance with the Indenture;

(2) endorsements of negotiable instruments and documents in the ordinary course of business; and

(3) an acquisition of assets, Capital Stock or other securities by the Issuer or a Subsidiary for consideration to the extent such consideration consists of Common Stock of the Issuer.

For purposes of "*— Certain Covenants — Limitation on Restricted Payments*",

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in

an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors of the Issuer in good faith) of such Subsidiary at the time that such Subsidiary is so redesignated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Issuer.

If the Issuer or a Restricted Subsidiary transfers, conveys, sells, leases or otherwise disposes of Voting Stock of a Restricted Subsidiary such that such Subsidiary is no longer a Restricted Subsidiary, then the Investment of the Issuer in such Person shall be deemed to have been made as of the date of such transfer or other disposition.

"Investment Grade Securities" means:

(1) securities issued by the U.S. government or by any agency or instrumentality thereof (other than Cash Equivalents) or directly and fully guaranteed or insured by the U.S. government and in each case with maturities not exceeding two years from the date of the acquisition;

(2) securities issued by or a member of the European Union as of January 1, 2004, or any agency or instrumentality thereof (other than Cash Equivalents) or directly and fully guaranteed or insured by a member of the European Union as of January 1, 2004, and in each case with maturities not exceeding two years from the date of the acquisition;

(3) debt securities or debt instruments with a rating of A or higher by Standard & Poor's Ratings Services or A-2 or higher by Moody's Investors Service, Inc. or the equivalent of such rating by such rating organization, or if no rating of Standard & Poor's Ratings Services or Moody's Investors Service, Inc. then exists, the equivalent of such rating by any other nationally recognized securities ratings agency, by excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1) through (3) which fund may also hold immaterial amounts of cash pending investment and/or distribution; and

(5) corresponding instruments in countries other than those identified in clauses (1) and (2) above customarily utilized for high quality investments and, in each case, with maturities not exceeding two years from the date of the acquisition.

"Investment Grade Status" shall occur when the Notes receive both of the following:

(1) a rating of "Baa3" (or the equivalent) or higher from Moody's Investors Service, Inc. or any of its successors or assigns; and

(2) a rating of "BBB-" (or the equivalent) or higher from Standard & Poor's Ratings Services, or any of its successors or assigns,

in each case, with a "stable outlook" from such rating agency.

"Issue Date" means the date of first issuance of the Notes.

"Liberty" means Liberty Global, Inc., a Delaware corporation, and any successor (by merger, consolidation, transfer, conversion of legal form or otherwise) to all or substantially all of its assets.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Management Fees" means any management, consultancy or similar fees payable by the Issuer or any Restricted Subsidiary.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under GAAP (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds", with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"Non-Recourse Debt" means Indebtedness of a Person:

(1) as to which neither the Issuer nor any Restricted Subsidiary (a) provides any guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise);

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Issuer or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(3) the explicit terms of which provide there is no recourse against any of the assets of the Issuer or its Restricted Subsidiaries.

"Officer" of any Person means the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, any Managing Director, the Treasurer or the Secretary of such Person or, in the case of the Issuer, its Managing Director.

"Officers' Certificate" means a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Issuer.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the Issuer or the Trustee.

"Parent" means the Ultimate Parent, any Subsidiary of the Ultimate Parent of which the Issuer is a Subsidiary on the Issue Date and any other Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date.

"Parent Expenses" means:

(1) costs (including all professional fees and expenses) incurred by any Parent in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, applicable rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary;

(2) indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person with respect to its ownership or the Issuer or the conduct of the business of the Issuer and its Restricted Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) with respect to its ownership or the Issuer or the conduct of the business of the Issuer and its Restricted Subsidiaries; and

(4) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, including acquisitions by the Issuer or its Subsidiaries permitted hereunder (whether or not successful).

"Pari Passu Indebtedness" means Indebtedness of the Issuer that ranks equally or junior in right of payment with the Notes.

"Permitted Asset Swap" means the concurrent purchase and sale or exchange of related business assets or a combination of related business, cash and Cash Equivalents between the Issuer or any of its Restricted Subsidiaries and another Person.

"Permitted Collateral Liens" means Liens on the Security to secure any Additional Notes or Pari Passu Indebtedness.

"Permitted Holders" means, collectively, (1) Liberty, (2) any Affiliate or Related Person of a Permitted Holder described in clause (1) above, and any successor to such Permitted Holder, Affiliate, or Related Person and (3) any Person who is acting as an underwriter in connection with any public or private offering of Capital Stock of the Issuer, acting in such capacity.

"Permitted Investment" means an Investment by the Issuer or any Restricted Subsidiary in:

(1) the Issuer or a Restricted Subsidiary (other than a Receivables Entity) or a Person which will, upon the making of such Investment, become a Restricted Subsidiary (other than a Receivables Entity);

(2) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary (other than a Receivables Entity);

(3) cash and Cash Equivalents or Investment Grade Securities;

(4) receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however*, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) loans or advances to employees made in the ordinary course of business consistent with past practices of the Issuer or such Restricted Subsidiary;

(7) Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including without limitation an Asset Disposition, in each case, that was made in compliance with "*— Certain Covenants — Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;

(10) Currency Agreements and Interest Rate Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*— Certain Covenants — Limitation on Indebtedness*";

(11) Investments by the Issuer or any of its Restricted Subsidiaries, together with all other Investments pursuant to this clause (11), in an aggregate amount at the time of such Investment not to exceed 2.0% of Total Assets at any one time;

(12) Investments by the Issuer or a Restricted Subsidiary in a Receivables Entity or any Investment by a Receivables Entity in any other Person, in each case, in connection with a Qualified Receivables Transaction, *provided*, *however*, that any Investment in any such Person is in the form of a Purchase Money Note, or any equity interest or interests in Receivables and related assets generated by the Issuer or a Restricted Subsidiary and transferred to any Person in connection with a Qualified Receivables Transaction or any such Person owning such Receivables;

(13) guarantees issued in accordance with "*— Certain Covenants — Limitation on Indebtedness*";

(14) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*— Certain Covenants — Limitation on Liens*";

(15) the Notes;

(16) so long as no Default or Event of Default of the type specified in clause (1) or (2) under "*— Events of Default*" has occurred and is continuing, (a) minority Investments in any Person engaged in a

Permitted Business and (b) Investments in joint ventures that conduct a Permitted Business to the extent that, after giving *pro forma* effect to any such Investment, the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries would not exceed 5.00 to 1.00; and

(17) any Investment to the extent made using as consideration Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Loans or Capital Stock of any Parent.

"Permitted Liens" means:

(A) with respect to any Restricted Subsidiary:

(1) Liens securing Indebtedness Incurred under Credit Facilities, to the extent incurred in compliance with the first paragraph or clause (1) under the second paragraph of the covenant described under "*— Certain Covenants — Limitation on Indebtedness*";

(2) Liens on Receivables and related assets of the type described in the definition of "Qualified Receivables Transaction" incurred in connection with a Qualified Receivables Transaction;

(3) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or United States government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(4) Liens imposed by law, including carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings if a reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made in respect thereof;

(5) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings *provided* appropriate reserves required pursuant to GAAP have been made in respect thereof;

(6) Liens in favor of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of such Person in the ordinary course of its business; *provided*, *however*, that such letters of credit do not constitute Indebtedness;

(7) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(8) Liens securing Hedging Obligations so long as the related Indebtedness is, and is permitted to be under the Indenture, secured by a Lien on the same property securing such Hedging Obligation;

(9) leases, licenses, subleases and sublicenses of assets (including, without limitation, real property and intellectual property rights) which do not materially interfere with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries;

(10) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(11) Liens for the purpose of securing the payment of all or a part of the purchase price of, or Capitalized Lease Obligations, purchase money obligations or other payments Incurred to finance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business *provided* that:

(a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and does not exceed the cost of the assets or property so acquired or constructed; and

(b) such Liens are created within 180 days of construction or acquisition of such assets or property and do not encumber any other assets or property of the Issuer or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto;

(12) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution; *provided* that such deposit account is not intended by the Issuer or any Restricted Subsidiary to provide collateral to the depository institution;

(13) Liens arising from United States Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(14) Liens existing on, or provided for under written arrangements existing on, the Issue Date;

(15) Liens on property or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary; *provided*, *however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such other Person becoming a Restricted Subsidiary; *provided further*, *however*, that any such Lien may not extend to any other property owned by the Issuer or any Restricted Subsidiary;

(16) Liens on property at the time a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into any Restricted Subsidiary; *provided*, *however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; *provided further*, *however*, that such Liens may not extend to any other property owned by any Restricted Subsidiary;

(17) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary;

(18) Liens securing the Notes;

(19) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is the security for a Permitted Lien hereunder;

(20) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(21) Liens on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;

(22) any encumbrance or restriction (including, but not limited to, put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(23) Liens over rights under loan agreements relating to, or over notes or similar instruments evidencing, the on-loan of proceeds received by a Restricted Subsidiary from the issuance of Indebtedness, which Liens are created to secure payment of such Indebtedness; and

(24) Liens Incurred with respect to obligations (other than Indebtedness for borrowed money) that do not exceed €15.0 million at any time outstanding; and

(B) with respect to the Issuer:

(1) Liens securing the Notes;

(2) Permitted Collateral Liens;

(3) Liens securing guarantees of Indebtedness Incurred under Credit Facilities, to the extent the underlying Indebtedness was Incurred in compliance with the first paragraph or clause (1) under the second paragraph of the covenant described under "— *Certain Covenants — Limitation on Indebtedness*";

(4) Liens on property at the time the Issuer acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer; *provided*, *however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; *provided further*, *however*, that such Liens may not extend to any other property owned by the Issuer; and

(5) Liens of the type described in clauses (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (17), (19) and (20) of clause (A) of this definition of "Permitted Liens".

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision hereof or any other entity.

"Preferred Stock", as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"*Pro forma* EBITDA" means, for any period, the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries, *provided*, *however*, that for the purposes of calculating *Pro forma* EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period the Issuer or any Restricted Subsidiary will have made any Asset Disposition or disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, *Pro forma* EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;

(2) since the beginning of such period the Issuer or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "Purchase") including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period any Person (that became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Issuer or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For purposes of this definition and the definition of Consolidated Leverage Ratio, (i) whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including without limitation in respect of anticipated expense and cost reductions) and (ii) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness on such date.

"Public Offering Expenses" means expenses incurred by any Parent in connection with any public offering of Capital Stock or Indebtedness (whether or not successful):

(1) where the net proceeds of such offering are intended to be received by or contributed or loaned to the Issuer or a Restricted Subsidiary; or

(2) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received, contributed or loaned; or

(3) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"Purchase Money Note" means a promissory note of a Receivables Entity evidencing the deferred purchase price of Receivables (and related assets) and/or a line of credit, which may be irrevocable, from the Issuer or any Restricted Subsidiary in connection with a Qualified Receivables Transaction with a Receivables Entity, which deferred purchase price or line is repayable from cash available to the Receivables Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts owing to such investors and amounts paid in connection with the purchase of newly generated Receivables.

"Qualified Receivables Transaction" means any transaction or series of transactions that may be entered into by the Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (1) a Receivables Entity (in the case of a transfer by the Issuer or any of its Restricted Subsidiaries) and (2) any other Person (in the case of a transfer by a Receivables Entity), or may grant a security interest in, any Receivables (whether now existing or arising in the future) of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such Receivables, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such Receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitization involving Receivables.

"Receivable" means a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit and shall include, in any event, any items of property that would be classified as an "account", "chattel paper", "payment intangible" or "instrument" under the Uniform Commercial Code as in effect in the State of New York and any "supporting obligations" as so defined.

"Receivables Entity" means a Wholly Owned Subsidiary (or another Person in which the Issuer or any Restricted Subsidiary makes an Investment and to which the Issuer or any Restricted Subsidiary transfers Receivables and related assets) which engages in no activities other than in connection with the financing of Receivables and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Entity:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

(a) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);

(b) is recourse to or obligates the Issuer or any Restricted Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings; or

(c) subjects any property or asset of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Transaction) other than on terms no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, other than fees payable in the ordinary course of business in connection with servicing Receivables; and

(3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a certified copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions.

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) (collectively, "refinance", "refinances", and "refinanced" shall have a correlative meaning) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances

Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness, *provided*, *however*, that:

(1) (a) if the Stated Maturity of the Indebtedness being refinanced is earlier than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced or (b) if the Stated Maturity of the Indebtedness being refinanced is later than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity later than the Stated Maturity of the Notes;

(2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced;

(3) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and fees Incurred in connection therewith); and

(4) in the case of the refinancing of any Subordinated Obligation, such Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the holders of the Notes as those contained in the documentation governing the Subordinated Obligation being extended, refinanced, renewed, replaced, defeased or refunded.

"Related Business" means any business that is the same as or related, ancillary or complementary to any of the businesses of the Issuer and its Restricted Subsidiaries on the date of the Indenture.

"Related Person" with respect to any Permitted Holder, means:

(1) any controlling equityholder or majority (or more) owned Subsidiary of such Permitted Holder; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein.

"Related Taxes" means:

(1) any taxes, including but not limited to sales, use, transfer, rental, *ad valorem*, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar taxes (other than (x) taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid by any Parent by virtue of its:

    (a) being incorporated or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than the Issuer or any of the Issuer's Subsidiaries), or

    (b) being a holding company parent of the Issuer or any of the Issuer's Subsidiaries, or

(c) receiving dividends from or other distributions in respect of the Capital Stock of the Issuer, or any of the Issuer's Subsidiaries, or

(d) having guaranteed any obligations of the Issuer or any Subsidiary of the Issuer, or

(e) having made any payment in respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "— *Certain Covenants — Limitation on Restricted Payments*", or

(2) any taxes measured by income for which any Parent is liable up to an amount not to exceed with respect to such taxes the amount of any such taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries and any taxes imposed by way of withholding on payments made by one Parent to another Parent on any financing that is provided, directly or indirectly in relation to the Issuer and its Subsidiaries (reduced by any taxes measured by income actually paid by the Issuer and its Subsidiaries).

"Representative" means the agent or representative (if any) for an issue of Bank Indebtedness.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired whereby the Issuer or a Restricted Subsidiary transfers such property to a Person and the Issuer or a Restricted Subsidiary leases it from such Person.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Security Documents" means the Share Pledge Agreement with respect to the Share Pledge and related documents.

"Senior Credit Facilities" means the senior secured credit facility agreement entered into on January 16, 2004, as amended or supplemented from time to time, including as amended and restated pursuant to a deed of amendment and restatement dated May 10, 2006 and further amended pursuant to amendment letters dated December 11, 2006 and April 16, 2007, between, among others, UPC Broadband Holding, as borrower, Toronto Dominion (Texas), Inc., as facility agent, TD Bank Europe Limited, as security trustee, and certain banks and financial institutions as lenders.

"Senior Indebtedness" means, whether outstanding on the Issue Date or thereafter Incurred, all amounts payable by the under or in respect of all other Indebtedness of the Issuer, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided*, *however*, that Senior Indebtedness will not include:

(1) any Indebtedness Incurred in violation of the Indenture;

(2) any obligation of the Issuer to any Subsidiary of the Issuer;

(3) any liability for taxes owed or owing by the Issuer or any Restricted Subsidiary;

(4) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

(5) any Indebtedness, guarantee or obligation of the Issuer that is expressly subordinate or junior in right of payment to any other Indebtedness, guarantee or obligation of the Issuer, including, without limitation, any Subordinated Obligation; or

(6) any Capital Stock.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Issuer within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"Standard Securitization Undertakings" means representations, warranties, covenants and indemnities entered into by the Issuer or any Restricted Subsidiary of the Issuer which are reasonably customary in securitization of Receivables transactions.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof and with respect to the Notes means the Stated Maturity of the Series of Notes, with the latest Stated Maturity.

"Subordinated Obligation" means any Indebtedness of the Issuer (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the Notes pursuant to a written agreement.

"Subordinated Shareholder Loans" means Indebtedness of the Issuer (and any security into which such Indebtedness is convertible or for which it is exchangeable at the option of the holder) issued to and held by any Parent that (either pursuant to its terms or pursuant to an agreement with respect thereto):

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such Indebtedness into Capital Stock (other than Disqualified Stock) of the Issuer or any Indebtedness meeting the requirements of this definition);

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions that are effective, and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any payment prior to the first anniversary of the Stated Maturity or the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Restricted Subsidiaries;

(5) is subordinated in right of payment to the prior payment in full of the Notes in the event of (a) a total or partial liquidation, dissolution or winding up of the Issuer, (b) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Issuer or its property, (c) an assignment for the benefit of creditors or (d) any marshalling of the Issuer's assets and liabilities;

(6) under which the Issuer may not make any payment or distribution of any kind or character with respect to any obligations on, or relating to, such Subordinated Shareholder Loans if (x) a payment Default on the Notes occurs and is continuing or (y) any other Default under the Indenture occurs

and is continuing on the Notes that permits the holders of the Notes to accelerate their maturity and the Issuer receives notice of such Default from the requisite holders of the Notes, until in each case the earliest of (a) the date on which such Default is cured or waived or (b) 180 days from the date such Default occurs (and only once such notice may be given during any 360 day period); and

(7) under which, if the holder of such Subordinated Shareholder Loans receives a payment or distribution with respect to such Subordinated Shareholder Loan (a) other than in accordance with the Indenture or as a result of a mandatory requirement of applicable law or (b) under circumstances described under clauses (5)(a) through (d) above, such holder will forthwith pay all such amounts to the Trustee to be held in trust for application in accordance with the Indenture.

"Subsidiary" of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or persons performing similar functions) or (b) any partnership, joint venture limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Issuer.

"Total Assets" means the consolidated total assets of the Issuer and its Restricted Subsidiaries as shown on the most recent balance sheet (excluding the footnotes thereto) of the Issuer.

"Ultimate Parent" means Liberty.

"UGC" means UnitedGlobalCom, Inc., a Delaware corporation, and any successor (by merger, consolidation, transfer, conversion of legal form or otherwise) to all or substantially all of its assets.

"Unrestricted Subsidiary" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;

(2) all the Indebtedness of such Subsidiary and its Subsidiaries shall, at the date of designation, and will at all times thereafter, consist of Non-Recourse Debt;

(3) such designation and the Investment of the Issuer in such Subsidiary complies with "*— Certain Covenants — Limitation on Restricted Payments*"; and

(4) on the date such Subsidiary is designated an Unrestricted Subsidiary, such Subsidiary is not a party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary with terms substantially less favorable to the Issuer than those that might have been obtained from Persons who are not Affiliates of the Issuer.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Certificate certifying that such designation complies with the foregoing conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be Incurred as of such date.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof and the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under the covenant described under "— *Certain Covenants — Limitation on Indebtedness*" on a *pro forma* basis taking into account such designation.

"Voting Stock" of a corporation means all classes of Capital Stock of such corporation then outstanding and normally entitled to vote in the election of directors.

"Wholly Owned Subsidiary" means a Restricted Subsidiary of the Issuer, all of the Capital Stock of which (other than directors' qualifying shares) is owned by the Issuer or another Wholly Owned Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

The Additional Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by one global note in registered form (the "Rule 144A Global Note") and Additional Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes"). The Global Notes will be deposited with a common depositary, and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note and ownership of interests in the Regulation S Global Note (the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through those participants.

Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Notes will not be issued in definitive form.

Book-Entry Interests in the Regulation S Global Note will initially be credited to Euroclear and Clearstream, on behalf of the owners of such interests. During the 40-day distribution compliance period within the meaning of Regulation S of the U.S. Securities Act (the "Distribution Compliance Period"), Book-Entry Interests in the Regulation S Global Note may be:

- held only through Euroclear or Clearstream; and
- transferred only outside the United States or to or for the account or benefit of non-U.S. persons under Regulation S or "qualified institutional buyers" under Rule 144A.

Prior to the expiration of the Distribution Compliance Period, a beneficial interest in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a Rule 144A Global Note only upon receipt of a written certification (in the form provided in the Indenture) that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" acquiring for its own account or the account of a "qualified institutional buyer" in a transaction complying with Rule 144A under the U.S. Securities Act and in accordance with any applicable securities laws of the states of the United States and other jurisdictions. After the expiration of the Distribution Compliance Period, such certification requirement shall no longer apply to such transfers.

The Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including some states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream, as applicable, or their respective nominees, will be considered the sole holder(s) of the Global Notes for all purposes under the indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own Book-Entry Interests to transfer their interests or to exercise any rights of holders of Notes under the Indenture. Neither we nor the trustee will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in the Global Note from the amount received by it in respect of the redemption of the Global Note. The redemption price payable in connection with the redemption of those Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of the Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of €50,000 principal amount or less may be redeemed in part.

Payments on Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) will be made by us in euro to the common depositary or its nominee for Euroclear and Clearstream. The common depositary or its nominee will distribute those payments to participants in accordance with their procedures. We expect that payments by participants to owners of Book-Entry Interests held through those participants will be governed by standing customer instructions and customary practices. Under the terms of the Indenture, we and the Trustee will treat the registered holder of the Global Notes (e.g., Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of us, the trustee or any of our or the trustee's agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear or Clearstream or of any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest;
- Euroclear or Clearstream or any participant or indirect participant; or
- the records of the common depositary.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of the portion of the aggregate principal amount of Notes as to which that participant or participants has or have given that direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, Euroclear and Clearstream reserve the right to exchange the Global Notes for definitive registered notes ("Definitive Registered Notes") in certificated form, and to distribute the definitive registered notes to its participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be affected in accordance with Euroclear's and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of definitive registered notes for any reason, including to sell Notes to persons in states which require physical delivery of those securities or to pledge those securities, the relevant holder of Notes must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth in "*Transfer Restrictions*". The Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions*".

The transfer of restricted Book-Entry Interests ("Restricted Book-Entry Interests") to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to those transfer restrictions.

The Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of any unrestricted Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that the relevant transfer is being made in accordance with Regulation S or Rule 144A (if available) under the U.S. Securities Act.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the other Global Note for as long as it remains a Book-Entry Interest.

Prescription

Claims against the Issuer for the payment of principal and additional amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the issuer for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive definitive registered Notes only:

- if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by us within 90 days;
- if Euroclear or Clearstream so requests following an event of default under the Indenture;
- if the Issuer, at its option, notifies the Trustee that it elects to cause the issuance of certificated Notes; or
- if certain other events provided for in the Indenture should occur.

Information Concerning Euroclear and Clearstream

Initial Settlement

Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Book-Entry Interests will be credited to the securities custody account of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the sale determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of those participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with Euroclear or Clearstream participants, either directly or indirectly.

TRANSFER RESTRICTIONS

The Notes are subject to restrictions on transfer as summarized below. By purchasing Additional Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with us and the Initial Purchasers:

(1) You understand and acknowledge that:

- the Additional Notes have not been registered under the U.S. Securities Act or any other applicable securities laws;
- the Additional Notes are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws; and
- unless so registered, the Additional Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You represent that you are not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of ours, that you are not acting on our behalf and that either:

- you are a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act) and are purchasing Additional Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or
- you are not a "U.S. person" (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Additional Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Additional Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Additional Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase Additional Notes, including an opportunity to ask questions of and request information from us.

(4) You represent that you are purchasing Additional Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Additional Notes in violation of the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Additional Notes, and each subsequent holder of the Additional Notes by its acceptance of the Additional Notes will agree, that until the end of the resale restriction period (as defined below), the Additional Notes may be offered, sold or otherwise transferred only:

- to the Issuer;
- under a registration statement that has been declared effective under the U.S. Securities Act;
- for so long as the Additional Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

- through offers and sales that occur outside the United States to a non-U.S. person within the meaning of Regulation S; or
- under any other available exemption from the registration requirements of the U.S. Securities Act;

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws.

You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the closing date and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends;
- we and the trustee reserve the right to require in connection with any offer, sale or other transfer of Additional Notes under the fourth or fifth bullet point above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee; and
- each Global Note will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS IN THE CASE OF RULE 144A NOTES: ONE YEAR AND IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF

AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

BY ACCEPTING THIS NOTE (OR AN INTEREST IN THE NOTES REPRESENTED HEREBY), EACH BENEFICIAL OWNER HEREOF IS DEEMED TO REPRESENT AND WARRANT (I) EITHER (A) IT IS NOT (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE), AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF) AN EMPLOYEE BENEFIT PLAN, AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED ("CODE") APPLIES, OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "BENEFIT PLAN INVESTOR"), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA AND/OR SECTION 4975 OF THE CODE ("SIMILAR LAWS"), AND NO PART OF THE ASSETS BEING USED BY IT TO ACQUIRE OR HOLD SUCH NOTE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY SUCH BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR AN INTEREST HEREIN DOES NOT AND WILL NOT RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAWS); AND (II) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN OTHERWISE THAN TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO REPRESENT AND AGREE WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE TO THE SAME EFFECT AS THE ACQUIRER'S REPRESENTATION AND AGREEMENT SET FORTH IN THIS SENTENCE.

(5) You acknowledge that the registrar will not be required to accept for registration of transfer any Additional Notes acquired by you, except upon presentation of evidence satisfactory to us and the registrar that the restrictions set forth herein have been complied with.

(6) You acknowledge that we, the Initial Purchasers and others, will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Additional Notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Additional Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

(7) You agree that you will give to each person to whom you transfer these Additional Notes notice of any restrictions on the transfer of the Additional Notes.

European Economic Area

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Initial Purchasers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant

Implementation Date"), it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes shall require the Issuer or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

TAX CONSIDERATIONS

Netherlands Tax Considerations

The following summary describes the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Netherlands tax considerations thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes.

This summary is based on the tax legislation, published case law, treaties, regulations and published policy, in force as of the date of this Memorandum, though it does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

(i) holders of Notes holding a substantial interest (*aanmerkelijk belang*) in the Issuer. Generally speaking, a holder of Notes holds a substantial interest in the Issuer, if such holder of Notes, alone or, where such holder is an individual, together with his or her partner (statutory defined term) or certain other related persons, directly or indirectly, holds (i) an interest of 5 percent or more of the total issued capital of the Issuer or of 5 percent or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;

(ii) investment institutions (*fiscale beleggingsinstellingen*); and

(iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen)* or other entities that are exempt from Netherlands corporate income tax.

Withholding Tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein (provided that the Notes do not in fact function as equity of the Issuer within the meaning of article 10, paragraph 1, under d of the Netherlands corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*).

Corporate and individual income tax

(a) Residents of the Netherlands

If a holder is resident or deemed to be resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of its enterprise to which the Notes are attributable, income derived from the Notes and gains realized upon the redemption, settlement or disposal of the Notes are generally taxable in the Netherlands (up to a maximum rate of 25.5%).

If an individual holder is resident or deemed to be resident of the Netherlands for Netherlands tax purposes (including the individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Notes and gains realized upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates of the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001)* (up to a maximum rate of 52%), if:

(i) the holder derives a share of the profit of an enterprise, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise, without being a shareholder, as defined in the Netherlands income tax act of 2001, to which enterprise the Notes are attributable; or

(ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Notes, taxable income with regard to the Notes must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realized. At present, this deemed return on income from savings and investments has been fixed at a rate of 4% of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of the individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Notes less the fair market value of certain qualifying liabilities on 1 January and 31 December, divided by two. The fair market value of the Notes will be included as an asset in the individual's yield basis. The deemed return on income from savings and investments of 4% will be taxed at a rate of 30%.

(b) Non-residents of the Netherlands

If a holder is not a resident nor deemed to be a resident of the Netherlands for Netherlands tax purposes (nor has opted to be taxed as a resident of the Netherlands), such holder is not taxable in respect of income derived from the Notes and gains realized upon the settlement, redemption or disposal of the Notes, unless:

(i) the holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or a permanent representative the Notes are attributable; or

(ii) the holder is entitled to a share in the profits of an enterprise that is effectively managed in the Netherlands, other than by way of securities or through an employment contract, and to which enterprise the Notes are attributable; or

(iii) the holder is an individual and such income or gains qualify as income from miscellaneous activities in the Netherlands, which include the performance of activities in the Netherlands with respect to the Notes that exceed regular, active portfolio management.

If the holder is a corporate entity, that corporate entity is subject to a maximum corporate income tax rate of 25.5%. If the holder is an individual, that holder is subject to a maximum individual income tax rate of 52%.

Gift, Estate or Inheritance Taxes

(a) Residents of the Netherlands

Generally, gift and inheritance taxes will be due in the Netherlands in respect of the acquisition of the Notes by way of a gift by, or on the death of, a holder that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

A holder of the Netherlands nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax, if he or she has been resident in the Netherlands during the ten years preceding the gift or his or her death. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift tax if he or she has been resident in the Netherlands at any time during the twelve months preceding the time of the gift. The same twelve-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

(b) Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Notes by way of gift by or as a result of the death of a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax, unless:

(i) such holder at the time of the gift, or at the time of his or her death, has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which permanent establishment or a permanent representative, the Notes are (deemed to be) attributable; or

(ii) the Notes are (deemed to be) attributable to the assets of an enterprise that is effectively managed in the Netherlands and the donor or the deceased is entitled, other than by way of securities or through an employment contract, to a share in the profits of that enterprise, at the time of the gift or at the time of his or her death; or

(iii) in the case of a gift of the Notes by a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such holder dies within 180 days after the date of the gift, while at the time of his or her death being a resident or deemed to be a resident of the Netherlands.

Value added tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of the cash payment made under the Notes, or in respect of a transfer of Notes.

Other taxes and duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty, will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

European Union Directive on the Taxation of Savings Interest

Under European Union Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts to the holder of the Notes or to otherwise compensate the holder of Notes for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the directive (if such a state exists).

U.S. Federal Income Taxation of the Additional Notes

The following is a description of the principal U.S. federal income tax consequences of the acquisition, ownership, and disposition of the Additional Notes by a holder thereof. This description does not apply to the Original Notes. This description only applies to Additional Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the Additional Notes through partnerships or other pass through entities;
- dealers or traders in securities or currencies;
- holders that have a functional currency other than the U.S. dollar;
- certain former citizens and long-term residents of the United States; or
- holders that will hold a Euro Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership, and disposition of the Additional Notes and does not address the U.S. federal income tax treatment of holders that do not acquire the Additional Notes as part of the initial distribution at their initial issue price. Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding and disposing of the Additional Notes.

This description is based on the Internal Revenue Code of 1986, as amended (the "Code"), final, temporary and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of the Additional Notes who for U.S. federal income tax purposes is:

- a citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the Additional Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

A Non-U.S. Holder is a beneficial owner of the Additional Notes that is neither a U.S. Holder nor a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes).

Internal Revenue Service Circular 230 Disclosure

Pursuant to Internal Revenue Service Circular 230, we hereby inform you that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code. Such description was written to support the marketing of the Additional Notes. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

U.S. Holder

Qualified Reopening

The Additional Notes should be treated, and we intend to treat them, as issued in a qualified reopening of the Original Notes for U.S. federal income tax purposes. Accordingly, the Additional Notes will have the same "issue price" and "issue date" as the Original Notes for U.S. federal income tax purposes. The issue price of the Original Notes is 83.500%.

A portion of the purchase price of the Additional Notes will be attributable to the amount of stated interest accrued prior to the date the Additional Notes are issued ("pre-issuance accrued interest"). The portion of the first stated interest payment equal to the pre-issuance accrued interest should be excluded from income and should instead reduce a holder's initial tax basis in a Euro Note. Prospective purchasers of the Additional Notes are urged to consult their own tax advisors regarding pre-issuance accrued interest.

A holder that purchases a Euro Note for an amount (excluding any amount attributable to pre-issuance accrued interest) less than or equal to its stated principal amount but in excess of its adjusted issue price (any such excess being "acquisition premium") is permitted to reduce the daily portions of original issue discount ("OID", as discussed below, see "— Interest and OID") by a fraction, the numerator of which is the excess of the holder's adjusted basis in the Euro Note immediately after its purchase (excluding any amount attributable to pre-issuance accrued interest) over the Euro Note's adjusted issue price, and the denominator of which is the excess of stated principal amount of the Euro Note over the Euro Note's adjusted issue price. Acquisition premium on the Additional Notes will be computed in euros and any such acquisition premium that is taken into account currently will reduce the amount of OID in euros for such period. The foregoing rule regarding acquisition premium does not apply to a holder that elects to treat all stated interest on a Euro Note as original issue discount.

Redemptions

We may redeem all or part of the Additional Notes at any time on or after April 15, 2013 by, in some cases, paying a specified premium (see "*Description of the Notes — Optional Redemption — Optional Redemption on* *or after April 15, 2013*”). U.S. Treasury Regulations regarding notes issued with OID contain special rules for determining the maturity date and the stated redemption price at maturity of a debt instrument where the issuer of such debt instrument has an unconditional option to make payments under such debt instrument under an alternative payment schedule. Under such rules, it is assumed that the issuer of such debt instrument will exercise an option to redeem a debt instrument if such exercise will lower the yield to maturity of such debt instrument. Since the terms of our option to redeem the Additional Notes on or after April 15, 2013 by, in some cases, paying a specified premium would not lower the yield to maturity of the Additional Notes, we will disregard this optional redemption provision in determining the amount or timing of any OID inclusions thereon.

We may also redeem all or part of the Additional Notes prior to April 15, 2013 by paying a “make whole” premium (see “*Description of the Notes — Optional Redemption — Optional Redemption prior to April 15, 2013*”) (the “Early Redemption Option”). We may also redeem up to 35% of the principal of the Additional Notes following certain Equity Offerings by paying a specified premium (see “*Description of the Notes — Optional Redemption — Optional Redemption upon Equity Offerings*”) (“Equity Offering Option”). In addition, you may require us to redeem the Additional Notes in the event of a Change of Control (see “*Description of the Notes — Certain Covenants — Change of Control*”) at a redemption price of 101% of the principal amount of the Additional Notes. Under the U.S. Treasury Regulations regarding notes issued with OID, if based on all the facts and circumstances at the date on which the notes are issued there is a remote likelihood that a contingent redemption option will be exercised, it is assumed that such redemption will not occur and will not cause the notes to be treated as contingent payment debt instruments, or “CPDIs”. We believe that as of the expected issue date of the Additional Notes, the likelihood that a Change of Control will occur or that we will exercise the Early Redemption Option or Equity Offering Option is, in each case, remote. In each case, our determination is not binding on the U.S. Internal Revenue Service, or the IRS, and if the IRS were to challenge this determination, you may be required to accrue income on Additional Notes that you own in excess of stated interest and OID, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of the Additional Notes before the resolution of the contingency. In the event that any of these contingencies were to occur, it would affect the amount and timing of the income that you recognize. U.S. Holders are urged to consult their own tax advisors regarding the potential application to the Additional Notes of the CPDI rules and the consequences thereof. The remainder of this discussion assumes that the Additional Notes will not be treated as CPDIs.

Interest and OID

The Additional Notes will be treated as having been issued with OID. An obligation generally is treated as having been issued with OID if its “stated redemption price at maturity” exceeds its issue price. The “stated redemption price at maturity” of a note is the sum of all payments required to be made on the note other than “qualified stated interest” payments. The “issue price” of an Additional Note is 83.500%. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer), or that is treated as constructively received, at least annually at a single fixed rate.

If you are a U.S. Holder, you are required to include qualified stated interest payments in income as interest when you accrue or receive those payments (in accordance with your accounting method for tax purposes). The stated interest on the Additional Notes will be treated as qualified stated interest. Therefore, stated interest paid to you on an Additional Note will be includible in your gross income as ordinary interest income at the time it accrues or is received, in accordance with your usual method of tax accounting. In addition, if you are a U.S. Holder, you may be required to include OID in income before you receive the associated cash payment, regardless of your accounting method for tax purposes. The amount of the OID you should include in income is the sum of the daily accruals of the OID for the Additional Note for each day during the taxable year (or portion of the taxable year) in which you held the Additional Note. The daily portion is determined by allocating the OID for each day of the accrual period. An accrual period may be of any length and the accrual periods may even vary in length over the term of the Additional Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day of an accrual period or on the final day of an accrual period. The amount of OID allocable to an accrual period is equal to the difference between (1) the product of the "adjusted issue price" of the Additional Note at the beginning of the accrual period and its yield to maturity (computed generally on a constant yield method and compounded at the end of each accrual period, taking into account the length of the particular accrual period) and (2) the amount of any qualified stated interest allocable to the accrual period. Such amount is then reduced by a portion of such holder's acquisition premium as described above (see "— *Qualified Reopening*"). The "adjusted issue price" of a Additional Note at the beginning of any accrual period is the sum of the issue price of the Additional Note plus the amount of OID allocable to all prior accrual periods reduced by any payments you received on the Additional Note that were not qualified stated interest. Under these rules, you will generally have to include in income increasingly greater amounts of OID in successive accrual periods. Under the OID Regulations, a holder of a note with OID may elect to include in gross income all interest that accrues on the note using the constant yield method. Once made with respect to the Additional Note, the election cannot be revoked without the consent of the IRS. If you are a holder considering an election under these rules you should consult your tax advisor.

Interest and OID included in your gross income with respect to the Additional Notes will be treated as foreign source income for U.S. federal income tax purposes. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. For this purpose, the interest should generally constitute "passive category income", or in the case of certain U.S. Holders, "general category income". As an alternative to the tax credit, a U.S. Holder may elect to deduct such taxes (the election would then apply to all foreign income taxes such U.S. Holder paid in that taxable year). U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

Your adjusted tax basis in an Additional Note will be increased by the amount of OID included in your gross income with respect to the Additional Note under the rules discussed herein and decreased by the amount of any payment other than qualified stated interest with respect to the Additional Note.

Any interest paid in euro will be included in your gross income in an amount equal to the U.S. dollar value of the euro, including the amount of any withholding tax thereon, regardless of whether the euro are converted into U.S. dollars. Generally, if you are a U.S. Holder that uses the cash method of tax accounting you will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder generally will not realize foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the euros received. Generally, if you are a U.S. Holder that uses the accrual method of tax accounting you will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. Holder's taxable year). Alternatively, an accrual basis U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate interest income at the spot rate of exchange on the last day of the accrual period or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. If you are a U.S. Holder that uses the accrual method of accounting for tax purposes you will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date payment is received differs from the rate applicable to an accrual of that interest. The amount of foreign currency gain or loss to be recognized by the U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the euro interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above). This foreign currency gain or loss will be ordinary income or loss. Foreign currency gain or loss generally will be U.S. source provided that the residence of a taxpayer is considered to be the United States for purposes of the rules regarding foreign currency gain or loss.

Similarly, OID on an Additional Note will be determined for any accrual period in euros and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or disposition of an Additional Note), a U.S. Holder will recognize foreign currency gain or loss in an amount determined in the same manner as interest income received by a holder on the accrual basis, as described above.

Sale, Exchange or Disposition

Your tax basis in your Additional Note generally will be its U.S. dollar cost increased by the amount of OID previously included in income and decreased by the pre-issuance accrued interest (described above under "Qualified Reopening") and payments other than qualified stated interest made with respect to the Additional Note. If you purchase your Additional Note with euros, the U.S. dollar cost of your Additional Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash basis taxpayer, or an accrual basis taxpayer if you so elect, and your Additional Note is traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, the U.S. dollar cost of your Additional Note will be the U.S. dollar value of the purchase price on the settlement date of your purchase. You will generally recognize gain or loss on the sale or retirement of your Additional Note equal to the difference between the amount you realize on the sale or retirement (less any accrued but unpaid interest not previously included in income, which will be subject to tax in the manner described above under "— Interest and OID) and your tax basis in your Additional Note. You will recognize capital gain or loss when you sell or dispose of your Additional Note, except to the extent attributable to changes in exchange rates as described below. Capital gain of a non-corporate U.S. Holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. If your Additional Note is sold or retired for an amount in euros or any other foreign currency, the amount you realize will be the U.S. dollar value of such amount on the date the Additional Note is disposed of or retired, except that in the case of an Additional Note that is traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the euro or such other foreign currency, as the case may be, on the settlement date of the sale.

You must treat any portion of the gain or loss that you recognize on the sale or disposition of a Additional Note as ordinary income or loss to the extent attributable to changes in exchange rates. However, you take exchange gain or loss into account only to the extent of the total gain or loss you realize on the transaction.

Exchange of Amounts in Other than U.S. Dollars

If you receive euros as interest on your Additional Note or on the sale or disposition of your Additional Note, your tax basis in the euros will equal its U.S. dollar value when the interest is received or at the time of the sale or disposition. If you purchase euros, you generally will have a tax basis equal to the U.S. dollar value of the euros on the date of your purchase. If you sell or dispose of euros, including if you use it to purchase Additional Notes or exchange it for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Additional Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale or other disposition of the Additional Notes.

Non-U.S. Holder

Subject to the discussion below under the caption "— *U.S. Backup Withholding Tax and Information Reporting*", if you are a Non-U.S. Holder, payments to you of interest and accruals by you of OID on an Additional Note generally will not be subject to U.S. federal income tax unless the income is effectively connected with your conduct of a trade or business in the United States.

Subject to the discussion below under the caption "— *U.S. Backup Withholding Tax and Information Reporting*", if you are a Non-U.S. Holder, any gain realized by you upon the sale, exchange or disposition of an Additional Note generally will not be subject to U.S. federal income tax, unless:

- the gain is effectively connected with your conduct of a trade or business in the United States; or
- if you are an individual Non-U.S. Holder, you are present in the United States for 183 days or more in the taxable year of the sale, exchange or disposition and certain other conditions are met.

Further Issuances

The Issuer may have further issuances of Additional Notes as described under "*Description of the Notes*". Such notes, even if they are treated for non-tax purposes as part of the same series as the Additional Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, such notes may be considered to have been issued with a different amount of OID than the Additional Notes. These differences may affect the market value of the Additional Notes if such further issuance is not otherwise distinguishable from the Additional Notes.

U.S. Backup Withholding Tax and Information Reporting

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest on, an obligation and to proceeds of the sale or disposition of an obligation, to certain non-corporate holders of the Additional Notes that are U.S. persons. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman, on an Additional Note to a holder of an Additional Note that is a U.S. person, other than an exempt recipient, such as a corporation, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal and interest to a holder of an Additional Note that is not a U.S. person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification as to the holder's non-U.S. status is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding tax rate is 28% for taxable years through 2010.

Backup withholding is not an additional tax. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Additional Notes. Prospective purchasers of the Additional Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

CERTAIN EMPLOYEE BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain fiduciary standards and certain other requirements on employee benefit plans subject to ERISA, including entities such as collective investment funds, certain insurance company separate accounts, certain insurance company general accounts, and entities whose underlying assets are treated as being subject to ERISA (collectively, “ERISA Plans”), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment should be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment, including, but not limited to, the matters discussed above under “*Risk Factors*” and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes or any interest therein.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, “Plans”), and certain persons (referred to as “parties in interest” under ERISA or “disqualified persons” under the Code) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code, and the transaction may have to be rescinded.

Governmental plans, certain church plans and certain non-U.S. plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local, non-U.S. or other laws or regulations (such as the prohibited transaction rules of Section 503 of the Code) that are substantially similar to the foregoing provisions of ERISA or the Code (“Similar Laws”).

Each of the Issuer, the Initial Purchasers, the Trustee and certain other parties, or their respective affiliates, may be the sponsor of, or Fiduciary to, one or more Plans. Because such parties may receive certain benefits in connection with the sale of the Additional Notes to such Plans, the purchase of such Additional Notes using the assets of a Plan over which any of such parties is the sponsor or a Fiduciary might be deemed to be a violation of the prohibited transaction rules of ERISA and/or Section 4975 of the Code for which no exemption may be available. Accordingly, the Additional Notes may not be purchased using the assets of any Plan if any of the Issuer, UPC Holding, the Initial Purchasers, the Trustee or their respective affiliates is the sponsor of or Fiduciary to, such Plan.

In addition, if the Additional Notes are acquired by a Plan with respect to which the Issuer, the Initial Purchasers, the Trustee, any holder of Additional Notes or any of their respective affiliates is a party in interest or a disqualified person, other than a sponsor of, or Fiduciary to, such Plan, such transaction could be deemed to be a direct or indirect prohibited transaction within the meaning of Section 406 of ERISA and/or Section 4975 of the Code. In addition, if a party in interest or disqualified person with respect to a Plan owns or acquires a 50% or more beneficial interest in the Issuer, the acquisition or holding of the Additional Notes by or on behalf of such Plan could be considered to constitute an indirect prohibited transaction. Moreover, the acquisition or holding of the Additional Notes or other indebtedness issued by the Issuer by or on behalf of a party in interest or disqualified person with respect to a Plan that owns or acquires an equity interest in the Issuer also could give rise to an indirect prohibited transaction. Certain exemptions from the prohibited transaction provisions of ERISA and Section 4975 of the Code could be applicable, however, to a Plan’s acquisition of an Additional Note depending in part upon the type of Fiduciary making the decision to acquire an Additional Note and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction

Class Exemption ("PTE") 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 84-14 (amended effective August 23, 2005), regarding transactions effected by a "qualified professional asset manager;" PTE 96-23, regarding investments by certain "in-house asset managers;" and PTE 95-60, regarding investments by insurance company general accounts. In addition to the class exemptions listed above, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory prohibited transaction exemption for transactions between a Plan and a person or entity that is a party in interest to such Plan solely by reason of providing services to the Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Plan involved in the transaction), *provided* that the Plan receives no less, and pays no more than "adequate consideration" (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might not cover all acts which might be construed as prohibited transactions.

EACH ACQUIRER AND EACH TRANSFEREE OF A NOTE OR ANY INTEREST THEREIN WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTES OR ANY INTEREST THEREIN, (1) EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, A BENEFIT PLAN INVESTOR OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAWS, AND NO PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD SUCH NOTES OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTES OR ANY INTEREST THEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); (2) NEITHER THE ISSUER NOR ANY OF ITS AFFILIATES IS A FIDUCIARY (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER AND HOLDER IN CONNECTION WITH THE NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH NOTES OR ANY INTEREST THEREIN OTHERWISE THAN TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE.

THE ISSUER, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, SHALL BE ENTITLED TO CONCLUSIVELY RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY ACQUIRERS AND TRANSFEREES OF ANY NOTES WITHOUT FURTHER INQUIRY. THE ACQUIRER AND ANY FIDUCIARY CAUSING IT TO ACQUIRE AN INTEREST IN ANY NOTES AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, FROM AND AGAINST ANY COST, DAMAGE OR LOSS INCURRED BY ANY OF THEM AS A RESULT OF ANY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS BEING OR BECOMING FALSE.

ANY PURPORTED ACQUISITION OR TRANSFER OF ANY NOTE OR BENEFICIAL INTEREST THEREIN TO AN ACQUIRER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE REQUIREMENTS DESCRIBED HEREIN SHALL BE NULL AND VOID *AB INITIO*.

It should be noted that an insurance company's general account may be deemed to include assets of Plans under certain circumstances, e.g., where a Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering the purchase of Additional Notes with assets of its general account should consider such purchase and the insurance company's ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and a regulation promulgated by the U.S. Department of Labor under that Section of ERISA, 29 C.F.R. Section 2550.401c-1.

A fiduciary of an ERISA Plan or other employee benefit plan that is subject to Similar Laws, prior to investing in the Additional Notes or any interest therein, should take into account, among other considerations, whether the fiduciary has the authority to make the investment; the composition of the plan's portfolio with respect to diversification by type of asset; the plan's funding objectives; the tax effects of the investment; and whether, under the general fiduciary standards of ERISA or other applicable laws, including investment prudence and diversification, an investment in the Additional Notes or any interest therein is appropriate for the plan, taking into account the plan's particular circumstances and all of the facts and circumstances of the investment, including such matters as the overall investment policy of the plan and the composition of the plan's investment portfolio.

The sale of any Additional Note or any interest therein to a Plan or a governmental, church or non-U.S. plan that is subject to any Similar Laws is in no respect a representation by the Issuer, the Initial Purchasers or the Trustee, or any of their respective affiliates, that such an investment meets all relevant legal requirements with respect to investments by such plans generally or any particular such plan; that the prohibited transaction exemptions described above, or any other prohibited transaction exemption, would apply to such an investment by such plan in general or any particular such plan; or that such an investment is appropriate for such plan generally or any particular such plan.

The discussion of ERISA and Section 4975 of the Code contained in this offering memorandum, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

Any Plan or employee benefit plan not subject to ERISA or Section 4975 of the Code, and any fiduciary thereof, proposing to invest in the Additional Notes or any interest therein should consult with its legal advisors regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA, Section 4975 of the Code and any Similar Laws, to such investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of any applicable requirement of ERISA, Section 4975 of the Code or Similar Laws.

PLAN OF DISTRIBUTION

The Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Issuer, the entire principal amount of the Additional Notes. The sale will be made pursuant to a purchase agreement dated May 21, 2009.

The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase Additional Notes from the Issuer, are several and not joint. The purchase agreement provides that the Initial Purchasers will purchase all the Additional Notes if any of them are purchased and the Issuer will sell the respective principal amount of Additional Notes set forth opposite their names in the table below.

Initial Purchasers (1)	Principal Amount of Notes
Credit Suisse Securities (Europe) Limited	€ 75,000,000
BNP Paribas	22,500,000
J.P. Morgan Securities Ltd.	22,500,000
Morgan Stanley & Co. International plc	22,500,000
HSBC Bank plc	7,500,000
Total	€150,000,000

(1) Sales in the United States will be made through affiliates of the Initial Purchasers listed above.

The Initial Purchasers initially propose to offer the Additional Notes for resale at the issue price that appears on the cover of this offering memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell Additional Notes through certain of their affiliates.

In the purchase agreement, the Issuer has agreed that:

- The Issuer will not offer or sell any of its debt securities having a maturity of more than one year from the date of issue of the Additional Notes (other than the Additional Notes), without the prior consent of Credit Suisse Securities (Europe) Limited, as representative of the Initial Purchasers, for a period of 30 days after the closing date of the offering of Additional Notes.

- The Issuer will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

United States

Each purchaser of Additional Notes offered by this offering memorandum, in making its purchase, will be deemed to have made the acknowledgements, representations and agreements as described under "*Transfer Restrictions*".

The Additional Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Additional Notes, an offer or sale of Additional Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements for the U.S. Securities Act is such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act. For a description of certain further restrictions on resale or transfer of the Additional Notes, see "*Transfer Restrictions*".

The Additional Notes may not be offered to the public within any jurisdiction. By accepting delivery of this offering memorandum, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Additional Note to the public.

United Kingdom

In the purchase agreement, each Initial Purchaser has also represented and agreed that:

(i) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Additional Notes in, from or otherwise involving the United Kingdom; and

(ii) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Additional Notes in circumstances in which section 21(1) of the FSMA does not apply to such Initial Purchaser.

Each Initial Purchaser has also agreed in the purchase agreement that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Additional Notes or possesses or distributes this offering memorandum, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Additional Notes under the laws and regulations in force in any jurisdiction to which it is subject.

This offering memorandum is directed solely at persons who (i) are outside the United Kingdom or (ii) are investment professionals, as such term is defined in Article 19(1) of the Financial Promotion Order (iii) are persons falling within Article 49(2)(a) to (d) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as "relevant persons"). This offering memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

European Economic Area

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus. Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Additional Notes to the public in that Relevant Member State prior to the publication of an offering memorandum in relation to the Additional Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Additional Notes to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Additional Notes shall require the Issuer or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Additional Notes to the public" in relation to any Additional Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Additional Notes to be offered so as to enable an investor to decide to purchase or subscribe the Additional Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

General

There is currently no established trading market for the Additional Notes. In addition, the Additional Notes are subject to certain restrictions on resale and transfer as described under "*Transfer Restrictions*". The Issuer will apply to list the Additional Notes on the Official List and to trade on the regulated market of the Irish Stock Exchange. The Initial Purchasers have advised the Issuer that they intend to make a market in the Additional Notes, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the Additional Notes at any time in their sole discretion. In addition, such market making activities will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, the Issuer cannot assure you that a liquid trading market will develop for the Additional Notes, that you will be able to sell your Additional Notes at a particular time or that the prices that you receive when you sell will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

In connection with the offering of the Additional Notes, the Initial Purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Additional Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Additional Notes. Syndicate covering transactions involve purchases of the Additional Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Additional Notes to be higher than it would otherwise be in the absence of those transactions. If the Initial Purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

The Initial Purchasers and their affiliates perform various financial advisory, investment banking advisory, consulting, commercial banking and other financial services from time to time for the Issuer and its affiliates.

Certain Initial Purchasers and certain affiliates of the Initial Purchasers are lenders under the UPC Broadband Holding Bank Facility and parties to certain of our hedging arrangements. In addition, affiliates of the Initial Purchasers are acting as initial purchasers with respect to our concurrent offering of the Dollar Notes.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by White & Case LLP, London, England, as to matters of United States federal and New York law, and by Allen & Overy LLP, the Netherlands, as to matters of Dutch law. Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, London, England, as to matters of United States federal and New York law and by Nauta Dutilh N.V., as to matters of Dutch law.

ENFORCEMENT OF JUDGEMENTS

We have been advised by our Dutch counsel, Allen & Overy LLP, that there is doubt as to the enforceability in the Netherlands of civil liabilities based on the securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. courts. The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not be enforceable in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be relitigated before a competent Dutch court. A final judgment by a U.S. court, however, may under current practice be given binding effect, if and to the extent that the Dutch court finds that the jurisdiction of the U.S. court has been based on grounds which are internationally acceptable and that proper legal procedures have been observed, unless such judgment contravenes principles of Dutch public policy.

Dutch courts usually deny the recognition and enforcement of punitive damages. Moreover, a Dutch court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

Dutch civil procedure differs substantially from U.S. civil procedure in a number of respects. Insofar as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under Dutch law.

INDEPENDENT AUDITORS

The consolidated balance sheets of UPC Holding B.V. and its subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of operations and comprehensive loss, owners' deficit, and cash flows in the three year period ended December 31, 2008, 2007 and 2006, included in this offering memorandum, have been audited by KPMG Accountants N.V., independent accountants, as stated in their reports appearing herein which include explanatory paragraphs. These explanatory paragraphs state that, as discussed in note 2 of the UPC Holding Financial Statements in 2008, UPC Holding changed its method of accounting for certain investments, and in 2007 UPC Holding changed its method of accounting for income tax uncertainties, and in 2009, UPC Holding adopted SFAS 160, "*Non Controlling Interests in Consolidated Financial Statements"* (SFAS 160), and recasted the consolidated financial statements referred to above to give retrospective effect to the adoption of SFAS 160.

LISTING AND GENERAL INFORMATION

Listing

Maples and Calder, as the Irish Listing Agent, is acting solely in its capacity as listing agent for the Issuer in connection with the Additional Notes and is not itself seeking admission of the Additional Notes to the Official List of the Irish Stock Exchange or to trading on the Irish Stock Exchange for the purposes of the Prospectus Directive.

The listing of the Additional Notes on the Irish Stock Exchange will be expressed in euro. Transactions will normally be effected for settlement on the third business day after the day of the transaction.

The total expenses to be incurred in connection with the admission to trading on the Irish Stock Exchange are approximately €4,690.

Copies of the following documents may be inspected in physical form during usual business hours on any weekdays (Saturdays, Sundays and public holidays excepted) at the registered offices of the Issuer and the Irish Listing, Transfer Agent and Paying Agent so long as the Notes are listed on the Irish Stock Exchange:

(1) the memorandum and deed of incorporation and articles of association of the Issuer;

(2) the March 31, 2009 condensed consolidated financial statements and the December 31, 2008 consolidated financial statements;

(3) the Indenture governing the Notes;

(4) the purchase agreement;

(5) the Share Pledge; and

(6) the high yield intercreditor agreement and accession deed.

Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published in an Irish newspaper of general circulation (which is expected to be the Irish Times).

We will maintain a paying and transfer agent in Ireland for as long as any of the Notes are listed on the Irish Stock Exchange. We reserve a right to vary such appointment and we will publish notice of such change of appointment in an Irish newspaper of general circulation (which is expected to be the Irish Times).

We estimate that the net proceeds from the sale of the Additional Notes offered hereby will be approximately €131.2 million (based on an original issue discount of 10.9% and after deducting the Initial Purchasers' commissions and certain estimated expenses to be incurred in connection with this offering including legal, accounting and other professional fees incurred in connection therewith).

Clearing Information

The Additional Notes sold pursuant to Regulation S and Rule 144A in this offering have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes 042544337 and 042544329 respectively. The international securities identification number (ISIN) for the Additional Notes sold pursuant to Regulation S is XS0425443370 and the international identification number (ISIN) for Additional Notes sold pursuant to Rule 144A is XS0425443297.

During the 40-day distribution compliance period (as defined in Regulation S under the U.S. Securities Act), the Additional Notes sold pursuant to Regulation S will be represented by a temporary global note with a temporary ISIN XS0431118925 and common code 043111892.

Legal Information

The Issuer is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) and was incorporated under the laws of the Netherlands on June 27, 2000.

The principal office of the Issuer is at Boeing Avenue 53, 1119 PE Schipol-Rijk, the Netherlands, telephone number + 31 (0) 20 778 9840. The Issuer is registered with the Dutch Commercial Register under number 34136926.

Pursuant to Article 3 of its articles of association, the purpose of the Issuer is to incorporate, to participate in any way whatsoever in, to manage, to supervise businesses and companies; to finance businesses and companies; to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities; to render advice and services to businesses and companies with which the Issuer forms a group and to third parties; to grant guarantees, to bind the Issuer and to pledge its assets for obligations of businesses and companies with which it forms a group and on behalf of third parties; to acquire, alienate, manage and exploit registered property and items of property in general; to trade in currencies, securities and items of property in general; to develop and trade in patents, trade marks, licenses, know-how and other industrial property rights to perform any and all activities of an industrial, financial or commercial nature; and do all that is connected therewith or may be conducive thereto.

The Issuer's fiscal year ends on December 31.

The creation and issuance of the Additional Notes has been authorized by resolutions of the management board and the shareholders of the Issuer dated May 21, 2009. The creation of the Share Pledge has been authorized by resolutions of the shareholders of the Issuer and the management board and the shareholders of Liberty Global Europe dated April 16, 2009 and ratified by resolutions of the shareholders of the Issuer and the management board and the shareholders of Liberty Global Europe dated May 21, 2009.

Offering Memorandum

Except as disclosed in this offering memorandum:

- there has been no material adverse or significant change in the financial or trading position of the Issuer since December 31, 2008; and
- the Issuer neither is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this offering memorandum which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

The Issuer accepts responsibility for the information contained in this offering memorandum. The information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect import of such information.

The language of this offering memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable laws.

GLOSSARY

Term	Definition
"ADSL"	Asymmetrical Digital Subscriber Line; ADSL is an internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone lines.
"B2B"	Business-to-business.
"bandwidth"	The width of a communications channel; in other words, the difference between the highest and lowest frequencies available for network signals. Bandwidth also refers to the capacity to move information.
"broadband"	Any circuit that can transfer data significantly faster than a dial up phone line.
"CLEC"	Competitive local exchange carrier.
"Internet"	A collection of interconnected networks spanning the entire world, including university, corporate, government and research networks. These networks all use the IP (Internet Protocol) communications protocol.
"MHz"	Megahertz; a unit of frequency equal to one million Hertz.
"network"	An interconnected collection of components which would, in a telecommunications network, consist of switches connected to each other and to customer equipment by real or virtual links. Transmission links may be based on fiber optic or metallic cable or point to point radio connections.
"NVoD"	Near Video-on-Demand; a pay per view facility offered by digital television providers where a subscriber can request from a list of videos a movie with staggered start times (usually half to quarter-hour intervals). This avoids the cost of using video on demand technology.
"SMATVs"	Satellite Master Antenna Television Systems.
"VoD"	Video on demand; a service which provides subscribers with enhanced playback functionality and gives subscribers access to a broad array of on demand programming, including movies, live events, local drama, music videos, kids programming and adult programming.
"VoIP"	Voice over Internet Protocol; a telephone service via internet, or via TCP/IP protocol, which can be accessed using a computer, a sound card, adequate software and a modem.

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UPC HOLDING B.V.

Condensed Consolidated Financial Statements
March 31, 2009

UPC HOLDING B.V.

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2009	December 31, 2008
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 56.6	€ 108.6
Trade receivables, net	286.3	427.1
Receivables — related party (note 10)	4.4	4.1
Deferred income taxes	46.9	44.7
Derivative instruments (note 5)	82.7	134.1
Other current assets	86.8	82.5
Total current assets	563.7	801.1
Restricted cash (note 8)	348.3	330.2
Investments (note 4)	32.4	31.1
Property and equipment, net (note 7)	3,919.3	3,977.5
Goodwill (note 7)	4,770.3	4,817.0
Intangible assets subject to amortization, net (note 7)	549.0	594.8
Other assets, net (note 5)	414.7	303.0
Total assets	€ 10,597.7	€ 10,854.7

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

UPC HOLDING B.V.

CONDENSED CONSOLIDATED BALANCE SHEETS — continued (unaudited)

	March 31, 2009	December 31, 2008
	in millions	
LIABILITIES AND OWNERS' DEFICIT		
Current liabilities:		
Accounts payable:		
Third party	€ 242.8	€ 266.4
Related party (note 10)	9.8	17.5
Accrued liabilities:		
Third party	471.5	503.4
Related party (note 10)	4.9	0.8
Deferred revenue and advance payments from subscribers and others	405.2	441.0
Derivative instruments (note 5)	293.2	274.8
Current portion of debt and capital lease obligations (note 8)	14.1	12.7
Total current liabilities	1,441.5	1,516.6
Long-term debt and capital lease obligations (note 8):		
Third party	7,880.7	7,775.1
Related party (note 10)	8,428.9	8,480.8
Deferred tax liabilities	73.5	87.1
Other long-term liabilities (notes 5 and 10)	766.2	671.5
Total liabilities	18,590.8	18,531.1
Commitments and contingencies (notes 9 and 11)		
Owners' deficit:		
Parent's deficit:		
Distributions and accumulated losses in excess of contributions	(8,156.8)	(7,762.4)
Accumulated other comprehensive earnings (loss), net of taxes	10.6	(52.4)
Total parent's deficit	(8,146.2)	(7,814.8)
Noncontrolling interests	153.1	138.4
Total owners' deficit	(7,993.1)	(7,676.4)
Total liabilities and owners' deficit	€ 10,597.7	€ 10,854.7

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

UPC HOLDING B.V.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended March 31, 2009	Three months ended March 31, 2008
	in millions	
Revenue (note 10)	€ 860.8	€ 870.1
Operating costs and expenses:		
Operating (other than depreciation and amortization) (including stock-based compensation) (notes 9 and 10)	316.3	323.1
Selling, general and administrative (SG&A) (including stock-based compensation) (notes 9 and 10)	149.8	162.4
Related-party fees and allocations, net (note 10)	(5.7)	(0.7)
Depreciation and amortization	265.1	270.3
Impairment, restructuring and other operating charges, net	3.6	2.7
	729.1	757.8
Operating income	131.7	112.3
Non-operating income (expense):		
Interest expense (note 8):		
Related party (note 10)	(160.5)	(159.2)
Third party	(89.8)	(112.0)
Interest income	6.2	7.2
Realized and unrealized losses on derivative instruments, net (notes 5 and 6)	(45.1)	(276.4)
Foreign currency transaction gains (losses), net	(241.1)	181.4
Unrealized gains due to changes in fair values of certain investments, net (notes 4 and 6)	1.4	0.5
Other income (expense), net	(0.6)	0.1
	(529.5)	(358.4)
Loss before income taxes	(397.8)	(246.1)
Income tax benefit (expense)	14.0	(8.0)
Net loss	(383.8)	(254.1)
Net loss (earnings) attributable to noncontrolling interests	4.0	(0.6)
Net loss attributable to parent	€ (379.8)	€ (254.7)

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

UPC HOLDING B.V.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	Three months ended March 31,	
	2009	2008
	in millions	
Net loss	€ (383.8)	€ (254.1)
Other comprehensive earnings, net of taxes:		
Foreign currency translation adjustments	82.8	110.4
Pension related adjustments	—	0.5
Other comprehensive earnings	82.8	110.9
Comprehensive loss	(301.0)	(143.2)
Comprehensive earnings attributable to noncontrolling interests	(7.0)	(5.3)
Comprehensive loss attributable to parent	€ (308.0)	€ (148.5)

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

UPC HOLDING B.V.

CONDENSED CONSOLIDATED STATEMENT OF OWNERS' DEFICIT (unaudited)

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings (loss), net of taxes	Total parent's deficit	Noncontrolling interests	Total owners' deficit
			in millions		
Balance at January 1, 2009	€ (7,762.4)	€ (52.4)	€ (7,814.8)	€ 138.4	€ (7,676.4)
Net loss	(379.8)	—	(379.8)	(4.0)	(383.8)
Other comprehensive earnings, net of taxes	—	71.8	71.8	11.0	82.8
Stock-based compensation, including related taxes (notes 9 and 10)	(8.1)	—	(8.1)	—	(8.1)
Capital charge in connection with the exercise of LGI stock incentive awards (note 10)	(1.1)	—	(1.1)	—	(1.1)
Adjustments due to changes in subsidiaries' equity and other, net	(5.4)	(8.8)	(14.2)	7.7	(6.5)
Balance at March 31, 2009	€ (8,156.8)	€ 10.6	€ (8,146.2)	€ 153.1	€ (7,993.1)

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

UPC HOLDING B.V.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended March 31,	
	2009	2008
	in millions	
Cash flows from operating activities:		
Net loss	€ (383.8)	€ (254.1)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation expense	3.4	8.4
Related-party fees and allocations, net	(5.7)	(0.7)
Depreciation and amortization	265.1	270.3
Impairment, restructuring and other operating charges, net	3.6	2.7
Amortization of deferred financing costs and non-cash interest	162.8	161.5
Realized and unrealized losses on derivative instruments, net	45.1	276.4
Foreign currency transaction losses (gains), net	241.1	(181.4)
Unrealized gains due to changes in fair values of certain investments, net	(1.4)	(0.5)
Deferred income tax expense (benefit)	(16.5)	4.4
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	(72.6)	(60.1)
Net cash provided by operating activities	241.1	226.9
Cash flows from investing activities:		
Capital expended for property and equipment	(223.7)	(210.0)
Cash paid in connection with acquisitions, net of cash acquired	(0.1)	(13.5)
Other investing activities, net	0.6	(0.2)
Net cash used by investing activities	(223.2)	(223.7)
Cash flows from financing activities:		
Repayments and repurchases of third-party debt and capital lease obligations	(0.6)	(3.4)
Net repayments of shareholder loan	(47.2)	(90.7)
Payment of deferred financing costs	(20.5)	—
Other financing activities, net	—	(4.0)
Net cash used by financing activities	(68.3)	(98.1)
Effect of exchange rates on cash	(1.6)	2.7
Net decrease in cash and cash equivalents	(52.0)	(92.2)
Cash and cash equivalents:		
Beginning of period	108.6	153.6
End of period	€ 56.6	€ 61.4
Cash paid for interest	€ 118.2	€ 258.5
Net cash paid for taxes	€ 2.5	€ 3.7

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

UPC HOLDING B.V.

Notes to Condensed Consolidated Financial Statements
March 31, 2009
(unaudited)

(1) Basis of Presentation

UPC Holding B.V. (UPC Holding), is an indirect wholly-owned subsidiary of Liberty Global Europe, N.V. (Liberty Global Europe). Liberty Global Europe is an indirect wholly-owned 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 video, voice and broadband internet services, with consolidated broadband communications and/or direct-to-home (DTH) satellite operations at March 31, 2009 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 GlobalCom 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 (U.S. GAAP). Accordingly, these financial statements do not include all of the information required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included in our 2008 annual financial statements.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, the valuation of acquisition-related assets and liabilities, allowances for uncollectible accounts, 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 March 31, 2009.

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

(2) Accounting Changes and Recent Accounting Pronouncements

Accounting Changes

SFAS 141(R)

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141(R), *Business Combinations* (SFAS 141(R)). SFAS 141(R) replaces SFAS 141, *Business Combinations,* and, among other items, 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) also provides that the acquirer shall not adjust the finalized accounting for business combinations, including business combinations completed prior to the effective date of SFAS 141(R), for changes in acquired tax uncertainties or changes in the valuation allowances for acquired deferred tax assets that occur subsequent to the effective date of SFAS 141(R). 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 prospectively adopted the provisions of SFAS 141(R) effective January 1, 2009.

SFAS 157

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value under U.S. 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 was 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 prospectively adopted SFAS 157 (exclusive of the deferred provisions discussed above) effective January 1, 2008. We prospectively adopted the deferred provisions of SFAS 157 effective January 1, 2009.

SFAS 160

In December 2007, the FASB issued SFAS 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 states 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 adopted SFAS 160 effective January 1, 2009 and such adoption resulted in changes in the presentation of noncontrolling interests (formerly known as minority interests) in our condensed consolidated financial statements for all periods presented. In this regard, we have retrospectively reclassified the accumulated amount of noncontrolling interests to owners' deficit in our condensed consolidated balance sheets and condensed consolidated statement of owners' deficit and we have retrospectively recast our condensed consolidated statements of operations and condensed consolidated statements of comprehensive loss to separately present amounts attributable to controlling and noncontrolling interests.

FSP 142-3

In April 2008, the FASB issued FASB Staff Position (FSP) 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 U.S. 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. We prospectively adopted the provisions of FSP 142-3 on January 1, 2009.

Recent Accounting Pronouncements

FSP 157-4

In April 2009, the FASB issued FSP No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157- 4). FSP 157-4 clarifies that transaction or quoted prices may not be determinative of fair value when the volume and level of activity for the asset or liability have significantly decreased. FSP 157-4 also includes guidance with respect to the circumstances that indicate a transaction is not orderly and the resulting ramifications on the fair value measurement for the asset or liability. FSP 157-4 is effective for interim and annual periods ending after June 15, 2009 and shall be applied prospectively. We will adopt FSP 157-4 effective June 30, 2009 and do not expect this adoption to have a material impact on our consolidated financial statements.

FSP 107-1

In April 2009, the FASB issued FSP No. 107, *Interim Disclosures about Fair Value of Financial Instruments* (FSP 107-1). FSP 107-1 amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments,* to require disclosures about fair value of financial instruments for interim reporting periods as well as in annual financial statements. FSP 107-1 also amends Accounting Principles Board Opinion No. 28, *Interim Financial Reporting,* to require those disclosures in summarized financial information at interim reporting periods. FSP 107-1 is effective for interim periods ending after June 15, 2009. We will adopt FSP 107-1 effective June 30, 2009 and do not expect this adoption to have a material impact on our consolidated financial statements.

(3) Common Control Transfer

Chellomedia Interactive Services Group

Effective April 1, 2008, the business activities and certain assets of Chellomedia Interactive Services Group were transferred from Chellomedia BV (Chellomedia), another subsidiary of Liberty Global Europe, to UPC Holding for no material consideration. Chellomedia is a direct subsidiary of Liberty Global Europe. Due to the relative immateriality of the amounts involved, we did not restate our 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.

(4) Investments

The details of our investments are set forth below:

Accounting Method	March 31, 2009	December 31, 2008
	in millions	
Fair value [a]	€ 28.6	€ 27.6
Equity	3.4	3.1
Cost	0.4	0.4
Total	€ 32.4	€ 31.1

(a) At March 31, 2009, investments accounted for using the fair value method include our investments in certain broadband communications operators in Switzerland.

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 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 in our condensed consolidated statements of operations. The following table provides details of the fair values of our derivative instrument assets and liabilities:

	March 31, 2009			December 31, 2008		
	Current	Long-term [(a)]	Total	Current	Long-term [(a)]	Total
			in millions			
Assets:						
Cross-currency and interest rate derivative contracts [(b)]	€ 82.3	€ 277.6	€ 359.9	€ 130.1	€ 197.1	€ 327.2
Foreign currency forward contracts	0.4	—	0.4	3.8	—	3.8
Embedded derivatives	—	0.1	0.1	0.2	0.5	0.7
Total	€ 82.7	€ 277.7	€ 360.4	€ 134.1	€ 197.6	€ 331.7
Liabilities:						
Cross-currency and interest rate derivative contracts [(b)]	€ 290.2	€ 489.6	€ 779.8	€ 274.0	€ 553.5	€ 827.5
Foreign currency forward contracts	1.2	—	1.2	—	—	—
Embedded derivatives	1.8	1.5	3.3	0.8	0.7	1.5
Total	€ 293.2	€ 491.1	€ 784.3	€ 274.8	€ 554.2	€ 829.0

(a) Our long-term derivative assets and liabilities are included in other assets and other long-term liabilities, respectively, in our condensed consolidated balance sheets.

(b) As of March 31, 2009, the fair values of our cross-currency and interest rate derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €19.7 million and the fair values of our cross-currency and interest rate derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating €58.8 million. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market and market quotations for certain of our subsidiaries' debt instruments, as applicable. Based on our evaluation of market conditions and recent transactions, we may determine that interest rate spreads obtained from market quotations for our subsidiaries' debt instruments require adjustment in order to estimate credit spreads. These adjustments are intended to remove the impacts of estimated liquidity spreads and other factors, such as distressed sales, that cause market quotations to not be reflective of fair values. The change in the credit risk valuation adjustments associated with our derivative instruments resulted in a net loss of €27.3 million during the three months ended March 31, 2009, and this loss is included in realized and unrealized losses on derivative instruments, net, in our condensed consolidated statement of operations. For further information concerning our fair value measurements, see note 6.

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

	Three months ended March 31,	
	2009	2008
	in millions	
Cross-currency and interest rate derivative contracts	€ (38.0)	€ (280.1)
Foreign currency forward contracts	(4.7)	4.2
Embedded derivatives	(2.4)	(0.5)
Total	€ (45.1)	€ (276.4)

The net cash paid related to our derivative instruments was €119.2 million for the three months ended March 31, 2009 and the net cash received related to our derivative instruments was €28.1 million for the three months ended March 31, 2008. These amounts are classified as operating activities in our condensed consolidated statements of cash flows based on the classification of the applicable underlying cash flows.

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative contracts will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative contracts is spread across a relatively broad counterparty base of banks and financial institutions. We generally do not require counterparties to our derivative instruments to provide collateral or other security or to enter into master netting arrangements. At March 31, 2009, our exposure to credit risk included derivative assets with a fair value of €360.4 million.

Under our derivative contracts, the exercise of termination and set-off provisions is generally at the option of the non-defaulting party only. However, in an insolvency of a derivative counterparty, a liquidator may be able to force the termination of a derivative contract. In addition, mandatory set-off of amounts due under the derivative contract and potentially other contracts between our company and the relevant counterparty may be applied under the insolvency regime of the relevant jurisdiction. Accordingly, it is possible that we could be required to make payments to an insolvent counterparty even if that counterparty had previously defaulted on its obligations under a derivative contract with our company. While we anticipate that, in the event of the insolvency of one of our derivative counterparties, we would seek to novate our derivative contracts to different counterparties, no assurance can be given that we would be able to do this on terms or pricing that would be acceptable to us. If we are unable to, or choose not to, novate to a different party, the risks that were the subject of the original derivative contract would no longer be hedged.

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Interest Rate Swaps:

The terms of our outstanding cross-currency interest rate swap contracts at March 31, 2009 are as follows:

Subsidiary [a]	Notional amount due from counterparty		Notional amount due to counterparty		Interest rate due from counterparty	Interest rate due to counterparty
	in millions					
UPC Broadband Holding:						
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		
July 2009	€	60.0	CZK	1,703.1	5.50%	5.15%
July 2009 — July 2010		60.0		1,703.1	5.50%	5.33%
July 2010 — December 2014		60.0		1,703.1	5.50%	6.05%
February 2010		105.8		3,018.7	5.50%	4.88%
February 2010 — December 2014		105.8		3,018.7	5.50%	5.80%
December 2014		200.0		5,800.0	5.46%	5.30%
	€	591.6	CZK	16,946.7		
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 2010 — December 2014		260.0		75,570.0	5.50%	9.40%
December 2014		228.0		62,867.5	5.50%	8.98%
	€	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 2010 — December 2014		245.0		1,000.6	5.50%	7.60%
December 2014		98.4		335.0	5.50%	7.12%
April 2009 — December 2014		57.1		270.0	5.50%	7.60%
	€	890.5	PLN	3,606.8		
December 2010	€	200.0	RON	709.1	5.50%	10.98%
December 2010 — December 2014		200.0		709.1	5.50%	10.69%
December 2014		89.1		320.1	5.50%	10.27%
	€	489.1	RON	1,738.3		
September 2012	€	229.1	CHF	355.8	6 mo. EURIBOR + 2.5%	6 mo. CHF LIBOR + 2.46%
December 2014		898.4		1,466.0	6 mo. EURIBOR + 2.0%	6 mo. CHF LIBOR + 1.94%
	€	1,127.5	CHF	1,821.8		
December 2014	$	340.0	CLP	181,322.0	6 mo. LIBOR + 1.75%	8.76%
December 2014	€	134.3	CLP	107,800.0	6 mo. EURIBOR + 2.0%	10.0%
December 2014	$	511.5	CHF	558.0	6 mo. LIBOR + 2.75%	6 mo. CHF LIBOR + 2.95%
VTR:						
September 2014	$	465.5	CLP	257,654.3	6 mo. 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 March 31, 2009, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to March 31, 2009, we present a range of dates that represents the period covered by the applicable derivative instrument.

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at March 31, 2009 are as follows:

Subsidiary [(a)]	Notional amount		Interest rate due from counterparty	Interest rate due to counterparty
	in millions			
UPC Broadband Holding:				
January 2010	€	3,890.0	1 mo. EURIBOR + 2.0%	6 mo. EURIBOR + 1.81%
January 2010		655.0	1 mo. EURIBOR + 2.25	6 mo. EURIBOR + 1.61
April 2012		555.0	6 mo. EURIBOR	3.32%
December 2014		659.5	6 mo. EURIBOR	4.67%
July 2009 [(b)]		31.6	5.50%	6.58%
July 2009 — July 2010 [(b)]		31.6	5.50%	5.67%
September 2012 [(b)]		63.1	5.46%	6.04%
April 2010		1,000.0	6 mo. EURIBOR	3.28%
April 2010 — December 2014		1,000.0	6 mo. EURIBOR	4.66%
January 2011		193.5	6 mo. EURIBOR	3.83%
January 2011 — December 2014		193.5	6 mo. EURIBOR	4.68%
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%
	€	9,048.3		
December 2010	CHF	618.5	6 mo. CHF LIBOR	2.19%
January 2011 — December 2014		618.5	6 mo. CHF LIBOR	3.56%
September 2012		711.5	6 mo. CHF LIBOR	2.33%
October 2012 — December 2014		711.5	6 mo. CHF LIBOR	3.65%
December 2014		1,050.0	6 mo. CHF LIBOR	3.47%
	CHF	3,710.0		
July 2013	CLP	110,700.0	6.77%	6 mo. TAB
January 2010	$	511.0	1 mo. LIBOR + 2.75%	6 mo. LIBOR + 2.17%
January 2010		1,900.0	1 mo LIBOR + 1.75%	6 mo. LIBOR + 1.54%
	$	2,411.0		
July 2013	HUF	5,908.8	6 mo. BURBOR	8.52%
July 2013	PLN	115.1	6 mo. WIBOR	5.41%
VTR:				
July 2013	CLP	110,700.0	6 mo. TAB	7.78%

(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 March 31, 2009, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to March 31, 2009, we present a range of dates that represents the period covered by the applicable derivative instrument.

(b) These contracts originated as cross-currency interest rate swaps involving the euro and the Slovakian koruna (SKK). As a result of Slovakia's January 1, 2009 conversion to the euro, the SKK notional amounts were converted into euros at the entry rate of 30.126 SKK per euro.

Foreign Currency Forward Contracts

Several of our subsidiaries have outstanding foreign currency forward contracts. Changes in the fair value of these contracts are recorded in realized and unrealized gains (losses) on derivative instruments in our condensed consolidated statements of operations. The following table summarizes our outstanding foreign currency forward contracts at March 31, 2009:

UPC Holding subsidiary	Currency purchased forward		Currency sold forward		Maturity dates
	in millions				
UPC Broadband Holding	PLN	70.1	€	14.5	April 2009
UPC Broadband Holding	HUF	5,052.0	€	16.3	April 2009
UPC Broadband Holding	€	39.4	CHF	59.7	April 2009
UPC Broadband Holding	CHF	119.4	€	78.8	April 2009
UPC Broadband Holding	€	5.3	CZK	144.3	April 2009
UPC Broadband Holding	CZK	288.6	€	10.5	April 2009
VTR	$	51.3	CLP	31,549.2	April 2009 — March 2010

(6) Fair Value Measurements

We use the fair value method to account for (i) certain of our investments and (ii) our derivative instruments. The reported fair values of these assets and liabilities as of March 31, 2009 likely will not represent the value that will be realized upon the ultimate settlement or disposition of these assets and liabilities. In the case of the investments that we account for using the fair value method, the values we realize upon disposition will be dependent upon, among other factors, market conditions and the historical and forecasted financial performance of the investees at the time of any such disposition. With respect to our cross-currency interest rate swaps and our interest rate swaps, we expect that the values realized will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

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.

UPC HOLDING B.V.

Notes to Condensed Consolidated Financial Statements
March 31, 2009 (continued)
(unaudited)

A summary of the assets and liabilities that are measured at fair value is as follows:

Description	March 31, 2009	Fair value measurements at March 31, 2009 using: Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		in millions	
Assets:			
Derivative instruments	€ 360.4	€ 360.4	€ —
Investments	28.6	—	28.6
Total assets	€ 389.0	€ 360.4	€ 28.6
Liabilities:			
Derivative instruments	€ 784.3	€ 784.3	€ —

Description	December 31, 2008	Fair value measurements at December 31, 2008 using: Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		in millions	
Assets:			
Derivative instruments	€ 331.7	€ 331.7	€ —
Investments	27.6	—	27.6
Total assets	€ 359.3	€ 331.7	€ 27.6
Liabilities:			
Derivative instruments	€ 829.0	€ 829.0	€ —

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

Balance at January 1, 2009	€ 27.6
Gains (losses) included in net loss [(a)]:	
Unrealized gains due to changes in fair values of certain investments, net	1.4
Foreign currency translation adjustments	(0.4)
Balance at March 31, 2009	€ 28.6

(a) All of the gains (losses) recognized during the three months ended March 31, 2009 relate to investments that we continue to carry on our condensed consolidated balance sheet as of March 31, 2009.

(7) Long-lived Assets

Property and Equipment, Net

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

	March 31, 2009	December 31, 2008
	in millions	
Distribution systems	€ 5,819.9	€ 5,714.2
Support equipment, buildings and land	920.8	899.5
	6,740.7	6,613.7
Accumulated depreciation	(2,821.4)	(2,636.2)
Total property and equipment, net	€ 3,919.3	€ 3,977.5

Goodwill

Changes in the carrying amount of goodwill for the three months ended March 31, 2009 were as follows:

	January 1, 2009	Foreign currency translation adjustments and other	March 31, 2009
		in millions	
UPC Broadband Division:			
The Netherlands	€ 917.5	€ (5.4)	€ 912.1
Switzerland	1,905.4	(27.1)	1,878.3
Austria	603.1	—	603.1
Ireland	178.5	—	178.5
Total Western Europe	3,604.5	(32.5)	3,572.0
Hungary	275.4	(37.8)	237.6
Other Central and Eastern Europe	637.4	(21.7)	615.7
Total Central and Eastern Europe	912.8	(59.5)	853.3
Total UPC Broadband Division	4,517.3	(92.0)	4,425.3
VTR (Chile)	299.7	45.3	345.0
Total UPC Holding	€ 4,817.0	€ (46.7)	€ 4,770.3

Based on business conditions and market values that existed at March 31, 2009, we concluded that no circumstances or events occurred that would require us to test goodwill or other long-lived assets for impairment. However, the market value of the publicly-traded equity of LGI remains at historically low levels and we continue to experience difficult economic environments and significant competition in most of our markets. If, among other factors, (i) LGI's equity value declines further or (ii) the adverse impacts of economic or competitive factors are worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Depending on (i) LGI's equity value, (ii) economic and competitive conditions and (iii) other factors, any such impairment charges could be significant.

Intangible Assets Subject to Amortization, Net

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

	March 31, 2009	December 31, 2008
	in millions	
Gross carrying amount:		
Customer relationships	€ 1,076.2	€ 1,096.4
Other	45.6	45.8
	€ 1,121.8	€ 1,142.2
Accumulated amortization:		
Customer relationships	€ (528.7)	€ (504.4)
Other	(44.1)	(43.0)
	€ (572.8)	€ (547.4)
Net carrying amount:		
Customer relationships	€ 547.5	€ 592.0
Other	1.5	2.8
	€ 549.0	€ 594.8

(8) Debt and Capital Lease Obligations

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

	March 31, 2009			Carrying value	
	Weighted average interest rate [(a)]	Unused borrowing capacity [(b)]			
		Borrowing currency	Euro equivalent	March 31, 2009	December 31, 2008
		in millions			
Debt:					
Parent:					
Shareholder loan	7.58%	€ —	€ —	€ 8,428.9	€ 8,480.8
UPC Holding 7.75% Senior Notes due 2014 [(c)]	7.75%	—	—	500.0	500.0
UPC Holding 8.625% Senior Notes due 2014 [(c)]	8.63%	—	—	300.0	300.0
UPC Holding 8.0% Senior Notes due 2016	8.00%	—	—	300.0	300.0
Subsidiaries:					
UPC Broadband Holding Bank Facility	3.08%	€ 223.0	223.0	6,412.0	6,323.5
VTR Bank Facility [(d)]	3.86%	CLP 136,391.6	176.2	351.9	333.6
Other	6.60%	—	—	8.8	9.0
Total debt	5.76%		€ 399.2	16,301.6	16,246.9
Capital lease obligations				22.1	21.7
Total debt and capital lease obligations				16,323.7	16,268.6
Current maturities				(14.1)	(12.7)
Long-term debt and capital lease obligations				€ 16,309.6	€ 16,255.9

(a) Represents the weighted average interest rate in effect at March 31, 2009 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 agreements, 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 March 31, 2009 without regard to covenant compliance calculations. At March 31, 2009, the full amount of unused borrowing capacity was available to be borrowed under each of the respective facilities. However, based on the March 31, 2009 covenant compliance calculations, our availability under the UPC Broadband Holding Bank Facility will be limited to €217.2 million when the March 31, 2009 bank reporting requirements have been completed. To the extent we were to draw on the VTR Bank Facility (as defined below) commitments, we would be required to set aside an equivalent amount of cash collateral.

(c) Subsequent to March 31, 2009, UPC Holding (i) completed an exchange offer with respect to a portion of the borrowings outstanding under the UPC Holding Senior Notes due 2014 and (ii) issued new Senior Notes due 2018. For additional information, see note 13.

(d) Pursuant to the deposit arrangements with the lender in relation to VTR's amended and restated senior secured credit facility (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 €351.9 million at March 31, 2009, of which €3.6 million is reflected as a current asset and €348.3 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 7.58% and 7.06% for the three months ended March 31, 2009 and March 31, 2008, respectively, and is reviewed on an annual basis. The net decrease in the shareholder loan includes (i) cash payments of €553.0 million, (ii) cash borrowings of €505.8 million, (iii) a €1.1 million non-cash increase relating to charges from LGI to our company in connection with LGI stock incentive awards exercised by our subsidiaries' employees and (iv) individually insignificant net non-cash decreases aggregating €5.8 million.

UPC Broadband Holding Bank Facility

The UPC Broadband Holding Bank Facility, as amended, is the senior secured credit facility of UPC Broadband Holding. In March 2009, two additional facility accession agreements (Facilities Q and R) were entered into under the UPC Broadband Holding Bank Facility. Facility Q is a redrawable term loan facility with an initial principal amount of €267.0 million. Facility R is a non-redrawable term loan facility with an initial principal amount of €236.0 million. Both Facility Q and Facility R closed on March 25, 2009 (the Closing Date). On the Closing Date, certain of the lenders under the €830.0 million Facility L, which was fully drawn at the Closing Date, novated, in whole or in part, their drawn commitments (in the aggregate amount of €503.0 million) to Liberty Global Europe BV, a direct subsidiary of UPC Broadband Holding, and entered into either the new Facility Q or new Facility R. Therefore, total third-party commitments under Facility L on the Closing Date totaled €327.0 million. Subsequent to March 31, 2009, we increased the sizes of Facilities Q and R and third-party commitments under Facility L were further reduced. For additional information, see note 13.

The details of our borrowings under the UPC Broadband Holding Bank Facility as of March 31, 2009 are summarized in the following table:

		March 31, 2009			
Facility	**Final maturity date**	**Interest rate**	**Facility amount (in borrowing currency)** [a]	**Unused borrowing capacity**	**Outstanding principal amount**
				in millions	
I	April 1, 2010	EURIBOR + 2.50%	€ 48.0	€ 48.0	€ —
L	July 3, 2012	EURIBOR + 2.25%	€ 327.0	175.0	152.0
M	[b]	EURIBOR + 2.00%	€ 3,890.0	—	3,890.0
N	[b]	LIBOR + 1.75%	$ 1,900.0	—	1,436.3
O	July 31, 2013	[c]	[c]	—	44.1
P	September 2, 2013	LIBOR + 2.75%	$ 511.5	—	386.6
Q	[d]	EURIBOR + 2.75%	€ 267.0	—	267.0
R	[d]	EURIBOR + 3.25%	€ 236.0	—	236.0
Total				€ 223.0	€ 6,412.0

(a) The total committed amounts of Facilities I and L are €250.0 million and €830.0 million, respectively, however, €202.0 million and €503.0 million, respectively, had been novated to Liberty Global Europe BV at March 31, 2009. Therefore, total third-party commitments at March 31, 2009 under Facilities I and L were €48.0 million and €327.0 million, respectively.

(b) The final maturity date for Facilities M and N is the earlier of (i) December 31, 2014 and (ii) October 17, 2013, the date falling 90 days prior to the date on which the UPC Holding Senior Notes due 2014 fall due if such Senior Notes have not been repaid, refinanced or redeemed prior to such date. Subsequent to March 31, 2009, we completed and launched certain refinancing transactions with respect to Facilities M and N. For additional information, see note 13.

(c) The applicable interest payable under Facility O is 2.75% per annum plus the specified percentage rate per annum determined by the Polish Association of Banking Dealers — Forex Poland or the National Bank of Hungary, as appropriate for the relevant period. The principal amount of Facility O is comprised of (i) a HUF 5,962.5 million (€19.4 million) sub-tranche and (ii) a PLN 115.1 million (€24.7 million) sub-tranche.

(d) The final maturity dates for Facilities Q and R are the earlier of (i) July 31, 2014 and December 31, 2015, respectively, and (ii) October 17, 2013, the date falling 90 days prior to the date on which the UPC Holding Senior Notes due 2014 fall due, if such Senior Notes have not been repaid, refinanced or redeemed prior to such date.

Maturities of Third-party Debt and Capital Lease Obligations

Maturities of our third-party debt and capital lease obligations for the indicated periods are presented below for the named entity and its subsidiaries, unless otherwise noted. Amounts presented represent euro equivalents based on March 31, 2009 exchange rates:

Third-party debt:

	UPC Holding (excluding VTR) (a)	VTR (b)	Total
		in millions	
Year ended December 31:			
Remainder of 2009	€ 7.0	€ 3.6	€ 10.6
2010	1.4	3.6	5.0
2011	0.1	3.6	3.7
2012	152.1	3.6	155.7
2013	1,230.9	3.6	1,234.5
2014	5,593.3	333.9	5,927.2
Thereafter	536.0	—	536.0
Total debt	€ 7,520.8	€ 351.9	€ 7,872.7
Current portion	€ 7.0	€ 3.6	€ 10.6
Noncurrent portion	€ 7,513.8	€ 348.3	€ 7,862.1

(a) For purposes of this table, we have assumed that (i) the €800.0 million principal amount of the UPC Holding Senior Notes due 2014 will be repaid, refinanced or redeemed prior to October 17, 2013, (ii) Facilities M and N of the UPC Broadband Holding Bank Facility will be repaid on December 31, 2014, (iii) Facility Q of the UPC Broadband Holding Bank Facility will be repaid on July 31, 2014 and (iv) Facility R of the UPC Broadband Holding Bank Facility will be repaid on December 31, 2015. Subsequent to March 31, 2009, (i) we refinanced a portion of the borrowings outstanding under the UPC Holding Senior Notes due 2014 and (ii) we refinanced portions of Facility L, Facility M and Facility N of the UPC Broadband Holding Bank Facility. For additional information, see note 13.

(b) Amounts represent borrowings under the VTR Credit Facility, for which the source of repayment is expected to be the related cash collateral account.

Capital lease obligations (in millions):

Year ended December 31:	
Remainder of 2009	€ 4.4
2010	3.1
2011	2.5
2012	2.2
2013	2.0
2014	1.9
Thereafter	19.3
	35.4
Amounts representing interest	(13.3)
Present value of net minimum lease payments	€ 22.1
Current portion	€ 3.5
Noncurrent portion	€ 18.6

Non-cash Refinancing Transactions

During the three months ended March 31, 2009 and 2008, we completed certain refinancing transactions that resulted in non-cash borrowings and repayments of debt aggregating €503.0 million and nil, respectively.

(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 amounts allocated by LGI to our company represent the stock-based compensation associated with the stock incentive awards held by certain employees of our subsidiaries, including awards granted to these individuals pursuant to the LGI Performance Plans. Stock-based compensation expense allocated to our company by LGI is reflected as a decrease of 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 March 31,			
	2009		2008	
	U.S. dollar	Euro equivalent	U.S. dollar	Euro equivalent
	in millions			
LGI common stock:				
LGI Performance Plans	$ (2.1)	€ (1.6)	$ 12.0	€ 8.0
Stock options, stock appreciation rights (SARs), restricted shares and restricted share units	5.9	4.5	4.2	2.8
Total LGI common stock	3.8	2.9	16.2	10.8
Other	0.7	0.5	(3.5)	(2.4)
Total	$ 4.5	€ 3.4	$ 12.7	€ 8.4
Included in:				
Operating expense	$ 0.8	€ 0.6	$ 2.1	€ 1.4
SG&A expense	3.7	2.8	10.6	7.0
Total	$ 4.5	€ 3.4	$ 12.7	€ 8.4

LGI Performance Plans

On February 18, 2009, the compensation committee of LGI's board of directors determined the method of payment for the March 31, 2009 and September 30, 2009 installments of the awards that had been earned by participants in LGI's senior executive performance incentive plan and management incentive plan (the LGI Performance Plans). These installments represent the first two of six equal semi-annual installments beginning on March 31, 2009. In accordance with the compensation committee's determination, LGI (i) paid cash aggregating \$56.4 million (€42.6 million) (including \$23.4 million (€17.7 million) paid to employees of our subsidiaries) to settle the first installment of the awards earned under the LGI Performance Plans and (ii) granted restricted share units on February 18, 2009 with respect to 2,016,351 shares of LGI Series A common stock and 1,937,265 shares of LGI Series C common stock (including 750,970 and 721,510, respectively, granted to employees of our subsidiaries) to settle the second installment of the awards earned under the LGI Performance Plans. The \$23.4 million cash payment to employees of our subsidiaries includes \$3.4 million (€2.6 million) that was paid subsequent to March 31, 2009. The restricted share units granted in partial satisfaction of the first installment of the awards vested on March 31, 2009, and the restricted share units granted in satisfaction of the second installment of the awards vest on September 30, 2009. For purposes of determining the number of restricted share units to be granted, the compensation committee assigned a value of \$13.50 to each restricted share unit, which represented a premium of approximately 13.5% to the closing price of LGI Series A common stock on February 18, 2009. As required by the terms of the LGI Performance Plans, the restricted share units were allocated between LGI Series A and Series C common stock in the same relative proportions as the then outstanding Series A and Series C common stock (51%/49%). The compensation committee has not determined the method of payment of the remaining four installments of the earned awards. The decision by the compensation committee to settle the second installment of each earned award with restricted share units represents a modification that results in the reclassification of this portion of the earned awards from a liability to parent's deficit. The €1.4 million difference between the February 18, 2009 grant date market value of the restricted share units granted to employees of our subsidiaries and the value assigned to these restricted share units by the compensation committee is reflected as a reduction of our stock-based compensation expense for the three months ended March 31, 2009. Our stock-based compensation expense for the three-months ended March 31, 2009 also includes a reduction of €8.2 million as a result of the forfeiture of certain awards under the LGI Performance Plans.

(10) Related-Party Transactions

Our related-party transactions consist of the following:

	Three months ended March 31, 2009	Three months ended March 31, 2008
	in millions	
Revenue	€ 0.5	€ 0.4
Operating expenses	(15.2)	(16.1)
SG&A expenses	(0.4)	(1.0)
Allocated stock-based compensation expense	(2.9)	(10.8)
Fees and allocations, net	5.7	0.7
Included in operating income	(12.3)	(26.8)
Interest expense	(160.5)	(159.2)
Included in net loss	€ (172.8)	€ (186.0)

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

Operating expenses. Related-party operating expenses are recognized primarily for programming and digital interactive 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 €13.2 million and €14.2 million during the three months ended March 31, 2009 and 2008, respectively. In addition, operating expenses include costs for programming charged by certain of LGI's equity method affiliates of €2.0 million and €1.9 million during the three months ended March 31, 2009 and 2008, respectively.

SG&A expenses. Related-party SG&A expenses include marketing and other administrative charges between UPC Holding, Chellomedia, and Priority Telecom N.V.

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

Fees and allocations, net. UPC Holding recorded net credits primarily related to cost allocations between UPC Holding and LGI for services performed and costs incurred on behalf of the other party €4.6 million and €1.4 million during the three months ended March 31, 2009 and 2008, respectively. 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. UPC Holding also recorded net credits (charges) for services provided by UPC Holding to Chellomedia for programming services provided by Chellomedia, and services provided to and by Liberty Global NV of €1.1 million and (€0.7 million) during the three months ended March 31, 2009 and 2008, respectively.

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 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.

Although we believe that the intercompany fees and allocations 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:

	March 31, 2009	December 31, 2008
	in millions	
Receivables	€ 4.4	€ 4.1
Accounts payable	€ 9.8	€ 17.5
Accrued liabilities	4.9	0.8
Other long-term liabilities	160.5	—
Shareholder loan (note 8)	8,428.9	8,480.8
Total liabilities	€ 8,604.1	€ 8,499.1

LGI charged €1.1 million and €7.4 million during the three months ended March 31, 2009 and 2008, respectively, to our company in connection with LGI stock incentive awards exercised by employees of our subsidiaries and certain other Liberty Global Europe subsidiaries. These charges are reflected as adjustments of parent's deficit in our condensed consolidated statements of owners' deficit.

(11) Commitments and Contingencies

Commitments

In the ordinary 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, purchases of customer premise equipment and other items. We expect that in the ordinary 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 — During 2008, the Dutch national regulatory authority (OPTA) conducted a second round analysis of certain markets to determine if any operator or service provider has "Significant Market Power" within the meaning of certain directives originally promulgated by the European Union (EU) in 2003. With respect to television services, OPTA issued a draft decision on August 5, 2008, again finding UPC Nederland BV (UPC NL), as well as other cable operators, to have Significant Market Power in the market for wholesale broadcasting transmission services and imposing new obligations. Following a national consultation procedure, OPTA issued a revised decision and submitted it to the EU Commission on January 9, 2009. On February 9, 2009, the EU Commission informed OPTA of its approval of the draft decision. The decision became effective on March 17, 2009. The new market analysis decision imposes on the four largest cable operators in the Netherlands a number of access obligations in respect of television services. The two largest cable operators, including UPC NL, have a number of additional access obligations.

The access obligations consist of (i) access to capacity for the transmission of the television signal (both analog and digital), (ii) resale of the analog television signal and, in conjunction with any such resale, the provision of customer connection, and (iii) access to UPC NL's digital conditional access system, including access to its operational supporting systems and co-location. OPTA has stated that any operator with its own infrastructure, such as Royal KPN NV, the incumbent telecommunications operator in the Netherlands, will not be allowed to resell the analog television signal or avail itself of access to UPC NL's digital platform.

The resale obligation will enable third parties to take over the customer relationship as far as the analog television signal is concerned. The decision includes the possibility for resale of an analog package that is not identical to the analog packages offered by UPC NL. Potential resellers will need to negotiate the relevant copyrights directly with program providers in order to resell the identical or almost identical analog television signals. In case of non-identical resale, the decision imposes a number of preconditions, including that the reseller must bear the costs of filtering and that OPTA will determine the reasonableness of such request on a case by case basis.

In respect of transmission of the analog television signal, a number of preconditions were established to ensure that such transmission will not cause unreasonable use of scarce capacity. A request for transmission of analog signals that are not included in UPC NL's analog television package, as well as parallel transmission of analog signals that are already part of the analog package, will in principle be deemed unreasonable.

Regarding digital, the new market analysis decision requires UPC NL to enable providers of digital television signals to supply their digital signals using their own or UPC NL's digital conditional access system. This allows the third parties to have their own customer relationship for those digital television signals and, to bundle their offer with the resale of the analog television signal.

Pricing of the wholesale offer for analog and digital transmission capacity will be at cost-oriented prices. Pricing of the wholesale offer for resale of the analog package, including access to UPC NL's transmission platform for purposes of resale, will be based on a discount to UPC NL's retail rates, at a level to be determined by OPTA and, if no retail offer of UPC NL is available, on cost-oriented basis. Both access obligations come with the obligation to provide access to the relevant network elements and facilities, including set-top boxes, co-location, software systems and operational supporting systems, at cost-oriented prices if no relevant retail tariff is available to define the retail minus tariff.

UPC NL will also be required to make its tariffs publicly available on a rate card. Furthermore, UPC NL will not be allowed to discriminate between third parties and its own retail business in making these services available. This includes for example a prohibition on offering loyalty discounts to its own customers.

We believe that the proposed measures are unnecessary and disproportionate and we filed an appeal against the decision on April 15, 2009. Pending the outcome of this appeal, UPC NL will be required to comply with the decision.

Chilean Antitrust Matter — On December 12, 2006, Liberty Media Corporation (Liberty Media), the former parent company of our 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 Chilean Federal Economic Prosecutor (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 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 EU. 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 and could lead to increased operating costs and capital expenditures. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

Other — In addition to the foregoing items, we have contingent liabilities related to (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. We expect that the amounts, if any, which may be required to satisfy these 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 those consolidated subsidiaries that represent 10% or more of our revenue, operating cash flow (as defined below), or total assets. In certain cases, we may elect to include an operating segment in our segment disclosure that does not meet the above-described criteria for a reportable segment. We evaluate performance and make decisions about allocating resources to our operating segments based on financial measures such as revenue and operating cash flow. In addition, we review non-financial measures such as subscriber growth, as appropriate.

Operating cash flow is the primary measure used by our chief operating decision maker to evaluate segment operating performance 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, related-party fees and allocations, 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 U.S. 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. Operating cash flow should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings (loss), cash flow from operating activities and other U.S. GAAP measures of income or cash flows. A reconciliation of total segment operating cash flow to our loss before income taxes is presented below.

During the first quarter of 2009, we changed our reporting such that we no longer include video-on-demand costs within the central and corporate operations category of the UPC Broadband Division. Instead, we present these costs within the individual operating segments of the UPC Broadband Division. Segment information for all periods presented has been restated to reflect the reclassification of these costs.

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 (B2B) services. At March 31, 2009, 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 of our reportable segment's revenue and operating cash flow. As we have the ability to control VTR, U.S. GAAP requires that we consolidate 100% of the revenue and expenses of VTR 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 interests in the operating results of VTR and other less significant majority-owned subsidiaries are reflected in net earnings attributable to noncontrolling interests in our condensed consolidated statements of operations. When reviewing and analyzing our operating results, it is important to note that a third-party entity owns a significant interest in VTR.

	Three months ended March 31,			
	2009		2008	
	Revenue	Operating cash flow	Revenue	Operating cash flow
	in millions			
Performance Measures				
UPC Broadband Division:				
The Netherlands	€ 204.5	€ 117.0	€ 200.7	€ 110.8
Switzerland	182.5	100.1	168.2	88.1
Austria	87.8	44.4	93.2	45.6
Ireland	61.1	23.5	58.9	22.6
Total Western Europe	535.9	285.0	521.0	267.1
Hungary	58.5	29.4	66.7	34.2
Other Central and Eastern Europe	145.9	74.8	156.7	79.5
Total Central and Eastern Europe	204.4	104.2	223.4	113.7
Central and corporate operations	1.1	(38.1)	1.3	(38.2)
Total UPC Broadband Division	741.4	351.1	745.7	342.6
VTR (Chile)	119.4	47.0	124.4	50.4
Total UPC Holding	€ 860.8	€ 398.1	€ 870.1	€ 393.0

UPC HOLDING B.V.

Notes to Condensed Consolidated Financial Statements
March 31, 2009 (continued)
(unaudited)

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

	Three months ended March 31,	
	2009	2008
	in millions	
Total segment operating cash flow	€ 398.1	€ 393.0
Stock-based compensation expense	(3.4)	(8.4)
Related-party fees and allocations, net	5.7	0.7
Depreciation and amortization	(265.1)	(270.3)
Impairment, restructuring and other operating charges, net	(3.6)	(2.7)
Operating income	131.7	112.3
Interest expense:		
Related party	(160.5)	(159.2)
Third party	(89.8)	(112.0)
Interest income	6.2	7.2
Realized and unrealized losses on derivative instruments, net	(45.1)	(276.4)
Foreign currency transaction gains (losses), net	(241.1)	181.4
Unrealized gains due to changes in fair values of certain investments, net	1.4	0.5
Other income (expense), net	(0.6)	0.1
Loss before income taxes	€ (397.8)	€ (246.1)

Revenue by Major Category

Our revenue by major category is set forth below:

	Three months ended March 31,	
	2009	2008
	in millions	
Subscription revenue [(a)]:		
Video	€ 435.6	€ 445.4
Broadband internet	212.0	207.0
Telephony	121.1	120.9
Total subscription revenue	768.7	773.3
Other revenue [(b)]	92.1	96.8
Total UPC Holding	€ 860.8	€ 870.1

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile telephony revenue. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the stand-alone price for each individual service. However, due to regulatory and other constraints, the allocation of bundling discounts may vary somewhat among our broadband communications operating segments.

(b) Other revenue includes non-subscription revenue (including B2B and installation fee revenue).

Geographic Segments

The revenue of our geographic segments is set forth below:

	Three months ended March 31, 2009	Three months ended March 31, 2008
	in millions	
Europe:		
UPC Broadband Division:		
The Netherlands	€ 204.5	€ 200.7
Switzerland	182.5	168.2
Austria	87.8	93.2
Ireland	61.1	58.9
Hungary	58.5	66.7
Poland	45.5	48.9
Czech Republic	45.0	46.8
Romania	30.6	38.5
Slovakia	13.4	12.0
Slovenia	11.4	10.5
Central and corporate operations [a]	1.1	1.3
Total Europe	741.4	745.7
Chile	119.4	124.4
Total UPC Holding	€ 860.8	€ 870.1

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

(13) Subsequent Events

UPC Holding New Senior Notes

On April 30, 2009, UPC Holding (i) exchanged €115.4 million aggregate principal amount of its existing 7.75% Senior Notes due 2014 for an equal aggregate principal amount of new 9.75% Senior Notes due April 2018 (the Exchange Notes) plus a cash payment of €4.6 million and (ii) €69.1 million aggregate principal amount of its 8.625% Senior Notes due 2014 for an equal aggregate principal amount of Exchange Notes plus a cash payment of €4.1 million. In connection with this exchange transaction, UPC Holding paid to the exchanging noteholders the accrued interest on the exchanged Senior Notes and incurred applicable commissions and fees.

On April 30, 2009, UPC Holding also issued €65.6 million principal amount of the new 9.75% Senior Notes due April 2018 at an original issue discount of 16.5%, resulting in cash proceeds before commissions and fees of €54.8 million. The net proceeds from the issuance of the new 9.75% Senior Notes, after deducting applicable commissions and fees, will be used for general corporate purposes.

UPC Broadband Holding Bank Facility Transactions

Upsizing of Facilities Q and R. On April 27, 2009, UPC Broadband Holding entered into two new facility accession agreements to increase the sizes of Facility Q and Facility R under the UPC Broadband Holding Bank Facility by €70.0 million to €337.0 million and €27.3 million to €263.2 million, respectively. In connection with these new accession agreements, certain lenders under the €830.0 million Facility L novated, in whole or in part, their drawn commitments in the amount of €97.3 million to Liberty Global Europe BV and entered into either Facility Q or Facility R. As a result, total third-party commitments under Facility L as of April 27, 2009 totaled €229.7 million.

Additional Facilities S and T. In May 2009, UPC Broadband Holding refinanced portions of Facility M and Facility N under the UPC Broadband Holding Bank Facility. Existing Facility M commitments, in an aggregate amount of €1.67 billion were rolled into a new Facility S, a non-redrawable term loan facility denominated in euros and existing Facility N commitments, in an aggregate amount of $500.0 million (€378.0 million), were rolled into a new Facility T, a non-redrawable term loan facility denominated in U.S. dollars. The Facility M and Facility N lenders that have agreed to roll their commitments (the Rolling Lenders) are novating their existing Facility M and Facility N commitments to Liberty Global Europe BV and will enter into the new Facility S or Facility T, as applicable. Liberty Global Europe BV was the initial lender under Facility S and Facility T and entered into an Additional Facility S Accession Agreement and Additional Facility T Agreement, each dated May 6, 2009. Liberty Global Europe BV is novating its Facility S and Facility T commitments to the Rolling Lenders. The final maturity date for each of Facility S and Facility T will be the earlier of (i) December 31, 2016 and (ii) October 17, 2013, the date falling 90 days prior to the date on which the UPC Holding Senior Notes due 2014 are currently scheduled to fall due, if, on such date, such notes are outstanding in an aggregate amount of €250.0 million or more. Facility S will bear interest at a rate of EURIBOR plus 3.75%. Facility T will bear interest at a rate of LIBOR plus 3.50%. The completion of these transactions is subject to the execution of novation certificates by the relevant parties.

Additional Facility U. On May 15, 2009, UPC Broadband Holding launched a request to the existing Facility M lenders under the UPC Broadband Holding Bank Facility to roll their existing Facility M commitments into a new Facility U, a non-redrawable term loan facility denominated in euros. The Facility M lenders that decide to roll their commitments (the Facility M Rolling Lenders) will novate their existing Facility M commitments to Liberty Global Europe BV and will enter into the new Facility U. Liberty Global Europe BV will be the initial lender under Facility U and will enter into an additional facility accession agreement for Facility U. Liberty Global Europe BV will novate its Facility U commitments to the Facility M Rolling Lenders. The final maturity date for Facility U will be the earlier of (i) December 2017 and (ii) October 17, 2013, the date falling 90 days prior to the date on which the UPC Holding Senior Notes due 2014 are currently scheduled to fall due, if, on such date, such notes are outstanding in an aggregate amount of €250.0 million or more. Facility U will bear interest at a rate of EURIBOR plus 4.00%. The completion of the above transactions is subject to the execution of the additional facility accession agreement, novation certificates and related documentation by the relevant parties.

Agreement to Sell Our Slovenian Operations

In April 2009, one of our subsidiaries entered into an agreement to sell 100% of the stock of the holding company of our Slovenian cable operations to Mid Europa Partners for a cash purchase price of €119.5 million, subject to working capital adjustments. Consummation of the sale is subject to customary closing conditions, including conditions precedent to the funding of Mid Europa Partners' financing commitments and the receipt of regulatory approval.

UPC HOLDING B.V.

Consolidated Financial Statements
December 31, 2008

Independent Auditor's Report

To the Board of Directors of UPC Holding B.V.:

We have audited the accompanying consolidated balance sheets of UPC Holding B.V. (a B.V. registered in the Netherlands) and subsidiaries (the Company) as of December 31, 2008 and 2007, and the related consolidated statements of operations, comprehensive earnings (loss), owners' deficit, and cash flows for the years ended December 31, 2008, 2007 and 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UPC Holding B.V. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years ended December 31, 2008, 2007 and 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2, in 2008 UPC Holding B.V. changed its method of accounting for certain investments. In 2007, UPC Holding B.V. changed its method of accounting for income tax uncertainties.

As discussed in note 2 *(SFAS 160)*, UPC Holding B.V. adopted SFAS 160, "*Non Controlling Interests in Consolidated Financial Statements*" (SFAS 160), as of January 1, 2009 and recasted the consolidated financial statements for all periods presented to give retrospective effect to the adoption of SFAS 160.

Amstelveen, the Netherlands, March 10, 2009, except as to note 2 *(SFAS 160)*, which is as of May 19, 2009.

KPMG ACCOUNTANTS N.V.

UPC HOLDING B.V.

CONSOLIDATED BALANCE SHEETS

	December 31,			
	2008		2007	
	in millions			
ASSETS				
Current assets:				
Cash and cash equivalents	€	108.6	€	153.6
Trade receivables, net		427.1		401.1
Receivables — related party (note 14)		4.1		24.7
Deferred income taxes (note 11)		44.7		40.2
Derivative instruments (note 7)		134.1		155.3
Other current assets		82.5		87.3
Total current assets		801.1		862.2
Restricted cash (note 10)		330.2		319.2
Investments (note 6)		31.1		24.4
Property and equipment, net (note 9)		3,977.5		3,863.2
Goodwill (note 9)		4,817.0		4,859.3
Intangible assets subject to amortization, net (note 9)		594.8		748.8
Other assets, net (notes 7 and 9)		303.0		279.1
Total assets	€	10,854.7	€	10,956.2

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

UPC HOLDING B.V.

CONSOLIDATED BALANCE SHEETS — (Continued)

	December 31, 2008	December 31, 2007
	in millions	
LIABILITIES AND OWNERS' DEFICIT		
Current liabilities:		
Accounts payable:		
Third party	€ 266.4	€ 255.3
Related party (note 14)	17.5	12.3
Accrued liabilities:		
Third party	503.4	620.7
Related party (note 14)	0.8	2.8
Deferred revenue and advance payments from subscribers and others	441.0	440.0
Derivative instruments (note 7)	274.8	73.8
Current portion of debt and capital lease obligations (note 10)	12.7	5.7
Total current liabilities	1,516.6	1,410.6
Long-term debt and capital lease obligations (note 10):		
Third party	7,775.1	6,637.2
Related party (note 14)	8,480.8	9,038.2
Deferred tax liabilities (note 11)	87.1	75.3
Other long-term liabilities (note 7)	671.5	531.4
Total liabilities	18,531.1	17,692.7
Commitments and contingencies (notes 10, 11, 13 and 18)		
Owners' deficit (note 12):		
Parent's deficit:		
Distributions and accumulated losses in excess of contributions	(7,762.4)	(6,692.7)
Accumulated other comprehensive loss, net of taxes (note 17)	(52.4)	(198.8)
Total parent's deficit	(7,814.8)	(6,891.5)
Noncontrolling interests	138.4	155.0
Total owners' deficit	(7,676.4)	(6,736.5)
Total liabilities and owners' deficit	€ 10,854.7	€ 10,956.2

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2008	2007	2006
		in millions	
Revenue (note 14)	€ 3,516.1	€ 3,334.0	€ 3,087.1
Operating costs and expenses:			
Operating (other than depreciation and amortization) (including stock-based compensation) (notes 13 and 14)	1,279.3	1,314.2	1,251.3
Selling, general and administrative (SG&A) (including stock-based compensation) (notes 13 and 14)	636.5	673.0	656.3
Related party fees and allocations, net (note 14)	(13.0)	(32.3)	(22.1)
Depreciation and amortization (note 9)	1,093.9	1,074.0	1,021.8
Impairment, restructuring and other operating charges, net (notes 9 and 15)	119.3	19.7	17.7
	3,116.0	3,048.6	2,925.0
Operating income	400.1	285.4	162.1
Other income (expense):			
Interest expense:			
Third party	(463.3)	(454.5)	(369.7)
Related party (note 14)	(621.2)	(518.3)	(517.1)
Interest income (note 14)	23.3	46.3	16.3
Realized and unrealized losses on derivative instruments, net (note 7)	(181.9)	(99.5)	(258.5)
Foreign currency transaction gains (losses), net	(183.9)	140.6	215.8
Unrealized losses due to changes in fair values of certain investments, net (notes 6 and 8)	(2.1)	—	—
Losses on extinguishment of debt, net (note 10)	—	(16.8)	(27.5)
Gains on disposition of assets, net (note 5)	—	—	75.9
Other expense, net	(0.5)	—	(2.0)
	(1,429.6)	(902.2)	(866.8)
Loss before income taxes and discontinued operations	(1,029.5)	(616.8)	(704.7)
Income tax benefit (expense) (note 11)	(63.3)	(13.8)	3.7
Loss from continuing operations	(1,092.8)	(630.6)	(701.0)
Discontinued operations (note 5):			
Earnings from operations	—	—	5.4
Gain on disposal of discontinued operations	—	—	811.3
	—	—	816.7
Net earnings (loss)	(1,092.8)	(630.6)	115.7
Net loss (earnings) attributable to noncontrolling interests	(20.1)	(9.2)	9.9
Net earnings (loss) attributable to parent	€ (1,112.9)	€ (639.8)	€ 125.6

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)

	Year ended December 31,		
	2008	2007	2006
		in millions	
Net earnings (loss)	€ (1,092.8)	€ (630.6)	€ 115.7
Other comprehensive earnings (loss), net of taxes (note 18):			
Foreign currency translation adjustments	146.0	(87.3)	(189.5)
Reclassification adjustment for foreign currency translation losses included in net earnings	—	—	0.9
Pension related adjustments	(14.9)	7.6	—
Other comprehensive earnings (loss)	131.1	(79.7)	(188.6)
Comprehensive loss	(961.7)	(710.3)	(72.9)
Comprehensive loss (earnings) attributable to noncontrolling interests	(4.8)	(6.4)	27.4
Comprehensive loss attributable to parent	€ (966.5)	€ (716.7)	€ (45.5)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings (loss), net of taxes	Total parent's deficit	Noncontrolling interests	Total owners' deficit
	in millions				
Balance at January 1, 2006	€ (2,504.0)	€ 43.4	€ (2,460.6)	€ 194.7	€ (2,265.9)
Net earnings (loss)	125.6	—	125.6	(9.9)	115.7
Other comprehensive loss, net of taxes (note 17)	—	(171.1)	(171.1)	(17.5)	(188.6)
Adjustment to initially apply SFAS 158 adjustment to defined benefit plan, net of tax	—	5.8	5.8	—	5.8
Stock-based compensation, including related taxes (note 13)	17.9	—	17.9	—	17.9
Consideration issued in connection with common control transactions (note 4)	(456.7)	—	(456.7)	—	(456.7)
Carrying value of net assets transferred by entity under common control (note 4)	659.9	—	659.9	—	659.9
Intercompany loan payable forgiven in connection with common control transactions (note 4)	135.4	—	135.4	—	135.4
Portion of the gain on the UPC Belgium sale attributable to LGI's investment in buyer (note 5)	30.3	—	30.3	—	30.3
Adjustment to goodwill due to utilization of tax benefits by a parent company (note 9)	(10.1)	—	(10.1)	—	(10.1)
Capital charge in connection with the exercise of LGI stock incentive awards (note 13)	(28.0)	—	(28.0)	—	(28.0)
Acquisition and contribution of Priority Telecom shares (note 4)	3.3	—	3.3	—	3.3
Adjustment to purchase accounting for LGI Combination	2.6	—	2.6	—	2.6
Adjustments due to changes in subsidiaries' equity and other, net	—	—	—	(13.8)	(13.8)
Balance at December 31, 2006	€ (2,023.8)	€ (121.9)	€ (2,145.7)	€ 153.5	€ (1,992.2)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT — (Continued)

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive loss, net of taxes	Total parent's deficit	Noncontrolling interests	Total owners' deficit
			in millions		
Balance at January 1, 2007, before effect of accounting change	€ (2,023.8)	€ (121.9)	€ (2,145.7)	€ 153.5	€ (1,992.2)
Accounting change (note 2)	(45.3)	—	(45.3)	—	(45.3)
Balance at January 1, 2007, as adjusted for accounting change	(2,069.1)	(121.9)	(2,191.0)	153.5	(2,037.5)
Net earnings (loss)	(639.8)	—	(639.8)	9.2	(630.6)
Other comprehensive loss, net of taxes (note 17)	—	(76.9)	(76.9)	(2.8)	(79.7)
Stock-based compensation, including related taxes (note 13)	47.9	—	47.9	—	47.9
Consideration issued in connection with common control transactions (note 4)	(3,754.4)	—	(3,754.4)	—	(3,754.4)
Consideration received in connection with common control transactions (note 4)	7.2	—	7.2	—	7.2
Adjustment to goodwill due to utilization of tax benefits by a parent company (note 9)	(194.2)	—	(194.2)	—	(194.2)
Capital charge in connection with the exercise of LGI stock incentive awards (note 13)	(90.3)	—	(90.3)	—	(90.3)
Adjustments due to changes in subsidiaries' equity and other, net	—	—	—	(4.9)	(4.9)
Balance at December 31, 2007	€ (6,692.7)	€ (198.8)	€ (6,891.5)	€ 155.0	€ (6,736.5)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT—(Continued)

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive loss, net of taxes	Total parent's deficit	Noncontrolling interests	Total owners' deficit
			in millions		
Balance at January 1, 2008, before effect of accounting change	€ (6,692.7)	€ (198.8)	€ (6,891.5)	€ 155.0	€ (6,736.5)
Accounting change (note 2)	4.8	—	4.8	—	4.8
Balance at January 1, 2008 as adjusted for accounting change	(6,687.9)	(198.8)	(6,886.7)	155.0	(6,731.7)
Net earnings (loss)	(1,112.9)	—	(1,112.9)	20.1	(1,092.8)
Other comprehensive earnings, net of taxes (note 17)	—	146.4	146.4	(15.3)	131.1
Stock-based compensation, including related taxes (note 13)	38.7	—	38.7	—	38.7
Carrying value of assets transferred in connection with common control transaction (note 4)	10.1	—	10.1	—	10.1
Adjustment to goodwill due to changes in pre-acquisition income tax balances of a parent company (note 9)	4.7	—	4.7	—	4.7
Capital charge in connection with the exercise of LGI stock incentive awards (note 13)	(15.1)	—	(15.1)	—	(15.1)
Adjustments due to changes in subsidiaries' equity and other, net	—	—	—	(21.4)	(21.4)
Balance at December 31, 2008	€ (7,762.4)	€ (52.4)	€ (7,814.8)	€ 138.4	€ (7,676.4)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2008	2007	2006
		in millions	
Cash flows from operating activities:			
Net earnings (loss)	€ (1,092.8)	€ (630.6)	€ 115.7
Earnings from discontinued operations	—	—	(816.7)
Loss from continuing operations	(1,092.8)	(630.6)	(701.0)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:			
Stock-based compensation expense	34.6	55.9	19.6
Related party fees and allocation, net	(13.0)	(32.3)	(22.1)
Depreciation and amortization	1,093.9	1,074.0	1,021.8
Impairment, restructuring and other operating charges, net	119.3	19.7	17.7
Amortization of deferred financing costs and non-cash interest	629.4	526.8	591.4
Realized and unrealized losses on derivative instruments, net	181.9	99.5	258.5
Foreign currency transaction losses (gains), net	183.9	(140.6)	(215.8)
Unrealized losses due to changes in fair values of certain investments, net	2.1	—	—
Losses on extinguishment of debt	—	16.8	27.5
Gains on disposition of assets, net	—	—	(75.9)
Deferred income tax expense (benefit)	50.5	2.6	(15.4)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:			
Receivables and other operating assets	110.0	121.1	(46.5)
Payables and accruals	(159.0)	(178.0)	15.0
Net cash provided by operating activities of discontinued operations	—	—	65.5
Net cash provided by operating activities	1,140.8	934.9	940.3
Cash flows from investing activities:			
Capital expended for property and equipment	(990.1)	(902.0)	(778.0)
Cash paid in connection with acquisitions, net of cash acquired	(54.4)	(129.5)	(131.2)
Proceeds received upon dispositions of assets	5.1	3.8	190.3
Other investing activities, net	(3.1)	8.0	(18.8)
Proceeds received upon disposition of discontinued operations, net of disposal costs	—	—	2,015.7
Net cash used by investing activities of discontinued operations	—	—	(75.0)
Net cash provided (used) by investing activities	€ (1,042.5)	€ (1,019.7)	€ 1,203.0

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

	Year ended December 31,		
	2008	2007	2006
		in millions	
Cash flows from financing activities:			
Borrowings of third party debt	€ 1,075.6	€ 1,541.7	€ 1,608.5
Repayments of third party debt and capital lease obligations	(15.9)	(334.2)	(2,591.5)
Net repayments of shareholder loan	(1,175.6)	(1,547.8)	(248.2)
Advances to parent	—	—	(70.6)
Payment of deferred financing costs	(5.3)	(11.4)	(56.0)
Change in cash collateral	3.2	(20.1)	(331.6)
Other financing activities, net	(10.9)	1.7	0.8
Net cash used by financing activities	(128.9)	(370.1)	(1,688.6)
Effect of exchange rates on cash	(14.4)	(7.6)	(9.0)
Net increase (decrease) in cash and cash equivalents:			
Continuing operations	(45.0)	(462.5)	455.2
Discontinued operations	—	—	(9.5)
Net increase (decrease) in cash and cash equivalents	(45.0)	(462.5)	445.7
Cash and cash equivalents:			
Beginning of period	153.6	616.1	170.4
End of period	€ 108.6	€ 153.6	€ 616.1
Cash paid for interest	€ 583.8	€ 403.0	€ 309.0
Net cash paid for taxes	€ 11.3	€ 9.7	€ 11.7

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

(1) Basis of Presentation

UPC Holding B.V. (UPC Holding) is a wholly-owned indirect subsidiary of Liberty Global Europe, N.V. (Liberty Global Europe). Liberty Global 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). LGI was formed for the purpose of effecting the June 2005 combination of LGI International, Inc. (LGI International) and UGC (the LGI Combination). As a result of the LGI Combination, LGI International and UGC each became wholly-owned subsidiaries of LGI. The full amount of LGI's cost basis in UPC Holding, including the basis that resulted from the LGI Combination, is included in these consolidated financial statements. UPC Holding is an international provider of video, voice and broadband internet services, with consolidated broadband communications and/or direct-to-home (DTH) satellite operations at December 31, 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 GlobalCom 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.

On December 19, 2005 we reached an agreement to sell 100% of our Norwegian broadband communications operator, UPC Norge AS (UPC Norway), and completed the sale on January 19, 2006. On April 4, 2006, we reached an agreement to sell 100% of our Swedish broadband communications operator, NBS Nordic Broadband Services AB (publ) (UPC Sweden), and completed the sale on June 19, 2006. On June 6, 2006, we reached an agreement to sell 100% of our French broadband communications operator, UPC France SA (UPC France) and completed the sale on July 19, 2006. We have presented UPC Norway, UPC Sweden, and UPC France as discontinued operations in our consolidated financial statements. See note 5.

Unless otherwise indicated, convenience translations into euros are calculated as of December 31, 2008.

(2) Accounting Changes and Recent Accounting Pronouncements

Accounting Changes

SFAS 157 and FSP 157-3

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the U.S. (U.S. 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 consolidated financial statements, see notes 7 and 8. The deferred provisions of SFAS 157 will be applied prospectively following our adoption of these provisions on January 1, 2009.

In October 2008, the FASB issued FASB Staff Position No. 157-3, *Determining the Fair Value of a Financial Asset in a Market That Is Not Active* (FSP 157-3). FSP 157-3 clarifies the application of SFAS 157 when the market for a financial asset is inactive. Specifically, FSP 157-3 clarifies how (i) management's internal assumptions should be considered in measuring fair value when observable data are not present, (ii) observable market information from an inactive market should be taken into account and (iii) the use of broker quotes or pricing services should be considered in assessing the relevance of observable and unobservable data to measure fair value. FSP 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The implementation of the guidance provided in FSP 157-3 did not have a material impact on our consolidated financial statements.

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 investments, and such adoption resulted in an increase to our investments and a decrease to our parent's deficit of €4.8 million. For information regarding our fair value method investments, see note 8.

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 states 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 adopted SFAS 160 effective January 1, 2009 and such adoption resulted in changes in the presentation of noncontrolling interests (formerly known as minority interests) in our consolidated financial statements for all periods presented. In this regard, we have retrospectively reclassified the accumulated amount of noncontrolling interests to owners' deficit in our consolidated balance sheets and consolidated statements of owners' deficit and we have retrospectively recast our consolidated statements of operations and consolidated statements of comprehensive earnings (loss) to separately present amounts attributable to controlling and noncontrolling interests.

SFAS 161

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (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, with earlier adoption permitted. SFAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We have adopted the provisions of SFAS 161 effective December 31, 2008.

FIN 48

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109* (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes* (SFAS 109). FIN 48 prescribes the recognition threshold and provides guidance for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition.

In connection with our January 1, 2007 adoption of FIN 48, we recognized (i) a €2.0 million decrease to our other long-term liabilities related to uncertain income tax positions, (ii) a €1.1 million decrease to our parent's deficit and (iii) a €0.9 million decrease to our goodwill. In addition, we recorded a €46.4 million increase to our parent's deficit and a €46.4 million decrease to our goodwill to reflect the allocation from a parent company of certain FIN 48 implementation adjustments related to income tax items that were originally recorded in connection with certain purchase accounting transactions.

For information concerning our unrecognized tax benefits, see note 11.

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, among other factors, 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) also provides that the acquirer shall not adjust the finalized accounting for business combinations, including business combinations completed prior to the effective date of SFAS 141(R), for changes in acquired tax uncertainties or changes in the valuation allowances for acquired deferred tax assets that occur subsequent to the effective date of SFAS 141(R). 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. Accordingly, our January 1, 2009 adoption of SFAS 141(R) will not impact our consolidated financial statements for prior periods.

FSP 142-3

In April 2008, the FASB issued FASB Staff Position (FSP) 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 U.S. 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 will begin applying the provisions of FSP 142-3 prospectively on January 1, 2009.

(3) Summary of Significant Accounting Policies

Estimates

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation, including certain cash flows related to our derivative instruments, which have been reclassified in our consolidated statements of cash flows to align with the classification of the applicable underlying cash flows. See note 7.

Principles of Consolidation

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

Changes in our proportionate share of the underlying share capital of a subsidiary, including those which result from the issuance of additional equity securities by such subsidiary, are recognized as increases or decreases to additional paid-in capital.

Cash and Cash Equivalents and Restricted Cash

Cash equivalents consist of all investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition.

Restricted cash includes cash held in escrow and cash held as collateral for lines of credit and other compensating balances. Cash restricted to a specific use is classified as current or long-term based on the expected timing of the disbursement. At December 31, 2008 and 2007, our current and long-term restricted cash balances aggregated €336.0 million and €324.4 million, respectively. For additional information concerning our restricted cash balances, see note 10.

Our significant non-cash investing and financing activities are disclosed in our statements of owners' deficit and in notes 4, 5, 9 and 10.

Receivables

Receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €78.4 million and €55.2 million at December 31, 2008 and 2007, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

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

Investments

As discussed in note 2, we adopted SFAS 159 effective January 1, 2008. Under SFAS 159, we are permitted to make an election, on an investment-by-investment basis, to measure our investments at fair value. Such election is generally irrevocable. We have elected the fair value option 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 LGI or its consolidated subsidiaries have significant related-party transactions. For additional information regarding our fair value method investments, see note 8.

Under the fair value method, investments are recorded at fair value as determined by the provisions of SFAS 157, and any changes in fair value are reported in net earnings or loss. All costs directly associated with the acquisition of an investment that is intended to be accounted for using the fair value method are expensed as incurred. Transfers between SFAS 157 fair value hierarchies are recorded as of the end of the period in which the transfer occurs.

We continue to use the equity method for certain privately-held investments over which we have the ability to exercise significant influence. Generally, we exercise significant influence through a voting interest between 20% and 50%, or board representation and management authority. Under the equity method, an investment, originally recorded at cost, is adjusted to recognize our share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, with our recognition of losses generally limited to the extent of our investment in, and advances and commitments to, the investee. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), the portion of the difference between our investment and our share of the net assets of the investee that represents goodwill is not amortized, but continues to be considered for impairment under APB No. 18, *The Equity Method of Accounting for Investments in Common Stock.* Intercompany profits on transactions with equity affiliates where assets remain on the balance sheet of our company or the investee are eliminated to the extent of our ownership in the investee.

We use the cost method for investments in certain non-marketable securities over which we do not have the ability to exercise significant influence. These investments are carried at cost, subject to an other-than-temporary impairment assessment.

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

Financial Instruments

Due to the short maturities of cash and cash equivalents, short-term restricted cash, trade and other receivables, other current assets, accounts payable, accrued liabilities, subscriber advance payments and deposits and other current liabilities, their respective carrying values approximate their respective fair values. For information concerning the fair value of our debt, see note 10.

Derivative Instruments

All derivatives, whether designated as hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive earnings (loss) and subsequently reclassified into our consolidated statements of operations when the hedged forecasted transaction affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative is not designated as a hedge, changes in the fair value of the derivative are recognized in earnings. None of the derivative instruments that were in effect during the three years ended December 31, 2008 were designated as hedges for financial reporting purposes.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. In accordance with SFAS No. 51, *Financial Reporting by Cable Television Companies* (SFAS 51), we capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Capitalized construction and installation costs include materials, labor and other directly attributable costs. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred. Interest capitalized with respect to construction activities was not material during any of the periods presented.

Depreciation is computed using the straight-line method over estimated useful lives of 3 to 25 years for cable distribution systems, 10 to 40 years for buildings and leasehold improvements and 2 to 20 years for support equipment. Equipment under capital leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. The useful lives used to depreciate cable distribution systems are assessed periodically and are adjusted when warranted. The useful lives of systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed.

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

Pursuant to SFAS No. 143, *Accounting for Asset Retirement Obligations*, as interpreted by the FASB Interpretation No. 47, we recognize a liability for asset retirement obligations in the period in which it is incurred if sufficient information is available to make a reasonable estimate of fair values. In addition, we recognize asset retirement obligations that arise from the European Union Directive on Waste Electrical and Electronic Equipment (WEEE Directive) pursuant to FASB Staff Position No. 143-1. The WEEE Directive creates certain legal obligations to dispose of electrical and electronic equipment, which incorporates equipment used in our European operations. The majority of our obligations under the WEEE Directive are related to customer premise equipment.

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

As of December 31, 2008 and 2007, the recorded value of our asset retirement obligations was €31.7 million and €25.8 million, respectively.

Intangible Assets

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

Pursuant to SFAS 142, goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually in accordance with the provisions of SFAS 142. Pursuant to SFAS 142, intangible assets with definite lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144).

We do not amortize certain other intangible assets as these assets have indefinite-lives. Our customer relationship intangible assets are amortized on a straight line basis over estimated useful lives ranging from 3 to 10 years for broadband communications and DTH satellite customer relationships.

Impairment of Property and Equipment and Intangible Assets

SFAS 144 requires that we review, when circumstances warrant, the carrying amounts of our property and equipment and our intangible assets (other than goodwill and indefinite-lived intangible assets) to determine whether such carrying amounts continue to be recoverable. Such events or changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, which is generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset group exceeds their fair value. We generally measure fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

Pursuant to SFAS 142, we evaluate the goodwill and other indefinite-lived intangible assets for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill and indefinite-lived intangible assets may not be recoverable. For purposes of the goodwill evaluation, we compare the fair values of our reporting units to their respective carrying amounts. A reporting unit is an operating segment or one level below an operating segment (referred to as a component). In most cases, our operating segments are deemed to be a reporting unit either because the operating segment is comprised of only a single component, or the components below the operating segment are aggregated as they have similar economic characteristics. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. Any excess of the carrying value over the fair value of indefinite-lived intangible assets is also charged to operations as an impairment loss.

Income Taxes

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on the technical merits, that the position will be sustained upon examination. Net deferred tax assets are then reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Certain of our valuation allowances and tax uncertainties are associated with entities that we acquired in business combinations. Through December 31, 2008, U.S. GAAP required that we account for any post-acquisition changes in these items as adjustments of the accounting for the respective business combinations, and accordingly, the tax impact of these changes was not recognized in our consolidated statements of operations. Following our January 1, 2009 adoption of SFAS 141(R), the finalized accounting for business combinations, including business combinations completed prior to January 1, 2009, will no longer be adjusted for these changes. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax liabilities related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration are not recognized until it becomes apparent that such amounts will reverse in the foreseeable future. Interest and penalties related to income tax liabilities are included in income tax expense.

Defined Benefit Plans

Certain of our indirect subsidiaries maintain various employee pension plans that are treated as defined benefit pension plans. Certain assumptions and estimates must be made in order to determine the costs and future benefits that will be associated with these plans. These assumptions include (i) the estimated long-term rates of return to be earned by plan assets, (ii) the estimated discount rates used to value the projected benefit obligations and (iii) estimated wage increases. We estimate discount rates annually based upon the yields on high-quality fixed-income investments available at the measurement date and expected to be available during the period to maturity of the pension benefits. For the long-term rates of return, we use a model portfolio based on the subsidiaries' targeted asset allocation. To the extent that net actuarial gains or losses exceed 10% of the greater of plan assets or plan liabilities, such gains or losses are amortized over the average future service period of plan participants. Effective December 31, 2006, we adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an Amendment of FASB Statements No. 87, 88, 106 and 132(R)* (SFAS 158). For additional information, see note 16.

Foreign Currency Translation and Transactions

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

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

Revenue Recognition

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

Other Revenue. We recognize revenue from DTH, telephone and data services that are not provided over our cable network in the period the related services are provided. Installation revenue (including reconnect fees) related to services that are not provided over our cable network is deferred and amortized over the average expected subscriber life.

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

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

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

Stock-Based Compensation

As further described in note 13, 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 subsidiaries.

On January 1, 2006, we and LGI adopted the provisions of SFAS No. 123(R) (revised 2004), *Share-Based Payment* (SFAS 123(R)) using the modified prospective adoption method. SFAS 123(R) generally requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their grant-date fair values. SFAS 123(R) also requires the fair value of outstanding options vesting after the date of initial adoption to be recognized as a charge to operations over the remaining vesting period.

In addition, SFAS 123(R) requires the cash benefits of tax deductions in excess of deferred taxes on recognized compensation expense to be reported as a financing cash flow, rather than as an operating cash flow as prescribed by the prior accounting rules. This requirement, to the extent applicable, reduces net operating cash flows and increases net financing cash flows in periods after adoption. Total cash flow remains unchanged from what would have been reported under prior accounting rules.

As a result of the adoption of SFAS 123(R), we and LGI began (i) using the fair value method to recognize share-based compensation and (ii) estimating forfeitures for purposes of recognizing the remaining fair value of all unvested awards. In addition, we and LGI use the straight-line method to recognize stock-based compensation expense for our outstanding stock awards granted after January 1, 2006 that do not contain a performance condition and the accelerated expense attribution method for our outstanding stock awards granted prior to January 1, 2006. As required by SFAS 123(R), we and LGI use the accelerated attribution method to recognize stock-based compensation expense for all stock awards granted after January 1, 2006 that contain a performance condition and vest on a graded basis.

We and LGI calculated the expected life of options and SARs using the "simplified method" set forth in Staff Accounting Bulletin (SAB) No. 107. The expected volatility for LGI options and SARs was based on the historical volatilities of LGI, UGC and certain other public companies with characteristics similar to LGI for a historical period equal to the expected average life of the awards.

(4) Common Control Transfers and Acquisitions

We completed various acquisitions and transfers between entities under common control during 2008, 2007 and 2006. We accounted for the common control transfers at carryover basis and, unless otherwise indicated, our 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) to UPC Holding for no material consideration. Chellomedia is a direct subsidiary of Liberty Global Europe. Due to the relative immateriality of the amounts involved, we did not restate our 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

During 2007, we completed the following common control transfers and significant acquisitions:

(i) On January 1, 2007, our 100% ownership interest in At Media Sp.z.o.o (At Media), a provider of programming services in Poland, was transferred by UPC Holding to Chellomedia Programming B.V. (Chellomedia Programming), another subsidiary of Liberty Global Europe.

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

(iii) On May 4, 2007, Liberty Global Europe transferred its 100% interest in Unite Holdco III B.V. (Unite Holdco), another subsidiary of Liberty Global Europe, to UPC Holding;

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

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

At Media Common Control Transfer — On January 1, 2007, our 100% ownership interest in At Media, was transferred by UPC Holding to Chellomedia Programming in exchange for a €7.2 million intercompany loan. We recorded the consideration received of €7.2 million and the transfer of the At Media interest as capital transactions in 2007.

Cablecom and VTR Common Control Transfers — 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 Liberty Global 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.

Unite Holdco Common Control Transfer — 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 Liberty Global 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.

Tirol Acquisition — On October 2, 2007, one of our operating subsidiaries in Austria acquired Tirol for cash consideration of €84.3 million, including working capital adjustments and direct acquisition costs. We have accounted for the Tirol acquisition using the purchase method of accounting, whereby the total purchase price has been allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of such identifiable net assets was allocated to goodwill.

2006 Common Control Transfers and Acquisitions

During 2006 we completed the following common control transfers and significant acquisitions:

(i) On March 2, 2006 we acquired INODE Telekommunikationsdienstleistungs GmbH (INODE), an unbundled Digital Subscriber Line (DSL) provider in Austria;

(ii) In July 2006, Priority Telecom GmbH (PT Austria) and Priority Telecom Nederlands B.V. (PT NL) were transferred to UPC Holding from Priority Telecom N.V. (Priority Telecom), another subsidiary of Liberty Global Europe; and

(iii) On December 28, 2006 certain interests in Karneval were transferred from Unite Holdco to UPC Holding. Liberty Global Europe commenced the consolidation of Karneval on September 30, 2006 and completed the acquisition thereof on December 28, 2006.

Acquisition of Karneval and Related Common Control Transfer

Acquisition of Karneval

On August 9, 2006, Liberty Global Europe signed a total return swap agreement with each of Aldermanbury Investments Limited (AIL), an affiliate of JP Morgan, and Deutsche Bank AG, London Branch (Deutsche), to acquire Unite Holdco, subject to regulatory approvals, and (ii) Unite Holdco had entered into a share purchase agreement to acquire all interests in Karneval from ICZ Holding BV. On September 18, 2006, Unite Holdco acquired Karneval for aggregate cash consideration of €331.1 million before direct acquisition costs, including €8.6 million of net cash and working capital adjustments. Karneval provides cable television and broadband internet services to residential customers and managed network services to corporate customers in the Czech Republic. On December 28, 2006, following the receipt of regulatory approvals, Liberty Global Europe completed its acquisition of Unite Holdco and settled the total return swap agreements with each of AIL and

Deutsche. We acquired Karneval in order to achieve certain financial, operational and strategic benefits through the integration of Karneval with our existing operations in the Czech Republic.

In connection with the total return swap and share purchase agreements described above, Liberty Global Europe agreed to indemnify each of AIL and Deutsche and their affiliates with respect to any losses, liabilities and taxes incurred in connection with the acquisition, ownership and subsequent transfer of the Unite Holdco and Karneval interests. Liberty Global Europe's indemnity agreement with AIL and Deutsche was considered to be a variable interest in Unite Holdco, which was considered to be a variable interest entity under the provisions of FASB Interpretation No. 46(R), *Consolidation of Variable interest Entities* (FIN 46(R)). As Liberty Global Europe was responsible for all losses incurred by AIL and Deutsche in connection with their acquisition, ownership and ultimate disposition of Unite Holdco, Liberty Global Europe was considered to be Unite Holdco's primary beneficiary, as defined by FIN 46(R), and Liberty Global Europe was therefore required to consolidate Unite Holdco and its subsidiary Karneval, as of the closing date of Unite Holdco's acquisition of Karneval. As each of AIL and Deutsche did not have equity at risk in Unite Holdco, the full amount of Unite Holdco's results during the fourth quarter of 2006 was allocated to Liberty Global Europe. For financial reporting purposes, we began consolidating Unite Holdco effective September 30, 2006.

Our acquisition of Karneval through Unite Holdco has been accounted for using the purchase method of accounting. The total purchase price has been allocated to the acquired identifiable net assets of Karneval based on assessments of their respective fair values, and the excess of the purchase price over the fair values of such identifiable net assets was allocated to goodwill.

Opening Balance Sheet Information of Karneval

A summary of the purchase price and the opening balance sheet of Karneval is presented in the following table as of September 30, 2006, the effective acquisition date for financial reporting purposes. The opening balance sheet presented in this table reflects our final purchase price allocations, including certain purchase accounting adjustments that were recorded in 2007 prior to the finalization of purchase accounting (in millions):

Cash	€ 9.8
Other current assets	2.1
Property and equipment, net	136.3
Goodwill	183.6
Intangible assets subject to amortization [(a)]	16.4
Other assets, net	11.7
Current liabilities	(7.9)
Long-term debt and capital lease obligations	(1.4)
Other long-term liabilities	(13.0)
Total purchase price	€ 337.6
Purchase price:	
Cash consideration	€ 331.1
Direct acquisition costs	6.5
	€ 337.6

(a) The amount reflected as intangible assets subject to amortization primarily relates to our assessment of the fair value of customer relationships. Such acquired intangible assets had a weighted average life of 5 years at the acquisition date.

Common Control Transfer of Karneval Interests

Liberty Global Europe transferred 99% of the shares of Karneval Media s.r.o. and 97% of the shares of Forecable s.r.o. to UPC Holding at their respective carrying amount on December 28, 2006. The shares were transferred for €331.1 million of consideration consisting of (i) a Czech koruna (CZK) 2,514.7 million (€91.5 million at transaction date) intercompany loan payable to LGE Financing and (ii) €239.6 million principal amount of promissory notes payable to LGE Financing. The consideration issued was reflected as an addition to our shareholder loan with LGE Financing. We recorded the aggregate consideration issued of €331.1 million and the transfer of the Karneval shareholdings as capital transactions. The Karneval shareholdings were transferred at the September 18, 2006 carrying value of €328.9 million, before giving effect to the €91.5 million intercompany loan that was issued in connection with the transfer.

Acquisition of INODE

On March 2, 2006 we acquired UPC Austria GmbH (formerly INODE Telekommunikationsdienstleistungs GmbH) (INODE), an unbundled Digital Subscriber Line (DSL) provider in Austria, for cash consideration before direct acquisition costs of €93.0 million. The INODE acquisition has been accounted for using the purchase method of accounting, whereby the total purchase price has been allocated to the acquired identifiable net assets of INODE based on their respective fair values, and the excess of the purchase price over the fair value of such net identifiable assets was allocated to goodwill.

Common Control Transfer of PT Netherlands and PT Austria

In July 2006, PT Austria and PT NL were transferred to UPC Holding from Priority Telecom for €17.6 million and €103.7 million, respectively. The transfer of PT Austria was fully cash settled. The obligation for the transfer of PT NL was converted into an intercompany loan. As a result of the transfer, the intercompany loan of €135.4 million, payable by PT NL to another subsidiary of Liberty Global Europe, was forgiven. The forgiven intercompany loan held by PT NL was reported as a capital contribution in 2006.

During 2006, another subsidiary of Liberty Global Europe acquired additional shares of Priority Telecom for aggregate cash consideration of €3.3 million. Such shares were contributed to UPC Holding at carryover basis in connection with the transfer of PT NL and PT Austria to UPC Holding.

Focus Sat Common Control Transfer

In June 2006, a 50.0% interest in Focus Sat Romania S.A. (Focus Sat), an equity method affiliate, was transferred to UPC Holding from another subsidiary of Liberty Global Europe for €4.1 million. We recorded the consideration paid of €4.1 million, which was reflected as an addition to our shareholder loan with LGE Financing, and the transfer of the Focus Sat shares as capital transactions. The Focus Sat shares were transferred at the June 2006 carrying value of €1.8 million.

Pro Forma Information for Acquisitions

The following unaudited pro forma consolidated operating results for 2006 give effect to the acquisition of Karneval as if it had been completed as of January 1, 2006. No effect has been given to the 2007 acquisitions of Tirol or INODE since they would not have had a material impact on our results of operations if they had occurred at the beginning of the applicable periods.

These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on such dates. The pro forma adjustments are based upon currently available information and upon certain assumptions that we believe are reasonable.

	Year ended December 31, 2006
	in millions
Revenue	€ 3,121.9
Loss from continuing operations	€ (692.8)

(5) Discontinued Operations

UPC Norway — On December 19, 2005, we reached an agreement to sell 100% of UPC Norway to an unrelated third party. On January 19, 2006, we sold UPC Norway for cash proceeds of approximately €444.8 million. On January 24, 2006, €175 million of the proceeds from the sale of UPC Norway were applied toward the prepayment of borrowings under the UPC Broadband Holding Bank Facility. See note 10. In accordance with SFAS 144, we have presented UPC Norway as a discontinued operation in our consolidated financial statements effective December 31, 2005. UPC Norway's net results for the 2006 period through the date of sale were not significant. In connection with the January 19, 2006 disposal of UPC Norway, we recognized a net gain of €187.0 million that includes realized cumulative foreign currency translation gains of €1.2 million. No income taxes were required to be provided on this gain. This net gain is reflected in discontinued operations in our 2006 consolidated statement of operations. Prior to its disposal, we included UPC Norway in our then reportable segment, *Other Western Europe*.

UPC Sweden — On April 4, 2006, we reached an agreement to sell 100% of UPC Sweden to a consortium of unrelated third parties. On June 19, 2006, we sold UPC Sweden for cash proceeds of Swedish krona (SEK) 2,984 million (€321.1 million at the transaction date) and the assumption by the buyer of capital lease obligations with an aggregate balance of approximately SEK 251 million (€27.0 million at the transaction date). We were required to use €150 million of the UPC Sweden sales proceeds to prepay borrowings under the UPC Broadband Holding Bank Facility. Effective March 31, 2006, we began accounting for UPC Sweden as a discontinued operation in our consolidated financial statements in accordance with SFAS 144. In connection with the June 19, 2006 disposal of UPC Sweden, we recognized a net gain of €116.2 million that includes realized cumulative foreign currency translation losses of €2.1 million. No income taxes were required to be provided on this gain. This net gain is reflected in discontinued operations in our consolidated statement of operations. Prior to its disposal, we included UPC Sweden in our then reportable segment, *Other Western Europe*.

UPC France — On July 19, 2006, we sold our 100% interest in UPC France to a consortium of unrelated third parties for cash proceeds of €1,253.2 million, subject to post-closing adjustments. Effective June 1, 2006, we began accounting for UPC France as a discontinued operation in our consolidated financial statements in accordance with SFAS 144. Other than severance and bonus payments that were paid in connection with the disposition, UPC France's net results from July 1, 2006 through the date of sale were not significant. Pursuant to the terms of the UPC Broadband Holding Bank Facility, we are required to use €290.0 million of the cash proceeds from the UPC France sale to prepay or otherwise provide for the prepayment of a portion of the amounts outstanding under the UPC Broadband Holding Bank Facility. As permitted by the UPC Broadband

Holding Bank Facility, we initially placed cash proceeds equal to the €290.0 million required prepayment in a restricted account that is reserved for the prepayment of amounts outstanding under the UPC Broadband Holding Bank Facility. In September 2006, we used €105.0 million of the amounts held in the UPC Holding restricted account, together with available cash of €25.0 million, to repay amounts outstanding under the UPC Broadband Holding Bank Facility. During the fourth quarter of 2006, the UPC Broadband Holding Bank Facility was amended to eliminate the requirement to use the remaining €185.0 million to prepay borrowings under the UPC Broadband Holding Bank Facility provided that such amount was reinvested in the business prior to a specified date. As a result of this amendment, the funds were withdrawn from the blocked account in December 2006 and reinvested in the business. In connection with the July 19, 2006 disposal of UPC France, we recognized a net gain of €508.1 million. No income taxes were required to be provided on this gain. This net gain is reflected in discontinued operations in our consolidated statements of operations. Prior to its disposal, we presented UPC France as a separate reportable segment.

Operating Results of Discontinued Operations

The operating results of UPC Sweden and UPC France that are included in discontinued operations for 2006 are presented in the following table (in millions):

Revenue	€ 254.8
Operating income	€ 25.0
Earnings before income taxes	€ 5.6
Net earnings from discontinued operations	€ 5.4

As noted above, we were required to use proceeds from the UPC Norway, UPC Sweden and UPC France dispositions to repay certain amounts outstanding under the UPC Broadband Holding Bank Facility. Interest expense related to such required debt repayments of €12.9 million for the year ended December 31, 2006 is included in discontinued operations in our consolidated statements of operations.

2006 Disposal

UPC Belgium NV/SA (UPC Belgium) — On December 31, 2006, we sold UPC Belgium to Telenet Group Holding NV (Telenet), then an equity method investee of Liberty Global Europe, for cash consideration of €184.5 million, after deducting cash received to settle net cash and working capital adjustments of €20.9 million. The terms of this transaction were voted on and approved by Telenet's board of directors, with the Telenet board members affiliated with LGI abstaining from the vote. In connection with this transaction, we recognized a pre-tax gain of €73.7 million after eliminating the percentage of the gain equal to Liberty Global Europe's ownership interest in Telenet at December 31, 2006. Due to Liberty Global Europe's continuing ownership interest in Telenet, we have not accounted for UPC Belgium as a discontinued operation.

(6) Investments

The details of our investments are set forth below:

	December 31,	
	2008	2007
Accounting Method	in millions	
Fair value	€ 27.6	€ —
Equity	3.1	22.9
Cost	0.4	1.5
Total	€ 31.1	€ 24.4

Fair Value Method Investments

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 equity method investments, including investments in broadband communications operators in Switzerland. The aggregate fair value of our fair value method investments as of January 1, 2008 was €26.0 million.

(7) Derivative Instruments

Through our subsidiaries, we have entered into various derivative instruments to manage interest rate and foreign currency exposure with respect to the U.S. dollar ($), the euro (€), 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 losses on derivative instruments, net, in our consolidated statements of operations. The following table provides details of the fair values of our derivative instrument assets and liabilities:

	December 31, 2008			December 31, 2007		
	Current	Long-term [(a)]	Total	Current	Long-term [(a)]	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts [(b)]	€ 130.1	€ 197.1	€ 327.2	€ 153.9	€ 91.4	€ 245.3
Foreign currency forward contracts	3.8	—	3.8	0.1	—	0.1
Embedded derivatives	0.2	0.5	0.7	1.3	2.1	3.4
Total	€ 134.1	€ 197.6	€ 331.7	€ 155.3	€ 93.5	€ 248.8
Liabilities:						
Cross-currency and interest rate derivative contracts [(b)]	€ 274.0	€ 553.5	€ 827.5	€ 72.9	€ 389.0	€ 461.9
Foreign currency forward contracts	—	—	—	0.9	—	0.9
Embedded derivatives	0.8	0.7	1.5	—	—	—
Total	€ 274.8	€ 554.2	€ 829.0	€ 73.8	€ 389.0	€ 462.8

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

(b) In 2008, we began considering credit risk in our fair value assessments in accordance with the provisions of SFAS 157. As of December 31, 2008, the fair values of our cross-currency and interest rate derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €14.6 million and the fair values of our cross-currency and interest rate derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating €81.0 million. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market and market quotations for certain of our subsidiaries' debt instruments, as applicable. Based on our evaluation of market conditions and recent transactions, we may determine that interest rate spreads obtained from market quotations for our subsidiaries' debt instruments require adjustment in order to estimate credit spreads. These adjustments are intended to remove the impacts of estimated liquidity spreads and other factors, such as distressed sales, that cause market quotations to not be reflective of fair values. The change in the credit risk valuation adjustments associated with our derivative instruments resulted in a net gain of €66.4 million during 2008, and this gain is included in realized and unrealized losses on derivative instruments, net, in our consolidated statement of operations. For further information concerning our fair value measurements, see note 8.

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

	Year ended December 31,		
	2008	2007	2006
	in millions		
Cross-currency and interest rate derivative contracts	€ (179.1)	€ (102.9)	€ (241.7)
Embedded derivatives	(3.7)	1.1	1.7
Foreign currency forward contracts	0.9	2.3	(18.5)
Total	€ (181.9)	€ (99.5)	€ (258.5)

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

	Year ended December 31,		
	2008	2007	2006
	in millions		
Operating activities	€ 105.4	€ (25.6)	€ 21.3
Investing activities	—	—	(4.2)
Financing activities	3.1	2.7	16.8
Total	€ 108.5	€ (22.9)	€ 33.9

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative contracts will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative contracts is spread across a broad counterparty base of banks and financial institutions. We generally do not require counterparties to our derivative instruments to provide collateral or other security or to enter into master netting arrangements.

At December 31, 2008, our exposure to credit risk included derivative assets with a fair value of €331.7 million (including €124.4 million due from counterparties for which we had offsetting liability positions at December 31, 2008).

Under our derivative contracts, the exercise of termination and set-off provisions is generally at the option of the non-defaulting party only. However, in an insolvency of a derivative counterparty, a liquidator may be able to force the termination of a derivative contract. In addition, mandatory set-off of amounts due under the derivative contract and potentially other contracts between our company and the relevant counterparty may be applied under the insolvency regime of the relevant jurisdiction. Accordingly, it is possible that we could be required to make payments to an insolvent counterparty even if that counterparty had previously defaulted on its obligations under a derivative contract with our company. While we anticipate that, in the event of the insolvency of one of our derivative counterparties, we would seek to novate our derivative contracts to different counterparties, no assurance can be given that we would be able to do this on terms or pricing that would be acceptable to us. If we are unable to, or choose not to, novate to a different party, the risks that were the subject of the original derivative contract would no longer be hedged.

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Interest Rate Swaps:

The terms of our outstanding cross-currency interest rate swap contracts at December 31, 2008 are as follows:

Subsidiary [(a)]	Notional amount due from counterparty		Notional amount due to counterparty		Interest rate due from counterparty	Interest rate due to counterparty
	in millions					
UPC Broadband Holding:						
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		
July 2009	€	60.0	CZK	1,703.1	5.50%	5.15%
July 2009 — July 2010		60.0		1,703.1	5.50%	5.33%
July 2010 — December 2014		60.0		1,703.1	5.50%	6.05%
February 2010		105.8		3,018.7	5.50%	4.88%
February 2010 — December 2014		105.8		3,018.7	5.50%	5.80%
December 2014		200.0		5,800.0	5.46%	5.30%
	€	591.6	CZK	16,946.7		
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 2010 — December 2014		260.0		75,570.0	5.50%	9.40%
December 2014		228.0		62,867.5	5.50%	8.98%
	€	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 2010 — December 2014		245.0		1,000.6	5.50%	7.60%
December 2014		98.4		335.0	5.50%	7.12%
	€	833.4	PLN	3,336.8		
December 2010	€	200.0	RON	709.1	5.50%	10.98%
December 2010 — December 2014		200.0		709.1	5.50%	10.69%
December 2014		89.1		320.1	5.50%	10.27%
	€	489.1	RON	1,738.3		
September 2012	€	229.1	CHF	355.8	6 mo. EURIBOR + 2.5%	6 mo. CHF LIBOR + 2.46%
December 2014		898.4		1,466.0	6 mo. EURIBOR + 2.0%	6 mo. CHF LIBOR + 1.94%
	€	1,127.5	CHF	1,821.8		
December 2014	$	340.0	CLP	181,322.0	6 mo. LIBOR + 1.75%	8.76%
December 2014	€	134.3	CLP	107,800.0	6 mo. EURIBOR + 2.0%	10.0%
December 2014	$	511.5	CHF	558.0	6 mo. LIBOR + 2.75%	6 mo. CHF LIBOR + 2.95%
VTR:						
September 2014	$	465.5	CLP	257,654.3	6 mo. 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 December 31, 2008, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2008, we present a range of dates that represents the period covered by the applicable derivative instrument.

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at December 31, 2008 are as follows:

Subsidiary [(a)]		Notional amount	Interest rate due from counterparty	Interest rate due to counterparty
		in millions		
UPC Broadband Holding:				
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 + 2.1%	6 mo. EURIBOR + 2.0%
January 2009 — January 2010		3,640.0	1 mo. EURIBOR + 2.0%	6 mo. EURIBOR + 1.81%
January 2009 — April 2012		555.0	6 mo. EURIBOR	3.32%
January 2009 — December 2014		210.0	6 mo. EURIBOR	4.44%
July 2009 [(b)]		31.6	5.50%	6.58%
July 2009 — July 2010 [(b)]		31.6	5.50%	5.67%
October 2012 [(b)]		63.1	5.46%	6.04%
January 2010		250.0	1 mo. EURIBOR + 2.0%	6 mo. EURIBOR + 1.79%
April 2010		1,000.0	6 mo. EURIBOR	3.28%
April 2010 — December 2014		1,000.0	6 mo. EURIBOR	4.66%
January 2011		193.5	6 mo. EURIBOR	3.83%
January 2011 — December 2014		193.5	6 mo. EURIBOR	4.68%
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%
December 2014		449.5	6 mo. EURIBOR	4.78%
	€	12,243.3		
December 2010	CHF	618.5	6 mo. CHF LIBOR	2.19%
January 2011 — December 2014		618.5	6 mo. CHF LIBOR	3.56%
September 2012		711.5	6 mo. CHF LIBOR	2.33%
October 2012 — December 2014		711.5	6 mo. CHF LIBOR	3.65%
December 2014		1,050.0	6 mo. CHF LIBOR	3.47%
	CHF	3,710.0		
July 2013	CLP	110,700.0	6.77%	6 mo. TAB
January 2009	$	1,900.0	1 mo. LIBOR + 1.75%	6 mo. LIBOR + 1.63%
January 2009 — January 2010		1,900.0	1 mo LIBOR + 1.75%	6 mo. LIBOR + 1.54%
	$	3,800.0		
January 2009 — July 2013	HUF	5,908.8	6 mo. BURBOR	8.52%
January 2009 — July 2013	PLN	115.1	6 mo. WIBOR	5.41%
VTR:				
July 2013	CLP	110,700.0	6 mo. TAB	7.78%

(a) For each subsidiary, the notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. For derivative instruments that were in effect as of December 31, 2008, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2008, we present a range of dates that represents the period covered by the applicable derivative instrument.

(b) These contracts originated as cross-currency interest rate swaps involving the euro and the SKK. In anticipation of Slovakia's January 1, 2009 conversion to the euro, the SKK notional amounts were converted into euros at the initial exchange rate of 30.126 SKK per euro.

Foreign Currency Forward Contracts

Several of our subsidiaries have outstanding foreign currency forward contracts. Changes in the fair value of these contracts are recorded in realized and unrealized gains (losses) on derivative instruments, net, in our consolidated statements of operations. The following table summarizes our outstanding foreign currency forward contracts at December 31, 2008:

UPC Holding subsidiary	Currency purchased forward		Currency sold forward		Maturity dates
	in millions				
UPC Broadband Holding	PLN	69.0	€	16.6	January 2009
UPC Broadband Holding	HUF	6,400.0	€	24.0	January 2009
VTR	$	52.9	CLP	31,199.1	January 2009 — November 2009

(8) Fair Value Measurements

We use the fair value method to account for our derivative instruments and certain of our investments. The reported fair values of these assets and liabilities as of December 31, 2008 likely will not represent the value that will be realized upon the ultimate settlement or disposition of these assets and liabilities. In the case of the investments that we account for using the fair value method, the values we realize upon disposition will be dependent upon, among other factors, market conditions and the historical and forecasted financial performance of the investees at the time of any such disposition. With respect to our cross-currency interest rate swaps and our interest rate swaps, we expect that the values realized will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

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.

All of our Level 2 inputs (interest rates, yield curves, dividend yields and certain of the inputs for our weighted average cost of capital calculations) and certain of our Level 3 inputs (forecasted volatilities and credit spreads) are obtained from pricing services. These inputs, or interpolations or extrapolations thereof, are used in our internal models to calculate, among other items, yield curves, forward interest and currency rates and weighted average cost of capital rates. In the normal course of business, we receive fair value assessments from the counterparties to our derivative contracts. Although we compare these assessments to our internal valuations and investigate unexpected differences, we do not otherwise rely on counterparty quotes to determine the fair values of our derivative instruments. As allowed by SFAS 157, the midpoints of applicable bid and ask ranges generally are used as inputs for our internal valuations.

Our investments that we account for at fair value are privately-held companies, and therefore, quoted market prices are unavailable. The valuation technique we use for such investments is a combination of an income approach (discounted cash flow model based on forecasts) and a market approach (market multiples of similar businesses). With the exception of certain inputs for our weighted average cost of capital calculations that are derived from pricing services, the inputs used to value these investments are based on unobservable inputs derived from our assumptions. Therefore, the valuation of our privately-held investments falls under Level 3 of the SFAS 157 fair value hierarchy.

As further described in note 7, we have entered into cross-currency interest rate swaps, interest rate swaps, and foreign currency forward contracts. The fair value measurements of these derivative instruments are determined using cash flow models. All but one of the inputs to these cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes interest rates, swap rates and yield curves, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. 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 and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the overall valuations of our cross-currency interest rate swaps, interest rate swaps and our foreign currency forward contracts, we believe that the valuations of these derivative instruments fall under Level 2 of the SFAS 157 hierarchy. Our credit risk valuation adjustments with respect to our cross-currency interest rate swaps and interest rate swaps are quantified and further explained in note 7.

A summary of the assets and liabilities measured at fair value that are included in our consolidated balance sheet as of December 31, 2008 is as follows:

		Fair value measurements at December 31, 2008 using:	
Description	**December 31, 2008**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		in millions	
Assets:			
Derivative instruments	€ 331.7	€ 331.7	€ —
Investments	27.6	—	27.6
Total assets	€ 359.3	€ 331.7	€ 27.6
Total liabilities	€ 829.0	€ 829.0	€ —

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

Balance at January 1, 2008	€	26.0
Unrealized losses due to changes in fair values of certain investments, net [(a)]		(2.1)
Foreign currency translation adjustments		3.7
Balance at December 31, 2008	€	27.6

(a) All of the losses recognized during 2008 relate to investments that we continue to carry on our consolidated balance sheet as of December 31, 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 as there are no restrictions on our ability, contractual or otherwise, to redeem our investments at the stated net asset value reported by the investment manager.

(9) Long-lived Assets

Property and Equipment, Net

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

	December 31,	
	2008	2007
	in millions	
Cable distribution systems	€ 5,714.2	€ 4,929.1
Support equipment, buildings and land	899.5	747.5
	6,613.7	5,676.6
Accumulated depreciation	(2,636.2)	(1,813.4)
Total property and equipment, net	€ 3,977.5	€ 3,863.2

Depreciation expense related to our property and equipment was €925.0 million, €906.7 million and €869.5 million during 2008, 2007 and 2006, respectively.

At December 31, 2008 and 2007, the amount of property and equipment, net, recorded under capital leases was €22.9 million and €21.2 million, respectively. Depreciation of assets under capital leases is included in depreciation and amortization in our consolidated statements of operations.

During 2008, 2007 and 2006, we recorded €3.5 million, €1.0 million and €1.0 million of non-cash increases to our property and equipment, respectively, as a result of assets acquired under capital lease arrangements.

Goodwill

Changes in the carrying amount of goodwill during 2008 are as follows:

	January 1, 2008	Acquisition related adjustments	Impairments	Release of pre-acquisition valuation allowance and other income tax related adjustments (a)	Foreign currency translation adjustments and other (b)	December 31, 2008
	in millions					
UPC Broadband Division:						
The Netherlands	€ 937.5	€ 1.0	€ —	€ (26.9)	€ 5.9	€ 917.5
Switzerland	1,728.0	—	—	(13.7)	191.1	1,905.4
Austria	598.2	0.7	—	—	4.2	603.1
Ireland	178.7	—	—	(0.2)	—	178.5
Total Western Europe	3,442.4	1.7	—	(40.8)	201.2	3,604.5
Hungary	288.8	0.4	—	—	(13.8)	275.4
Other Central and Eastern Europe	760.4	23.2	(107.0)	—	(39.2)	637.4
Total Central and Eastern Europe	1,049.2	23.6	(107.0)	—	(53.0)	912.8
Total UPC Broadband Division	4,491.6	25.3	(107.0)	(40.8)	148.2	4,517.3
VTR (Chile)	367.7	—	—	—	(68.0)	299.7
Total UPC Holding	€ 4,859.3	€ 25.3	€ (107.0)	€ (40.8)	€ 80.2	€ 4,817.0

(a) Includes an increase of €4.7 million related to changes in pre-acquisition income tax balances of a parent company that is recorded as a decrease to parent's deficit.

(b) Amounts shown with respect to the Netherlands and Austria are related to the transfer of ISG to UPC Holding. See note 4.

During the fourth quarter of 2008, we concluded that the fair value of our broadband communications reporting unit in Romania was less than its carrying value and that the implied fair value of the goodwill related to this reporting unit was less than its carrying value. The fair value of the reporting unit was based on discounted cash flow analyses that contemplated, among other matters, (i) the current and expected future impact of competition in Romania, (ii) anticipated costs associated with requirements imposed by certain municipalities to move aerial cable to underground ducts and (iii) the impact of disruptions in the credit and equity markets on our weighted average cost of capital with respect to our Romanian reporting unit. Accordingly, we recorded a €107.0 million charge during the fourth quarter of 2008 to reflect this goodwill impairment. This impairment charge is included in impairment, restructuring and other operating charges, net, in our consolidated statement of operations.

Based on business conditions and market values that existed at December 31, 2008, we concluded that no other impairments of our goodwill or other long-lived assets were required. However, the market value of the publicly-traded equity of LGI continues to be depressed and we continue to experience difficult economic environments and significant competition in most of our markets. If, among other factors, (i) LGI's equity values remain depressed or decline further or (ii) the adverse impacts of economic or competitive factors are worse than anticipated, we could conclude in future periods that additional impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Depending on (i) LGI's equity prices, (ii) economic and competitive conditions and (iii) other factors, any such impairment charges could be significant.

Changes in the carrying amount of goodwill during 2007 are as follows:

	January 1, 2007	Acquisition related adjustments	Release of pre-acquisition valuation allowances and other income tax related adjustments [a]	Adoption of FIN 48 (note 2)	Foreign currency translation adjustments and other	December 31, 2007
	in millions					
UPC Broadband Division:						
The Netherlands	€ 1,067.0	€ —	€ (108.7)	€ (20.8)	€ —	€ 937.5
Switzerland	1,781.5	0.5	—	—	(54.0)	1,728.0
Austria	599.8	52.9	(47.8)	(6.7)	—	598.2
Ireland	189.6	0.9	(11.5)	(0.3)	—	178.7
Total Western Europe	3,637.9	54.3	(168.0)	(27.8)	(54.0)	3,442.4
Hungary	307.3	2.5	(12.5)	(7.2)	(1.3)	288.8
Other Central and Eastern Europe	787.6	2.4	(16.9)	(8.9)	(3.8)	760.4
Total Central and Eastern Europe	1,094.9	4.9	(29.4)	(16.1)	(5.1)	1,049.2
Total UPC Broadband Division	4,732.8	59.2	(197.4)	(43.9)	(59.1)	4,491.6
VTR (Chile)	401.4	—	(17.5)	(3.4)	(12.8)	367.7
Total UPC Holding	€ 5,134.2	€ 59.2	€ (214.9)	€ (47.3)	€ (71.9)	€ 4,859.3

(a) Includes decreases of €194.2 million related to changes in pre-acquisition income tax balances of a parent company that are recorded as increases to parent's deficit.

Intangible Assets Subject to Amortization, Net

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

	December 31, 2008	December 31, 2007
	in millions	
Gross carrying amount:		
Customer relationships	€ 1,096.4	€ 1,087.0
Other	45.8	46.5
	€ 1,142.2	€ 1,133.5
Accumulated amortization:		
Customer relationships	€ (504.4)	€ (356.9)
Other	(43.0)	(27.8)
	€ (547.4)	€ (384.7)
Net carrying amount:		
Customer relationships	€ 592.0	€ 730.1
Other	2.8	18.7
	€ 594.8	€ 748.8

Amortization of intangible assets with finite useful lives was €168.9 million, €167.3 million, and €152.3 million during 2008, 2007 and 2006, respectively. Based on our amortizable intangible asset balances at December 31, 2008, we expect that amortization expense will be as follows for the next five years and thereafter. Amounts presented below represent euro equivalents based on December 31, 2008 exchange rates (in millions):

2009	€ 141.7
2010	134.7
2011	93.5
2012	78.3
2013	60.4
Thereafter	86.2
Total	€ 594.8

Indefinite-lived Intangible Assets

At December 31, 2008 and 2007, indefinite-lived intangible assets aggregating €10.7 million and €13.2 million, respectively, were included in other assets, net, in our consolidated balance sheets.

(10) Debt

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

	December 31, 2008						
	Weighted average interest rate [(a)]	Unused borrowing capacity [(b)]		Estimated fair value [(c)]		Carrying value	
				December 31,		December 31,	
		Borrowing currency	Euro equivalent	2008	2007	2008	2007
				in millions			
Debt:							
Parent:							
Shareholder loan	7.58%	€ —	€ —	(f)	(f)	€ 8,480.8	€ 9,038.2
UPC Holding 7.75% Senior Notes due 2014	7.75%	€ —	—	€ 380.0	€ 476.0	500.0	500.0
UPC Holding 8.625% Senior Notes due 2014	8.63%	€ —	—	€ 234.0	€ 296.4	300.0	300.0
UPC Holding 8.0% Senior Notes due 2016	8.00%	€ —	—	€ 204.0	€ 284.9	300.0	300.0
UPC Holding Facility [(d)]	—	€ —	—	€ —	€ 237.2	—	250.0
Subsidiaries:							
UPC Broadband Holding Bank Facility [(d)]	4.10%	€ 223.0	223.0	€ 5,349.3	€ 4,692.8	6,323.5	4,942.9
VTR Bank Facility [(e)]	5.39%	CLP 136,391.6	153.1	€ 333.6	€ 322.5	333.6	322.5
Other	6.60%	—	—	€ 9.0	€ 8.3	9.0	8.3
Total debt	6.21%		€ 376.1			16,246.9	15,661.9
Capital lease obligations						21.7	19.2
Total debt and capital lease obligations						16,268.6	15,681.1
Current maturities						(12.7)	(5.7)
Long-term debt and capital lease obligations						€ 16,255.9	€ 15,675.4

(a) Represents the weighted average interest rate in effect at December 31, 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 agreements, deferred financing costs or commitment fees, all of which affect our overall cost of borrowing. For information concerning our derivative instruments, see note 7.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at December 31, 2008 without regard to covenant compliance calculations. At December 31, 2008, the full amount of unused borrowing capacity was available to be borrowed under each of the respective facilities except that we could not have borrowed €142.2 million of the unused availability under the UPC Broadband Holding Bank Facility due to the September 30, 2008 covenant compliance calculations that were in effect at December 31, 2008. Based on the December 31, 2008 covenant compliance calculations, we will be able to borrow the full unused availability under the UPC Broadband Holding Bank Facility when the December 31, 2008 bank reporting requirements have been completed. To the extent we were to draw on the VTR Bank Facility (as defined below) commitments, we would be required to set aside an equivalent amount of cash collateral.

(c) The fair values of our debt instruments at December 31, 2008 were determined using discounted cash flow models. The discount rates used in these models are based on the estimated credit spread of each entity, taking into account market data, to the extent available, and other relevant factors. The fair values of our debt instruments at December 31, 2007 generally were based on the average of applicable bid and ask prices.

(d) Effective May 16, 2008, the commitments of the lenders under the €250.0 million UPC Holding Facility were rolled into Facility M as a separate tranche (Facility M — Tranche 5) under the UPC Broadband Holding Bank Facility.

(e) Pursuant to the deposit arrangements with the lender in relation to the VTR Bank Facility (as defined below), 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 €333.6 million at December 31, 2008, of which €3.4 million is reflected as a current asset and €330.2 million is presented as a long-term asset in our consolidated balance sheet.

(f) The fair value of the shareholder loan is not subject to reasonable estimation due to the related party nature of the loan.

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 on the shareholder loan is reviewed annually, with any adjustment effective on October 1 of each year. The interest rates in effect for the 12 month periods beginning October 1, 2008, 2007 and 2006 were 7.58%, 7.06% and 6.44%, respectively. The net decrease in the shareholder loan during 2008 includes (i) cash payments of €1,729.4 million, (ii) cash borrowings of €553.8 million, (iii) the capitalization of €621.2 million in non-cash accrued interest, (iv) a €15.1 million non-cash increase relating to charges from LGI to our company in connection with LGI stock incentive awards exercised by our subsidiaries' employees and (v) individually insignificant net non-cash decreases aggregating €18.1 million.

UPC Broadband Holding Bank Facility

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

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

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

The UPC Broadband Holding Bank Facility includes a mandatory prepayment requirement of four times Annualized EBITDA, as defined in the UPC Broadband Holding Bank Facility, of certain disposed assets. The prepayment amount may be allocated to one or more of the facilities at UPC Broadband Holding's discretion and then applied to the loans under the relevant facility on a pro rata basis. A prepayment may be waived by the majority lenders subject to the requirement to maintain pro forma covenant compliance. If the mandatory prepayment amount is less than €100 million, then no prepayment is required (subject to pro forma covenant compliance). No such prepayment is required to be made where an amount, equal to the amount that would otherwise be required to be prepaid, is deposited in a blocked account on terms that the principal amount deposited may only be released in order to make the relevant prepayment or to reinvest in assets in accordance with the terms of the UPC Broadband Holding Bank Facility, which expressly includes permitted acquisitions and capital expenditures. Any amounts deposited in the blocked account that have not been reinvested (or contracted to be so reinvested), within 12 months of the relevant permitted disposal, are required to be applied in prepayment in accordance with the terms of the UPC Broadband Holding Bank Facility.

In August and September 2008, two additional facility accession agreements (Facility O and Facility P, respectively) were entered into under the UPC Broadband Holding Bank Facility. Facility O is an additional term loan facility comprised of (i) a HUF 5,962.5 million (€22.5 million) sub-tranche and (ii) a PLN 115.1 million (€27.7 million) sub-tranche, and both sub-tranches were drawn in full in August 2008. Facility P is an additional term loan facility in the principal amount of $521.2 million (€373.5 million), of which only $511.5 million (€366.6 million) was received due to the failure of one of the lenders to fund a $9.7 million (€7.0 million) commitment. The lenders under LGI's $215.0 million (€154.1 million) Senior Revolving Facility Agreement (the LGI Credit Facility) rolled their commitments into Facility P, and the LGI Credit Facility was cancelled. Certain of the lenders under Facility I, a €250.0 million repayable and redrawable term loan under the UPC Broadband Holding Bank Facility, have novated €202.0 million of their undrawn commitments to Liberty Global Europe BV, which is a direct subsidiary of UPC Broadband Holding, and have entered into Facility P. The remaining third party lenders under Facility I remain committed to lend their €48.0 million share of Facility I. Facility P was drawn on September 12, 2008. The proceeds of Facilities O and P have been applied towards general corporate and working capital purposes.

In April and May 2007, the UPC Broadband Holding Bank Facility was amended and six additional facility accession agreements (collectively, the 2007 Accession Agreements) were executed. In connection with the execution of the 2007 Accession Agreements, each of which provided for an additional term loan under new Facilities M and N of the UPC Broadband Holding Bank Facility, the then-existing Facilities J1, J2, K1 and K2 were refinanced. Tranches 1, 2 and 3 under Facility M became effective on April 17, 2007, April 16, 2007 and May 18, 2007, respectively. The €1,695.0 million of proceeds received under Facility M — Tranche 1 were used to refinance all of the outstanding borrowings under Facility J1 and Facility K1 under the UPC Broadband Holding Bank Facility. The €1,175.0 million of proceeds received under Facility M — Tranche 2 were indirectly used to repay the outstanding borrowings under the senior secured credit facility agreement for Cablecom Luxembourg S.C.A. (Cablecom Luxembourg) and Cablecom GmbH, dated December 5, 2005 (the Cablecom Luxembourg Bank Facility), and, together with available cash of €207.2 million, to repay the outstanding borrowings under the PIK (Payment in Kind) facility agreement of Liberty Global Switzerland, Inc. (LG Switzerland), our indirect wholly-owned subsidiary, dated September 30, 2005 (the LG Switzerland PIK Loan Facility). Effective April 16, 2007, Cablecom Holdings GmbH (Cablecom) and its subsidiaries became subsidiaries of UPC Broadband Holding (the Cablecom Transfer). The €520.0 million of proceeds received under Facility M — Tranche 3 were used to fund the cash collateral account that secures the VTR Bank Facility, as defined below, and for general corporate and working capital purposes. Tranches 1, 2 and 3 under Facility M have been combined into a single facility. Tranche 4 under Facility M became effective on May 14, 2007 and was drawn in full in September 2007. The €250.0 million of proceeds received under Facility M — Tranche 4 were used for general corporate purposes. Tranche 4 under Facility M was combined with Tranches 1, 2 and 3 on February 11, 2009. Tranches 1 and 2 under Facility N became effective on May 16, 2007 and May 18, 2007, respectively. The $1,775.0 million (€1,272.1 million) of proceeds received under Facility N — Tranche 1 were used to refinance all of the outstanding borrowings under Facility J2 and Facility K2 under the UPC Broadband Holding Bank Facility. The $125.0 million (€89.6 million) of proceeds received under Facility N — Tranche 2 were used for general corporate and working capital purposes. Tranches 1 and 2 under Facility N have been combined into a single facility.

The details of our borrowings under the UPC Broadband Holding Bank Facility as of December 31, 2008 are summarized in the following table:

		December 31, 2008			
Facility	Final maturity date	Interest rate	Facility amount (in borrowing currency) (a)(b)	Unused borrowing capacity (b)	Outstanding principal amount
				in millions	
I	April 1, 2010	EURIBOR + 2.50%	€ 48.0	€ 48.0	€ —
L	July 3, 2012	EURIBOR + 2.25%	€ 830.0	175.0	655.0
M	(c)	EURIBOR + 2.00%	€ 3,890.0	—	3,890.0
N	(c)	LIBOR + 1.75%	$ 1,900.0	—	1,361.7
O	July 31, 2013	(d)	(d)	—	50.2
P	September 2, 2013	LIBOR + 2.75%	$ 511.5	—	366.6
Total				€ 223.0	€ 6,323.5

(a) Facilities I and L are repayable and redrawable term loans. The total committed amount of Facility I is €250.0 million, however, €202.0 million has been novated to Liberty Global Europe BV. Therefore, total third-party commitments under Facility I at December 31, 2008 were €48.0 million.

(b) For Facility P, the $9.7 million (€7.0 million) that was not funded by one of our lenders has been excluded from the facility amount and unused borrowing capacity. Due to the financial difficulties of this lender, we do not believe that this amount represents a near-term source of liquidity. We have no further credit risk exposures to this particular financial institution.

(c) The final maturity date for Facilities M and N is the earlier of (i) December 31, 2014 or (ii) October 17, 2013, the date falling 90 days prior to the date on which UPC Holding's existing Senior Notes due 2014 fall due if such Senior Notes have not been repaid, refinanced or redeemed prior to such date.

(d) The applicable interest payable under Facility O is 2.75% per annum plus the specified percentage rate per annum determined by the Polish Association of Banking Dealers — Forex Poland or the National Bank of Hungary, as appropriate for the relevant period. The facility amount of Facility O is comprised of (i) a HUF 5,962.5 million (€22.5 million) sub-tranche and (ii) a PLN 115.1 million (€27.7 million) sub-tranche.

Pursuant to an amendment letter dated April 16, 2007, the UPC Broadband Holding Bank Facility was amended to permit the acquisition of LGI's indirect 80% interest in VTR (either directly or indirectly by the acquisition of its holding company) and its subsidiaries by a member of the Borrower Group (as defined in the UPC Broadband Holding Bank Facility) (the VTR Transfer). The amendment letter also amended the terms of the UPC Broadband Holding Bank Facility to, among other things, permit security interests granted under VTR's then existing bank facilities, including any refinancing thereof, and over related deposits or similar arrangements and to permit the disposal of all or any part of any member of the VTR Group (consisting of VTR, its subsidiaries and its parent holding company) without impact on the ability to dispose of other assets in the Borrower Group under applicable covenants.

The VTR Transfer was completed on May 23, 2007, when certain of our subsidiaries that collectively own an 80% interest in VTR were transferred to a subsidiary of UPC Broadband Holding. In connection with the VTR Transfer, a single lender acquired the interests and was subrogated to the rights of the lenders under the then existing fully-drawn $475.0 million (€340.4 million) U.S. dollar denominated Tranche B term loan under VTR's previous bank facility. The VTR Tranche B term loan was then amended and restated pursuant to an Amended and Restated Senior Secured Credit Facility Agreement dated May 18, 2007 and effective May 25, 2007 (the VTR Bank Facility). The amendments included, among other things, a 100 basis point reduction in the interest rate margin payable under the VTR Tranche B term loan (from LIBOR plus 3.0% to Eurodollar Rate, as defined in the VTR Bank Facility, plus 2.0%) and the elimination of certain restrictive covenants and undertakings. VTR's then existing undrawn CLP 122.6 billion (€137.6 million) term loan and CLP 13.8 billion (€15.5 million) revolving loan facilities were cancelled and replaced in the VTR Bank Facility on substantially the same terms. The VTR Tranche B term loan matures in September 2014, the undrawn VTR term loan facility matures in September 2013 and the undrawn VTR revolving loan facility matures in March 2013. Any borrowings under the undrawn VTR term and revolving loan facilities will bear interest at the Nominal TAB Rate, as defined in the VTR Bank Facility, plus 2.50%.

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 payable under the VTR Bank Facility. In this regard, we used borrowings under Facility M to fund a deposit with the new lender securing VTR's obligations under the VTR Bank Facility. In connection with the refinancing of VTR's bank facilities, VTR recognized debt extinguishment losses of €14.4 million during the second quarter of 2007, representing the write-off of unamortized deferred financing costs.

In connection with the refinancing of Facilities J1, J2, K1 and K2, UPC Broadband Holding recognized debt extinguishment losses of €6.2 million during the second quarter of 2007, representing the write-off of unamortized deferred financing costs. In connection with refinancings of the UPC Broadband Holding Bank Facility that occurred in May 2006 and July 2006, we recognized debt extinguishment losses of €17.9 million during 2006, primarily representing the write-off of deferred financing costs and creditor fees.

UPC Holding Senior Notes

On July 29, 2005 UPC Holding issued €500 million principal amount of 7.75% Senior Notes (the 7.75% Senior Notes). On October 10, 2005, UPC Holding issued €300 million principal amount of 8.625% Senior Notes (the 8.625% Senior Notes). The 7.75% and 8.625% Senior Notes each mature on January 15, 2014. On April 17, 2007, the €300.0 million principal amount of 8.0% Senior Notes due 2016 (the 8.0% Senior Notes, and collectively with the 7.75% and 8.625% Senior Notes, the UPC Holding Senior Notes) issued on October 31, 2006 by Cablecom Luxembourg became the direct obligation of UPC Holding on terms substantially identical (other than as to interest, maturity and redemption) to those governing UPC Holding's existing Senior Notes due 2014. The 8.0% Senior Notes mature on November 1, 2016.

Each issue of the UPC Holding Senior Notes are senior obligations that rank equally with all of the existing and future senior debt and are senior to all existing and future subordinated debt of UPC Holding. The UPC Holding Senior Notes are secured by a first-ranking pledge of the shares of UPC Holding. In addition, the UPC Holding Senior Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €50.0 million or more in the aggregate of UPC Holding or its Restricted Subsidiaries (as defined in the indentures), including UPC Broadband Holding, is an event of default under the UPC Holding Senior Notes.

At any time prior to November 1, 2009, UPC Holding may redeem some or all of the 8.0% Senior Notes by paying a "make-whole" premium, which is the present value of all scheduled interest payments until November 1, 2009, using the discount rate equal to the yield of the comparable German government bond (BUND) issue as of the redemption date plus 50 basis points. UPC Holding may redeem some or all of the UPC Holding Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on July 15 in the case of the 7.75% and 8.625% Senior Notes and November 1 in the case of the 8.0% Senior Notes of the years set out below:

	Redemption price		
Year	7.75% Senior Notes	8.625% Senior Notes	8.0% Senior Notes
2009	103.875%	104.313%	108.000%
2010	101.938%	102.156%	106.000%
2011	100.000%	100.000%	104.000%
2012	100.000%	100.000%	102.660%
2013	100.000%	100.000%	101.330%
2014 and thereafter	100.000%	100.000%	100.000%

In addition, at any time prior to November 1, 2009, UPC Holding may redeem up to 35% of the 8.0% Senior Notes (at a redemption price of 108.000% of the principal amount) with the net proceeds from one or more specified equity offerings.

UPC Holding may redeem all of the UPC Holding Senior Notes at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in tax law. If UPC Holding or certain of its subsidiaries sell certain assets or experience specific changes in control, UPC Holding must offer to repurchase the UPC Holding Senior Notes at a redemption price of 101%.

UPC Holding Facility

In June 2007, UPC Holding entered into a €250.0 million secured term loan facility (the UPC Holding Facility). The UPC Holding Facility was fully drawn on June 19, 2007. The terms and conditions of the UPC Holding Facility were similar to the terms of the indenture for UPC Holding's Senior Notes due 2014. As permitted under the terms of the UPC Holding Facility, the commitments of the lenders under the UPC Holding Facility were rolled into Facility M under the UPC Broadband Holding Bank Facility effective May 16, 2008.

Cablecom Luxembourg Old Senior Notes

Prior to their redemption in 2007 and 2006 as described below, the Cablecom Luxembourg Old Senior Notes were comprised of (i) CHF 259.0 million (€173.7 million) principal amount of Cablecom Luxembourg Series A Floating Rate Senior Secured Notes due 2010 (the Cablecom Luxembourg Old Series A CHF Notes), (ii) €157.9 million principal amount of Cablecom Luxembourg Floating Rate Senior Secured Notes due 2010 (the Cablecom Luxembourg Old Series A Euro Notes) and €335.7 million principal amount of Cablecom Luxembourg Series B Floating Rate Senior Secured Notes due 2012 (the Cablecom Luxembourg Old Series B Euro Notes, and together with the Cablecom Luxembourg Old Series A CHF Notes and Cablecom Luxembourg Old Series A Euro Notes, the Cablecom Luxembourg Old Floating Rate Notes) and (iii) €289.9 million principal amount of 9.375% Senior Notes due 2014 (the Cablecom Luxembourg Old Fixed Rate Notes).

In connection with the Cablecom acquisition, under the terms of the Indentures for the Cablecom Luxembourg Old Senior Notes, Cablecom Luxembourg was required to effect a change of control offer (the Change of Control Offer) for the Cablecom Luxembourg Old Senior Notes at 101% of their respective principal amounts. Pursuant to the Change of Control Offer, Cablecom Luxembourg on December 8, 2005 used CHF 268.7 million (€174.8 million at the transaction date) of proceeds from the Facility A term loan under the Cablecom Luxembourg Bank Facility to (i) purchase CHF 133.0 million €86.5 million at the transaction date) of the Cablecom Luxembourg Old Series A CHF Notes, (ii) purchase €42.8 million of the Cablecom Luxembourg Old Series A Euro Notes, (iii) purchase €40.0 million principal amount of the Cablecom Luxembourg Old Series B Euro Notes and (iv) fund the costs and expenses of the Change of Control Offer. All of the purchased amounts set forth above include principal, call premium and accrued interest.

On January 20, 2006, Cablecom Luxembourg used the remaining available proceeds from the Facility A and Facility B term loans under the Cablecom Luxembourg Bank Facility to fund the redemption of all of the Cablecom Luxembourg Old Floating Rate Notes that were not tendered in the Change of Control Offer (the Cablecom Old Note Redemption). The Cablecom Old Note Redemption price paid was 102% of the respective principal amounts plus accrued and unpaid interest through the Cablecom Old Note Redemption date. We recognized a €6.1 million loss on the extinguishment of the Cablecom Luxembourg Old Floating Rate Notes during 2006, representing the difference between the redemption and carrying amounts of the Cablecom Luxembourg Old Floating Rate Notes at the date of the Cablecom Old Note Redemption.

On April 16, 2007, Cablecom Luxembourg redeemed in full the Cablecom Luxembourg Old Fixed Rate Notes at a redemption price of 109.375% of the principal amount plus accrued interest through the redemption date. The total amount of the redemption of €330.7 million was funded by an escrow account created in October 2006 for the benefit of the holders of the Cablecom Luxembourg Old Fixed Rate Notes (the Cablecom Luxembourg Defeasance Account) in connection with the covenant defeasance of such Notes. In connection with the redemption of the Cablecom Luxembourg Old Fixed Rate Notes, Cablecom Luxembourg recognized a gain on extinguishment of debt of €3.8 million, representing the write-off of unamortized premium.

Pursuant to the terms of the LG Switzerland PIK Loan Facility (see below), the redemption of the Cablecom Luxembourg Old Fixed Rate Notes required the repayment of the LG Switzerland PIK Loan Facility.

Cablecom Luxembourg New Senior Notes

On October 31, 2006, Cablecom Luxembourg issued €300.0 million principal amount of 8.0% Senior Notes due 2016 (the Cablecom Luxembourg New Senior Notes) and the net proceeds from the sale of the Cablecom Luxembourg New Senior Notes, together with available cash, were placed into the Cablecom Luxembourg Defeasance Account, as described above.

On April 17, 2007, the Cablecom Luxembourg New Senior Notes became the direct obligation of UPC Holding on terms substantially identical (other than as to interest, maturity and redemption) to those governing UPC Holding's existing Senior Notes due 2014.

Cablecom Luxembourg Bank Facility

The Cablecom Luxembourg Bank Facility provided the terms and conditions upon which (i) the lenders made available to Cablecom Luxembourg two term loans (Facility A and Facility B) in an aggregate principal amount not to exceed CHF 1,330 million (€891.9 million).

The CHF 618 million (€414.5 million) Facility A term loan was fully drawn at December 31, 2006. In January 2006, the then remaining availability under the Facility A term loan was drawn to fund the Cablecom Old Note Redemption. The interest rate applicable to the Facility A term loan was equal to CHF LIBOR plus a margin of 2.50%. The Facility B term loan, which was available to be drawn in Swiss francs, U.S. dollars or euros up to an aggregate principal amount equivalent to CHF 712 million (€477.5 million), was fully drawn at December 31, 2006. In connection with the January 2006 funding of the Cablecom Old Note Redemption, the Facility B term loan was drawn in full in the form of CHF 355.8 million (€229.1 million at the transaction date) and €229.1 million. The interest rate applicable to principal denominated in Swiss francs under the Facility B term loan was equal to CHF LIBOR plus a margin of 2.75% to September 5, 2006 and thereafter 2.50% plus, in each case, any mandatory costs. The interest rate applicable to principal denominated in euros under the Facility B term loan was equal to EURIBOR plus a margin of 2.50% plus any mandatory costs.

In connection with the above-described Cablecom Transfer, the outstanding borrowings under the Cablecom Luxembourg Bank Facility were repaid in full on April 16, 2007.

UPC HOLDING B.V.

Notes to Consolidated Financial Statements
December 31, 2008, 2007 and 2006 (continued)

Maturities of Third-party Debt and Capital Lease Obligations

Maturities of our third-party debt and capital lease obligations for the indicated periods are presented below for the named entity and its subsidiaries, unless otherwise noted. Amounts presented below represent euro equivalents based on December 31, 2008 exchange rates:

Third-party debt:

	UPC Holding debt (excluding VTR) [(a)]	VTR debt [(b)]	Total
		in millions	
Year ended December 31:			
2009	€ 7.1	€ 3.4	€ 10.5
2010	0.9	3.4	4.3
2011	0.2	3.4	3.6
2012	655.2	3.4	658.6
2013	1,216.9	3.4	1,220.3
Thereafter	5,552.2	316.6	5,868.8
Total debt	€ 7,432.5	€ 333.6	€ 7,766.1
Current portion	€ 7.1	€ 3.4	€ 10.5
Noncurrent portion	€ 7,425.4	€ 330.2	€ 7,755.6

(a) The final maturity date for Facilities M and N of the UPC Broadband Holding Bank Facility is the earlier of (i) December 31, 2014 or (ii) October 17, 2013, the date falling 90 days prior to the date on which UPC Holding's existing Senior Notes due 2014 fall due if such Senior Notes have not been repaid, refinanced or redeemed prior to that date. For purposes of this table, we have assumed that the €800 million principal amount of Senior Notes due 2014 will be repaid, refinanced or redeemed prior to October 17, 2013 and that Facilities M and N will be repaid on December 31, 2014.

(b) Amounts represent borrowings under the VTR Credit Facility, for which the source of repayment is expected to be the related cash collateral account.

Capital lease obligations (in millions):

Year ended December 31:		
2009	€	3.7
2010		3.0
2011		2.6
2012		2.3
2013		2.1
Thereafter		22.0
		35.7
Less: amount representing interest		(14.0)
Present value of net minimum lease payments	€	21.7
Current portion	€	2.2
Noncurrent portion	€	19.5

Non-cash Refinancing Transactions

During 2008, 2007 and 2006, we completed certain refinancing transactions that resulted in non-cash borrowings and repayments of debt aggregating €250.0 million, €3,857.1 million and €3,126.2 million, respectively.

(11) Income Taxes

UPC Holding and its Dutch subsidiaries ("UPC Holding group") are part of a Dutch tax fiscal unity with its ultimate parent company Liberty Global Europe and certain other non-UPC Holding subsidiaries. The Dutch fiscal unity combines individual tax paying Dutch entities and their parent company as one taxpayer for Dutch tax purposes. The income taxes of subsidiaries not included within this fiscal unity are presented in our financial statements on a separate return basis for each tax paying entity or group based on the local tax law.

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

Income tax benefit (expense) consists of:

	Current	Deferred	Total
		in millions	
Year ended December 31, 2008:			
Domestic	€ 0.1	€ 0.8	€ 0.9
Foreign	(12.9)	(51.3)	(64.2)
	€ (12.8)	€ (50.5)	€ (63.3)
Year ended December 31, 2007:			
Domestic	€ 0.3	€ (1.3)	€ (1.0)
Foreign	(11.5)	(1.3)	(12.8)
	€ (11.2)	€ (2.6)	€ (13.8)
Year ended December 31, 2006:			
Domestic	€ (0.5)	€ —	€ (0.5)
Foreign	(11.2)	15.4	4.2
	€ (11.7)	€ 15.4	€ 3.7

Income tax benefit (expense) attributable to our company's loss before taxes and discontinued operations differs from the amounts computed by applying the Dutch income tax rate of 25.5% in 2008 and 2007 and 29.6% in 2006 as a result of the following:

	Year ended December 31,		
	2008	2007	2006
		in millions	
Computed "expected" tax benefit	€ 262.5	€ 157.3	€ 208.6
Change in valuation allowance	(163.6)	(153.5)	(36.2)
Non-deductible interest and other expenses	(114.3)	(97.0)	(131.8)
International rate differences	(25.1)	(14.7)	(16.8)
Impairment of goodwill	(17.1)	—	—
State and local income taxes	(5.2)	—	(4.3)
Differences in the treatment of items associated with investments in subsidiaries and affiliates	(0.5)	133.3	22.4
Enacted tax law and rate changes	—	(32.5)	(33.0)
Other, net	—	(6.7)	(5.2)
	€ (63.3)	€ (13.8)	€ 3.7

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

	December 31,	
	2008	2007
	in millions	
Current deferred tax assets	€ 44.7	€ 40.2
Non-current deferred tax assets	32.3	45.8
Current deferred tax liabilities	—	(2.3)
Non-current deferred tax liabilities	(87.1)	(75.3)
Net deferred tax liability	€ (10.1)	€ 8.4

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

	December 31, 2008	December 31, 2007
	in millions	
Deferred tax assets:		
Net operating loss and other carryforwards	€ 1,151.9	€ 1,194.2
Property and equipment, net	29.4	28.6
Derivative instruments	5.7	9.1
Intangible assets, net	6.5	8.1
Other future deductible amounts	88.3	33.1
Deferred tax assets	1,281.8	1,273.1
Valuation allowance	(1,105.3)	(989.1)
Deferred tax assets, net of valuation allowance	176.5	284.0
Deferred tax liabilities:		
Intangible assets	(117.8)	(164.0)
Property and equipment	(67.2)	(75.7)
Other future taxable amounts	(1.6)	(35.9)
Deferred tax liabilities	(186.6)	(275.6)
Net deferred tax asset (liability)	€ (10.1)	€ 8.4

Our deferred income tax valuation allowance increased €116.2 million in 2008. This increase reflects the net effect of (i) net tax expense recorded in our consolidated statement of operations of €63.3 million, (ii) acquisitions and similar transactions, (iii) foreign currency translation adjustments, (iv) valuation allowances released to goodwill and (v) other.

The significant components of our tax loss carryforwards and related tax assets at December 31, 2008 are as follows:

Country	Tax loss carryforward	Related tax asset	Expiration date
	in millions		
The Netherlands	€ 2,597.8	€ 662.4	2012-2017
Switzerland	928.5	201.4	2009-2013
France	553.2	190.4	Indefinite
Ireland	321.5	40.2	Indefinite
Austria	120.1	30.0	Indefinite
Chile (VTR)	79.9	13.6	Indefinite
Romania	40.0	6.4	2010-2013
Hungary	25.7	4.1	Indefinite
Other	17.2	3.4	Various
Total	€ 4,683.9	€ 1,151.9	

Our tax loss carryforwards within each jurisdiction combine all companies' tax losses (both capital and ordinary losses) in that jurisdiction, however, certain tax jurisdictions limit the ability to offset taxable income of a separate company or different tax group with the tax losses associated with another separate company or group. Some losses are limited in use due to change in control or same business tests.

The pre-fiscal unity losses of Liberty Global Europe and of UPC Holding and its subsidiaries can only be offset with profits that occur within these groups. The loss for the year ended 2008 that relates to UPC Holding and its subsidiaries can also be offset against profits of other entities within the fiscal unity of Liberty Global Europe. As of January 1, 2007, net operating losses will no longer be available to offset taxable income indefinitely. A nine year expiry period has been implemented, whereby, as a transition rule, net operating losses dating from 2001 and earlier will start to expire as of 2011, if not used to offset taxable income before that period.

The changes in our unrecognized tax benefits during 2008 are summarized below (in millions):

Balance at January 1, 2008	€	186.8
Additions based on tax positions related to the current year		9.3
Additions for tax positions of prior years		46.5
Reductions for tax positions of prior years		(220.2)
Lapse of statute of limitations		(0.5)
Currency translation		6.0
Balance at December 31, 2008	€	27.9

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

As of December 31, 2008, our unrecognized tax benefits included €11.2 million of tax benefits that would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

During 2009, it is reasonably possible that the resolution of currently ongoing examinations by tax authorities could result in changes to our unrecognized tax benefits related to tax positions taken as of December 31, 2008. We do not expect that any such changes will have a material impact on our unrecognized tax benefits. No assurance can be given as to the nature or impact of changes in our unrecognized tax positions during 2009.

(12) Owners' Deficit

UPC Holding is a private limited liability company under Dutch law. The authorized share capital of our company equals one hundred thousands euros (€100,000), divided into one thousand shares with a nominal value of one hundred euros (€100) each. As of December 31, 2008 and 2007, respectively, two hundred shares have been issued and fully paid-in. All shares are registered; no share certificates can be issued. All shares are ordinary shares for a private limited liability company under Dutch law. A shareholder wishing to transfer one or more of his shares must first offer his shares to co-shareholders in a written notification to the Management Board, stating the number of shares to be transferred. Management is required to give notice within two weeks after the notification to the co-shareholders. Co-shareholders have the possibility to notify management of a decision to purchase the shares within two weeks after the notification by the Management Board. If the company itself is a co-shareholder, it can only be entitled to act as an interested party with the consent of the offer or of the shares.

Each shareholder has the right of pre-emption in proportion to the aggregate nominal value of its shares subject to certain limitations including as prescribed by Dutch Law. No preference or priority rights exist for profit distribution, voting or dissolution and liquidation.

(13) 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 amounts allocated by LGI to our company represent the stock-based compensation associated with the stock incentive awards held by certain employees of our subsidiaries, including awards granted to these individuals pursuant to the LGI Performance Plans, which are described below. Stock-based compensation expense allocated to our company by LGI is reflected as a decrease of 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 for the indicated periods:

	2008		2007		2006	
	U.S. dollar	Euro equivalent	U.S. dollar	Euro equivalent	U.S. dollar	Euro equivalent
			in millions			
LGI Series A and Series C common stock:						
LGI Performance Plans [a]	$ 40.3	€ 25.1	$ 48.6	€ 35.5	$ —	€ —
Stock options, SARs, restricted stock and restricted stock units	17.5	14.2	17.0	12.4	22.6	17.9
Total LGI common stock	57.8	39.3	65.6	47.9	22.6	17.9
Other	(6.9)	(4.7)	11.0	8.0	2.2	1.7
Total	$ 50.9	€ 34.6	$ 76.6	€ 55.9	$ 24.8	€ 19.6
Included in:						
Operating expense	$ 8.7	€ 5.9	$ 13.0	€ 9.5	$ 4.2	€ 3.3
SG&A expense	42.2	28.7	63.6	46.4	20.6	16.3
Total	$ 50.9	€ 34.6	$ 76.6	€ 55.9	$ 24.8	€ 19.6

(a) Amounts relate to the LGI Performance Plans described below.

The following table provides certain information related to stock-based compensation not yet recognized as of December 31, 2008:

	LGI Series A and Series C common stock [a]		LGI Performance Plans [b]		SARs on VTR common stock [c]	
Total compensation expense not yet recognized (in millions)	$ 40.6	€ 29.1	$ 53.0	€ 38.0	$ 0.3	€ 0.2
Weighted average period remaining for expense recognition (in years)	2.6		2.8		1.0	

(a) Amounts relate to the LGI incentive plans (including the Transitional Plan) and the UGC incentive plans described below.

(b) Amounts relate to the LGI Performance Plans described below.

(c) Amounts relate to the incentive plan of VTR described below.

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

	Year ended December 31,		
	2008	2007	2006
LGI common stock:			
Assumptions used to estimate fair value of awards granted:			
Risk-free interest rate	2.85 – 3.78%	4.56 – 4.61%	4.87 – 4.97%
Expected life	4.5 years	4.5 years	4.5 years
Expected volatility	24.0 – 25.1%	22.7 – 22.8%	26.1 – 26.7%
Expected dividend yield	none	none	none
Weighted average grant-date fair value per share of awards granted:			
Options	$ —	$ 9.98	$ 6.38
SARs	$ 9.84	$ 10.19	$ 6.37
Restricted stock and restricted stock units	$ 35.44	$ 36.38	$ 20.24
Total intrinsic value of awards exercised (in millions):			
Options	$ 2.2	$ 5.2	$ 0.9
SARs	$ 10.7	$ 46.7	$ 14.3
Cash received from exercise of options (in millions)	$ 3.7	$ 7.0	$ 2.9
Income tax benefit related to stock-based compensation (in millions)	$ 5.0	$ 1.2	$ 2.7
Income tax expense related to the exercise of options and SARs and the release of restricted stock (in millions)	$ —	$ —	$ 0.4

Stock Incentive Plans — LGI Common Stock

The LGI Incentive Plan

The Liberty Global, Inc. 2005 Incentive Plan, as amended and restated (the LGI Incentive Plan) is administered by the compensation committee of LGI's board of directors. The compensation committee of LGI's board has full power and authority to grant eligible persons the awards described below and to determine the terms and conditions under which any awards are made. The incentive plan is designed to provide additional remuneration to certain employees and independent contractors for exceptional service and to encourage their investment in our company. The compensation committee may grant non-qualified stock options, SARs, restricted shares, stock units, cash awards, performance awards or any combination of the foregoing under the incentive plan (collectively, awards).

The maximum number of shares of LGI common stock with respect to which awards may be issued under the incentive plan is 50 million, subject to anti-dilution and other adjustment provisions of the LGI Incentive Plan, of which no more than 25 million shares may consist of LGI Series B common stock. With limited exceptions, no person may be granted in any calendar year awards covering more than 4 million shares of LGI common stock, of which no more than 2 million shares may consist of LGI Series B common stock. In addition, no person may receive payment for cash awards during any calendar year in excess of $10 million. Shares of LGI common stock issuable pursuant to awards made under the incentive plan are made available from either authorized but unissued shares or shares that have been issued but reacquired by LGI. Options and SARs under the LGI Incentive Plan issued prior to the LGI Combination generally vest at the rate of 20% per year on each anniversary of the grant date and expire 10 years after the grant date. Options and SARs under the LGI Incentive Plan issued after the LGI Combination generally (i) vest 12.5% on the six month anniversary of the grant date and then vest at a rate of 6.25% each quarter thereafter and (ii) expire seven years after the grant date. The LGI Incentive Plan had 30,495,893 shares available for grant as of December 31, 2008 before considering any shares that might be issued in satisfaction of LGI's obligations under the LGI Performance Plans, as described below. These shares may be awarded at or above fair value in any series of LGI stock, except that no more than 23,372,168 shares may be awarded in LGI Series B common stock.

UGC Equity Incentive Plan, UGC Director Plans and UGC Employee Plan

Options, restricted stock and SARs were granted to our employees and directors of UGC prior to the LGI Combination under these plans. No new grants will be made under these plans.

Stock Award Activity — LGI Common Stock

The following tables summarize the activity during 2008 in LGI stock awards granted to employees of our subsidiaries under the LGI and UGC incentive plans, as described above.

Options — LGI Series A common stock:	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2008	791,706	$ 24.29		
Granted	—	$ —		
Expired or canceled	—	$ —		
Forfeited	(32,475)	$ 19.71		
Exercised	(88,373)	$ 21.73		
Outstanding at December 31, 2008	670,858	$ 24.46	4.49	$ —
Exercisable at December 31, 2008	408,033	$ 23.94	4.34	$ —

Options — LGI Series C common stock:	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2008	831,216	$ 22.78		
Granted	—	$ —		
Expired or canceled	—	$ —		
Forfeited	(32,475)	$ 26.21		
Exercised	(88,373)	$ 20.67		
Outstanding at December 31, 2008	710,368	$ 22.89	4.56	$ —
Exercisable at December 31, 2008	447,543	$ 22.32	4.48	$ —

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	184,490	$ 36.58	
Transfers, net	(4,668)	$ 23.73	
Expired or canceled	—	$ —	
Forfeited	(7,779)	$ 32.02	
Released from restrictions	(139,341)	$ 29.16	
Outstanding at December 31, 2008	366,534	$ 32.51	2.48

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	184,490	$ 34.30	
Transfers, net	(4,668)	$ 22.72	
Expired or canceled	—	$ —	
Forfeited	(7,779)	$ 29.24	
Released from restrictions	(139,320)	$ 27.60	
Outstanding at December 31, 2008	366,511	$ 30.60	2.50

SARs — LGI Series A common stock:	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2008	2,691,876	$ 20.00		
Granted	661,104	$ 36.58		
Transfers, net	(194,398)	$ 14.76		
Expired or canceled	—	$ —		
Forfeited	(3,346)	$ 42.11		
Exercised	(646,226)	$ 13.27		
Outstanding at December 31, 2008	2,509,010	$ 26.77	5.12	$ 2.1
Exercisable at December 31, 2008	1,144,283	$ 21.25	4.75	$ 2.1

SARs — LGI Series C common stock:	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2008	2,694,733	$ 18.90		
Granted	661,104	$ 34.42		
Transfers, net	(194,398)	$ 13.99		
Expired or canceled	—	$ —		
Forfeited	(3,346)	$ 39.89		
Exercised	(615,521)	$ 12.44		
Outstanding at December 31, 2008	2,542,572	$ 25.09	5.11	$ 2.1
Exercisable at December 31, 2008	1,177,823	$ 19.95	4.74	$ 2.1

At December 31, 2008, total SARs outstanding included 36,654 LGI Series A common stock capped SARs and 36,654 LGI Series C common stock capped SARs, all of which were exercisable. 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.

LGI Performance Plans

On October 31, 2006 and November 1, 2006, the compensation committee of LGI's board of directors and LGI's board, respectively, authorized the implementation of a new performance-based incentive plan for our senior executives (the LGI Senior Executive Performance Plan) pursuant to the LGI 2005 Incentive Plan. The aggregate amount of the maximum achievable awards that may be allocated under the LGI Senior Executive Performance Plan is $313.5 million (€224.7 million), of which maximum achievable awards of $302.5 million (€216.8 million) had been allocated to participants (including certain employees of our subsidiaries) as of December 31, 2008. On January 12, 2007, the compensation committee of LGI's board authorized the implementation of a similar performance-based incentive plan (the LGI Management Performance Plan and together with the LGI Senior Executive Performance Plan, the LGI Performance Plans) pursuant to the LGI Incentive Plan, for certain management-level employees not participating in the LGI Senior Executive Performance Plan. The aggregate amount of the maximum achievable awards under the LGI Management Performance Plan, as finalized in February 2007, is $86.5 million (€62.0 million), of which maximum achievable awards of $82.2 million (€58.9 million), after deducting forfeited awards, were allocated to participants (including certain employees of our subsidiaries) as of December 31, 2008.

The LGI Performance Plans are five-year plans, with a two-year performance period, beginning January 1, 2007, and a three-year service period beginning January 1, 2009. At the end of the two-year performance period, each participant may become eligible to receive varying percentages of the maximum achievable award specified for such participant based on achievement of specified compound annual growth rates in consolidated operating cash flow (see note 19), adjusted for events such as acquisitions, dispositions and changes in foreign currency exchange rates that affect comparability (OCF CAGR).

At OCF CAGRs ranging from 12% to 17%, the percentages of the maximum achievable awards that participants become eligible to receive range from 50% to 100%, respectively, subject to the other requirements of the LGI Performance Plans.

On February 18, 2009, the compensation committee determined that an OCF CAGR of approximately 15.5% had been achieved during the performance period. Accordingly, subject to adjustment based on the compensation committee's final determination as to each participant's individual performance, a maximum of $336.2 million (€241.1 million) (or 87.4%) of the allocated maximum achievable awards (including awards allocated to certain employees of our subsidiaries) could be earned.

Earned awards will be paid or will vest in six equal semi-annual installments on each March 31 and September 30 commencing on March 31, 2009, subject to forfeiture upon certain events of termination of employment or acceleration in certain circumstances. Further, the compensation committee will have the discretion to reduce the unpaid balance of an earned award based on an assessment of the participant's individual job performance during the service period. Each installment of the earned awards may be settled in cash, unrestricted shares of LGI Series A and Series C common stock, or any combination of the foregoing, or restricted share units may be issued at any time in respect of all or any portion of the remaining balance of an earned award, in each case at the discretion of the compensation committee. With the exception of an initial equity incentive award granted to a new hire in 2007, participants in the LGI Senior Executive Performance Plan were not granted any equity incentive awards in 2007 and 2008.

The LGI Performance Plans are accounted for as liability-based plans. Compensation expense under the LGI Performance Plans is (i) recognized using the accelerated attribution method based on our assessment of the awards that are probable to be earned and (ii) reported as stock-based compensation in our consolidated statements of operations, notwithstanding the fact that the compensation committee could elect at a future date to cash settle all or any portion of vested awards under the LGI Performance Plans. We began recording stock-based compensation with respect to the LGI Performance Plans on January 1, 2007, the date after which all awards were granted and the date that the requisite vesting periods began.

The LGI Senior Executive Performance Plan provides for the accelerated payment of awards under certain circumstances following the occurrence of specified change in control-type transactions. In the event any such acceleration gives rise to the imposition of certain excise taxes on participants in the LGI Senior Executive Performance Plan who are U.S. tax payers, we have agreed to make additional payments in amounts that are sufficient to fully reimburse such participants for these excise taxes after consideration of all taxes due on the additional payments.

Stock Incentive Plans — Other Subsidiaries

VTR Phantom SARs Plan

In April 2006, VTR's board of directors adopted a phantom SARs plan with respect to 1,000,000 shares of VTR's common stock (the VTR Plan). SARs granted under the VTR Plan vest in equal semi-annual installments over a three- or four-year period and expire no later than July 1, 2010. Vested SARs are exercisable within 60 days of receipt of an annual valuation report as defined in the VTR Plan. Upon exercise, the SARs are payable in cash or, for any such time as VTR is publicly traded, cash or shares of VTR or any combination thereof, in each case at the election of the compensation committee that administers the VTR Plan. On April 12, 2006, the VTR compensation committee granted a total of 945,000 SARs, each with a base price of CLP 9,503 and a vesting commencement date of January 1, 2006. On June 25, 2007, the VTR compensation committee granted a total of 401,000 SARs, each with a base price of CLP 12,588, and a vesting commencement date of January 1, 2007. On February 20, 2008, the VTR compensation committee granted a total of 37,000 SARs, each with a base price of CLP 16,868 (€18.94), and a vesting commencement date of January 1, 2008. As the outstanding SARs under this plan currently must be settled in cash, we use the liability method to account for the VTR phantom SARs.

A summary of the VTR Plan activity during 2008 is as follows:

SARs — VTR common stock:	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2008	913,292	CLP 10,846		
Granted	37,000	CLP 16,868		
Expired or canceled	—	CLP —		
Forfeited	(34,417)	CLP 10,101		
Exercised	(207,981)	CLP 10,026		
Outstanding at December 31, 2008 [(a)]	707,894	CLP 11,438	1.0	CLP 785.0
Exercisable at December 31, 2008	444,588	CLP 11,383	1.0	CLP 496.5

(a) The fair value of these awards at December 31, 2008 was calculated using an expected volatility of 66.0%, an expected life of 1.0 years and a risk-free return of 8.28%. In addition, we were required to estimate the fair value of VTR common stock at December 31, 2008. The fair value of these awards is remeasured each reporting period, and compensation expense is adjusted to reflect the updated fair value.

United Chile Synthetic Option Plan

Pursuant to a synthetic option plan (the United Chile Synthetic Option Plan) that was adopted in December 2006 to replace the former UIH Latin America, Inc. Stock Option Plan, one of our directors, one of our former directors, certain of our executive officers and officers, and one of our employees, hold an aggregate of 564,843 synthetic options with respect to hypothetical shares of United Chile LLC (United Chile), the owner of our 80% ownership interest in VTR. These synthetic options represent a 2.7% fully diluted equity interest in United Chile. For purposes of determining the value attributable to these synthetic options, United Chile is assumed to have a specified share capital and intercompany indebtedness. These assumptions are designed to replicate at United Chile the share capital and indebtedness, net of the value of certain assets that UIH Latin America, Inc. would have had absent certain intercompany transactions that occurred in 2006. All of the synthetic options outstanding under the United Chile Synthetic Option Plan are fully vested and expire between 2009 and 2011. These synthetic options had no intrinsic value and minimal fair value at December 31, 2008. No new grants may be made under the United Chile Synthetic Option Plan. We account for the United Chile Synthetic Option Plan awards as liability-based awards.

(14) Related Party Transactions

Our related party transactions consist of the following:

	Year ended December 31,		
	2008	2007	2006
		in millions	
Revenue	€ 1.7	€ 3.1	€ 3.4
Operating expenses	(61.9)	(67.7)	(66.3)
SG&A expenses	(4.9)	(0.2)	(1.0)
Allocated stock-based compensation expense	(39.3)	(47.9)	(17.9)
Fees and allocations, net	13.0	32.3	22.1
Included in operating income	(91.4)	(80.4)	(59.7)
Interest expense	(621.2)	(518.3)	(517.1)
Interest income	—	20.2	—
Included in net earnings (loss)	€ (712.6)	€ (578.5)	€ (576.8)

Revenue. The related party revenue is recognized from (i) Chellomedia, its subsidiaries and equity method affiliates for programming services provided to Chellomedia of €1.7 million, €2.3 million and €3.4 million during the years ended December 31, 2008, 2007 and 2006, respectively and (ii) Telenet for transitional network services provided to UPC Belgium (see note 5) of €0.8 million during the year ended December 31, 2007.

Operating expenses. Related party operating expenses are recognized primarily for programming and digital interactive 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 €53.9 million, €59.7 million, and €56.1 million during the years ended December 31, 2008, 2007 and 2006, respectively. In addition, operating expenses include costs for programming charged by certain of LGI's equity method affiliates of €8.0 million, €8.0 million, and €10.2 million during the years ended December 31, 2008, 2007 2006, respectively.

SG&A expenses. Related-party SG&A expenses include marketing and other administrative charges between UPC Holding, Chellomedia, and Priority Telecom N.V.

Allocated stock-based compensation expense. As further described in note 13, LGI allocates stock-based compensation to our company.

Fees and allocations, net. UPC Holding recorded net credits primarily related to cost allocations between UPC Holding and LGI for services performed and costs incurred on behalf of the other party of €9.3 million, €28.3 and €18.9 million during the year ended December 31, 2008, 2007 and 2006, respectively. 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. UPC Holding also recorded net credits for services provided by UPC Holding to Chellomedia and for programming services provided by Chellomedia of €3.7 million, €4.0 million and €3.2 for the year ended December 31, 2008, 2007 and 2006, respectively.

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 10.

Interest Income. Related-party interest income for the year ended December 31, 2007 includes €20.0 million and €0.2 million earned on related-party loans between Unite Holdco and Liberty Global Europe and between Cablecom and LG Switzerland, respectively. The related-party interest income charged by Unite Holdco to Liberty Global Europe was accrued prior to the November 29, 2007 settlement of Unite Holdco loan receivable with Liberty Global Europe.

Although we believe that the intercompany charges, allocations and fees described above are reasonable, no assurance can be given that the costs and expenses reflected in our 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 December 31, 2008 and 2007:

	December 31,	
	2008	2007
	in millions	
Receivables	€ 4.1	€ 24.7
Accounts payable	€ 17.5	€ 12.3
Accrued liabilities	0.8	2.8
Shareholder loan (note 10)	8,480.8	9,038.2
Total	€ 8,499.1	€ 9,053.3

On December 31, 2006, we sold our 100% interest in UPC Belgium to Telenet, then an equity method investee of Liberty Global Europe. Due to Liberty Global Europe's continuing ownership interest in Telenet, we have not accounted for UPC Belgium as a discontinued operation in our consolidated financial statements. For additional information, see note 5.

During 2008, 2007 and 2006, LGI charged €15.1 million, €90.3 million and €28.0 million, respectively, to our company, in connection with LGI stock incentive awards exercised by employees of our subsidiaries and certain other Liberty Global Europe subsidiaries. This charge is reflected as an adjustment of parent's deficit in our consolidated statements of owners' deficit.

(15) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2008 is set forth in the table below:

	Employee severance and termination	Office closures	Programming and lease contract termination	Total
	in millions			
Restructuring liability as of January 1, 2008	€ 5.1	€ 11.3	€ —	€ 16.4
Restructuring charges	11.2	1.7	0.8	13.7
Cash paid	(9.2)	(3.6)	(0.8)	(13.6)
Acquisitions and other	1.9	—	—	1.9
Restructuring liability as of December 31, 2008	€ 9.0	€ 9.4	€ —	€ 18.4
Short-term portion	€ 8.5	€ 3.5	€ —	€ 12.0
Long-term portion	0.5	5.9	—	6.4
Total	€ 9.0	€ 9.4	€ —	€ 18.4

Our 2008 restructuring charges include (i) aggregate charges of €8.4 million related to reorganization and integration activities in certain of our European operations, and (ii) a charge of €4.3 million related to the reorganization of certain of VTR's administrative and operational functions.

A summary of changes in our restructuring liabilities during 2007 is set forth in the table below:

	Employee severance and termination	Office closures	Other	Total
	in millions			
Restructuring liability as of January 1, 2007	€ 10.2	€ 8.0	€ 1.2	€ 19.4
Restructuring charges	7.5	5.5	—	13.0
Cash paid	(10.9)	(2.4)	(1.1)	(14.4)
Acquisitions and other	(1.6)	0.1	—	(1.5)
Foreign currency translation adjustments	(0.1)	0.1	(0.1)	(0.1)
Restructuring liability as of December 31, 2007	€ 5.1	€ 11.3	€ —	€ 16.4
Short-term portion	€ 3.8	€ 2.5	€ —	€ 6.3
Long-term portion	1.3	8.8	—	10.1
Total	€ 5.1	€ 11.3	€ —	€ 16.4

Our 2007 restructuring charges include (i) €6.3 million related primarily to the cost of terminating certain employees in connection with the integration of our business-to-business (B2B) and broadband communications operations in the Netherlands and (ii) €4.5 million related primarily to the cost of terminating certain employees in connection with the restructuring of our broadband communications operations in Ireland.

A summary of changes in our restructuring liabilities during 2006 is set forth in the table below:

	Employee severance and termination	Office closures	Contract terminations	Other	Total
			in millions		
Restructuring liability as of January 1, 2006	€ 10.6	€ 9.2	€ 0.2	€ 5.5	€ 25.5
Restructuring charges (credits)	11.8	0.8	(1.3)	(0.7)	10.6
Cash paid	(11.8)	(2.0)	0.6	(3.0)	(16.2)
Acquisitions and other	(0.4)	—	0.5	—	0.1
Foreign currency translation adjustments	—	—	—	(0.6)	(0.6)
Restructuring liability as of December 31, 2006	€ 10.2	€ 8.0	€ —	€ 1.2	€ 19.4
Short-term portion	€ 7.8	€ 1.4	€ —	€ 1.2	€ 10.4
Long-term portion	2.4	6.6	—	—	9.0
Total	€ 10.2	€ 8.0	€ —	€ 1.2	€ 19.4

Our 2006 restructuring charges include €8.6 million related primarily to the cost of terminating certain employees in connection with the integration of our broadband communications operations in Ireland.

(16) Defined Benefit Plans

Certain of our indirect subsidiaries in Europe maintain various funded and unfunded defined benefit pension plans for their employees. Annual service cost for these employee benefit plans is determined using the projected unit credit actuarial method. The subsidiaries that maintain funded plans have established investment policies for assets. The investment strategies are long-term in nature and designed to meet the following objectives:

- Ensure that funds are available to pay benefits as they become due;
- Maximize the trusts total returns subject to prudent risk taking; and
- Preserve or improve the funded status of the trusts over time.

The subsidiaries review the asset mix of the funds on a regular basis. Generally, asset mix will be rebalanced to the target mix as individual portfolios approach their minimum or maximum levels. Allocations to real estate occur over multiple time periods. Assets targeted to real estate, but not yet allocated, are invested in fixed income securities with corresponding adjustments to fixed income rebalancing guidelines.

The following is a summary of the funded status of the pension plans:

	Year ended December 31,	
	2008	2007
	in millions	
Projected benefit obligation at beginning of period	€ 135.8	€ 143.6
Service cost	7.6	8.7
Interest cost	5.0	4.7
Actuarial gain	(6.2)	(11.2)
Participants' contributions	4.3	4.3
Benefits paid	(15.1)	(11.6)
Effect of changes in exchange rates	12.4	(3.5)
Other	(1.7)	0.8
Projected benefit obligation at end of period	€ 142.1	€ 135.8
Accumulated benefit obligation at end of period	€ 123.8	€ 129.4
Fair value of plan assets at beginning of period	€ 110.4	€ 110.1
Actual earnings (loss) of plan assets	(16.3)	1.9
Group contributions	7.5	8.2
Participants' contributions	4.3	4.3
Benefits paid	(14.7)	(11.2)
Effect of changes in exchange rates	10.0	(2.9)
Fair value of plan assets at end of period	€ 101.2	€ 110.4
Net liability [(a)]	€ 40.9	€ 25.4

(a) The net liability related to our defined benefit pension plans is included in other long-term liabilities in our consolidated balance sheets.

The change in the amount of net actuarial gain not yet recognized as a component of net periodic pension costs in our consolidated statements of operations is as follows:

	Before-tax amount	Tax benefit (expense)	Net-of-tax amount
		in millions	
Balance at January 1, 2007	€ 6.4	€ (0.6)	€ 5.8
Change in net actuarial gain	7.8	(0.1)	7.7
Amount recognized as a component of net loss	(0.1)	—	(0.1)
Balance at December 31, 2007	14.1	(0.7)	13.4
Change in net actuarial gain	(15.3)	0.6	(14.7)
Amount recognized as a component of net loss	(0.2)	—	(0.2)
Balance at December 31, 2008	€ (1.4)	€ (0.1)	€ (1.5)

We expect that the amount of net actuarial gain or loss to be recognized in our 2009 consolidated statement of operations will not be significant.

Actuarial Assumptions

The measurement date used to determine pension plan assumptions was December 31 for each of 2008 and 2007. The actuarial assumptions used to compute the net periodic pension cost are based on information available as of the beginning of the period, specifically market interest rates, past experience and management's best estimate of future economic conditions. Changes in these assumptions may impact future benefit costs and obligations. In computing future costs and obligations, the subsidiaries must make assumptions about such items as employee mortality and turnover, expected salary and wage increases, discount rate, expected long-term rate of return on plan assets and expected future cost increases.

The expected rates of return on the assets of the funded plans are the long-term rates of return the subsidiaries expect to earn on their trust assets. The rates of return are determined by the investment composition of the plan assets and the long-term risk and return forecast for each asset category. The forecasts for each asset class are generated using historical information as well as an analysis of current and expected market conditions. The expected risk and return characteristics for each asset class are reviewed annually and revised, as necessary, to reflect changes in the financial markets. To compute the expected return on plan assets, the subsidiaries apply an expected rate of return to the fair value of the plan assets.

The weighted average assumptions used in determining benefit obligations are as follows:

	December 31,	
	2008	2007
Expected rate of salary increase	2.14%	2.15%
Discount rate	3.49%	3.68%
Return on plan assets	4.62%	4.67%

The components of net periodic pension cost recorded in our consolidated statements of operations are as follows:

	Year ended December 31,	
	2008	2007
	in millions	
Service cost	€ 7.6	€ 8.7
Interest cost	5.0	4.7
Expected return on plan assets	(5.1)	(5.2)
Other	(2.0)	0.4
Net periodic pension cost	€ 5.5	€ 8.6

The weighted average asset mix of the funded plans is as follows:

	December 31, 2008	December 31, 2007
Debt securities	49%	40%
Equity securities	27%	34%
Real estate	9%	8%
Other	15%	18%
	100%	100%

The weighted average target asset mix established for the funded plans is as follows:

Debt securities	49%
Equity securities	25%
Real estate	9%
Other	17%
	100%

Our subsidiaries' contributions to their respective pension plans in 2009 are expected to aggregate $18.8 million. As of December 31, 2008, the expected benefits to be paid during the next ten years with respect to our defined benefit pension plans are as follows (in millions):

2009	€	11.6
2010	€	5.0
2011	€	5.2
2012	€	5.4
2013	€	6.0
2014 — 2018	€	36.7

(17) Accumulated Other Comprehensive Earnings (Loss)

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

	Parent				
	Foreign currency translation adjustments	Pension related adjustments	Total parent's accumulated other comprehensive earnings (loss)	Noncontrolling interests	Total accumulated other comprehensive earnings (loss)
	in millions				
Balance at January 1, 2006	€ 43.4	€ —	€ 43.4	€ 19.8	€ 63.2
Other comprehensive loss	(171.1)	—	(171.1)	(17.5)	(188.6)
Adjustment to initially adopt SFAS 158, net of taxes (note 2)	—	5.8	5.8	—	5.8
Balance at December 31, 2006	(127.7)	5.8	(121.9)	2.3	(119.6)
Other comprehensive earnings (loss)	(84.5)	7.6	(76.9)	(2.8)	(79.7)
Balance at December 31, 2007	(212.2)	13.4	(198.8)	(0.5)	(199.3)
Other comprehensive earnings (loss)	161.3	(14.9)	146.4	(15.3)	131.1
Balance at December 31, 2008	€ (50.9)	€ (1.5)	€ (52.4)	€ (15.8)	€ (68.2)

(18) 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 and 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. As of December 31, 2008, the euro equivalents (based on December 31, 2008 exchange rates) of such commitments that are not reflected in our consolidated balance sheet are as follows:

	Payments due during:						
	2009	2010	2011	2012	2013	Thereafter	Total
	in millions						
Operating leases	€ 68.6	€ 50.6	€ 28.5	€ 19.8	€ 15.4	€ 65.2	€ 248.1
Programming and other purchase obligations	135.4	30.0	3.0	—	—	—	168.4
Other commitments	20.3	12.4	10.6	8.2	8.0	46.4	105.9
	€ 224.3	€ 93.0	€ 42.1	€ 28.0	€ 23.4	€ 111.6	€ 522.4

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate cable service to a portion of our subscribers or dispose of a portion of our cable systems, or (iii) whether we discontinue our premium movie and sports services. The amounts reflected in the table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. Other purchase obligations include commitments to purchase customer premise equipment that are enforceable and legally binding on us. Other commitments include fixed minimum contractual commitments associated with our agreements with franchise or municipal authorities.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments and agreements with programming vendors and other third parties pursuant to which we expect to make payments in future periods. We also have commitments pursuant to agreements with, and obligations imposed by, franchise authorities and municipalities, including our obligations in certain markets to move aerial cable to underground ducts or to upgrade, rebuild or extend portions of our broadband distribution systems. Such amounts are not included in the above table because they are not fixed or determinable due to various factors.

Rental expense under non-cancelable operating lease arrangements amounted to €72.7 million, €73.0 million and €80.8 million in 2008, 2007 and 2006, respectively. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

We have established various defined contribution benefit plans for our and our subsidiaries' employees. The aggregate expense for matching contributions under the various defined contribution employee benefit plans was €13.6 million, €13.2 million and €8.9 million in 2008, 2007 and 2006, respectively.

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 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 the eighteen markets that were predefined in the EU Commission's Recommendation on Relevant Markets at that time to determine if any operator or service provider has "Significant Market Power" within the meaning of the EU directives. All providers of call termination on fixed networks in the Netherlands have been found to have Significant Market Power, including our subsidiary UPC Nederland BV (UPC NL). College van Beroep voor het bedrijfsleven (CBb), the administrative supreme court, annulled on May 11, 2007, the Significant Market Power designation of UPC NL in this market with the consequence that there were no legal grounds for imposing obligations. OPTA published an amended decision effective May 6, 2008, which imposed all previous obligations regarding access, transparency and tariff regulation and included a non-discrimination obligation. UPC NL has challenged this decision at CBb, which appeal is still pending. In December 2008, OPTA completed further market analyses, including a new decision on call termination for UPC NL. This decision became effective January 1, 2009, requiring UPC NL to reduce its call termination rates.

In relation to television services, in its first round analysis, OPTA found UPC NL, our Dutch subsidiary, to have Significant Market Power in the market for wholesale broadcasting transmission services, which was on the original but not the current list of predefined markets, and in an additional market not on either list relating to the retail transmission of radio and television signals. The OPTA decision with respect to the wholesale market imposed various obligations on UPC NL, including 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. OPTA's revised decision in relation to the wholesale market, which was issued after an initial successful appeal by UPC NL but imposed substantially the same obligations as the initial decision, will expire on March 17, 2009. The OPTA decision with respect to the retail market expired on March 17, 2007.

On August 5, 2008, OPTA issued a draft decision on its second round market analysis with respect to television services, again finding UPC NL, as well as other cable operators, to have Significant Market Power in the market for wholesale broadcasting transmission services and imposing new obligations. Following a national consultation procedure, OPTA issued a revised decision and submitted it to the EU Commission on January 9, 2009. On February 9, 2009, the EU Commission informed OPTA of its approval of the draft decision. The decision will become effective on March 17, 2009. The new market analysis decision, once effective, will impose on the four largest cable operators in the Netherlands a number of access obligations in respect of television services. The two largest cable operators, including UPC NL, will have a number of additional access obligations.

The access obligations consist of (i) access to capacity for the transmission of the television signal (both analog and digital), (ii) resale of the analog television signal and, in conjunction with any such resale, the provision of customer connection, and (iii) access to UPC NL's digital conditional access system, including access to its operational supporting systems and co-location. OPTA has stated that any operator with its own infrastructure, such as Royal KPN NV, the incumbent telecommunications operator in the Netherlands, will not be allowed to resell the analog television signal or avail itself of access to UPC NL's digital platform.

The resale obligation will enable third parties to take over the customer relationship as far as the analog television signal is concerned. The decision includes the possibility for resale of an analog package that is not identical to the analog packages offered by UPC NL. Potential resellers will need to negotiate the relevant copyrights directly with program providers in order to resell the identical or almost identical analog television signals. In case of non-identical resale, the decision imposes a number of preconditions, including that the reseller must bear the costs of filtering and that OPTA will determine the reasonableness of such request on a case by case basis.

In respect of transmission of the analog television signal, a number of preconditions were established to ensure that such transmission will not cause unreasonable use of scarce capacity. A request for transmission of analog signals that are not included in UPC NL's analog television package, as well as parallel transmission of analog signals that are already part of the analog package, will in principle be deemed unreasonable.

Regarding digital, the new market analysis decision requires UPC NL to enable providers of digital television signals to supply their digital signals using their own or UPC NL's digital conditional access system. This allows the third parties to have their own customer relationship for those digital television signals and, to bundle their offer with the resale of the analog television signal.

Pricing of the wholesale offer for analog and digital transmission capacity will be at cost-oriented prices. Pricing of the wholesale offer for resale of the analog package, including access to UPC NL's transmission platform for purposes of resale, will be based on a discount to UPC NL's retail rates, at a level to be determined by OPTA and, if no retail offer of UPC NL is available, on cost-oriented basis. Both access obligations come with the obligation to provide access to the relevant network elements and facilities, including set top boxes, co-location, software systems and operational supporting systems, at cost-oriented prices if no relevant retail tariff is available to define the retail minus tariff.

UPC NL will also be required to make its tariffs publicly available on a rate card. Furthermore, UPC NL will not be allowed to discriminate between third parties and its own retail business in making these services available. This includes for example a prohibition on offering loyalty discounts to its own customers.

We believe that the proposed measures are unnecessary and disproportionate and are evaluating our legal options. Pending the outcome of any legal action UPC NL may determine to take, it will be required to comply with the decision.

Chilean Antitrust Matter — On December 12, 2006, Liberty Media, the former parent company of our 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 Chilean Federal Economic Prosecutor (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 our 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 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 and could lead to increased operating costs and capital expenditures. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

Other — In addition to the foregoing items, we have contingent liabilities related to (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.

(19) Information about Operating Segments

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 those consolidated subsidiaries that represent 10% or more of our revenue, operating cash flow (as defined below), or total assets. In certain cases, we may elect to include an operating segment in our segment disclosure that does not meet the above-described criteria for a reportable segment. We evaluate performance and make decisions about allocating resources to our operating segments based on financial measures such as revenue and operating cash flow. In addition, we review non-financial measures such as subscriber growth 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, related party fees and allocations, net, 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 U.S. 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 earnings (loss) before income taxes 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 U.S. GAAP measures of income or cash flows.

During the first quarter of 2009, we changed our reporting such that we no longer include video-on-demand costs within the central and corporate operations category of the UPC Broadband Division. Instead, we present these costs within the individual operating segments of the UPC Broadband Division. Segment information for all periods presented has been restated to reflect the reclassification of these costs.

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 CLEC and other B2B services. At December 31, 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.

On December 31, 2006 we sold UPC Belgium to Telenet, then an equity method investment of Liberty Global Europe. Due to Liberty Global Europe's continuing ownership interest in Telenet, we have not accounted for UPC Belgium as a discontinued operation. For additional information concerning the sale of UPC Belgium, see note 5.

Performance Measures of Our Reportable Segments

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

	Year ended December 31,					
	2008		2007		2006	
	Revenue	Operating cash flow	Revenue	Operating cash flow	Revenue	Operating cash flow
Performance Measures	in millions					
UPC Broadband Division:						
The Netherlands	€ 803.7	457.2	€ 773.5	€ 400.3	€ 735.3	€ 354.9
Switzerland	692.7	368.3	637.1	305.2	614.3	280.4
Austria	365.5	184.4	366.9	172.8	333.8	154.8
Ireland	241.9	97.7	224.1	76.0	208.9	63.5
Total Western Europe	2,103.8	1,107.6	2,001.6	954.3	1,892.3	853.6
Hungary	275.6	144.0	275.2	138.6	244.6	115.7
Other Central and Eastern Europe	645.5	333.0	587.2	293.9	456.1	210.6
Total Central and Eastern Europe	921.1	477.0	862.4	432.5	700.7	326.3
Central and corporate operations	6.2	(150.6)	7.4	(165.5)	14.3	(158.1)
Total UPC Broadband Division	3,031.1	1,434.0	2,871.4	1,221.3	2,607.3	1,021.8
VTR (Chile)	485.0	200.9	462.6	181.4	444.9	158.0
Total UPC Holding before disposal	3,516.1	1,634.9	3,334.0	1,402.7	3,052.2	1,179.8
Disposal (Belgium)	—	—	—	—	34.9	19.3
Total UPC Holding	€ 3,516.1	€ 1,634.9	€ 3,334.0	€ 1,402.7	€ 3,087.1	€ 1,199.1

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

	Year ended December 31,		
	2008	2007	2006
	in millions		
Total segment operating cash flow	€ 1,634.9	€ 1,402.7	€ 1,199.1
Stock-based compensation expense	(34.6)	(55.9)	(19.6)
Related party fees and allocations, net	13.0	32.3	22.1
Depreciation and amortization	(1,093.9)	(1,074.0)	(1,021.8)
Impairment, restructuring and other operating charges, net	(119.3)	(19.7)	(17.7)
Operating income	400.1	285.4	162.1
Interest expense:			
Related party	(621.2)	(518.3)	(517.1)
Third party	(463.3)	(454.5)	(369.7)
Interest income	23.3	46.3	16.3
Realized and unrealized losses on derivative instruments, net	(181.9)	(99.5)	(258.5)
Foreign currency transaction gains (losses), net	(183.9)	140.6	215.8
Unrealized losses due to changes in fair values of certain investments, net	(2.1)	—	—
Losses on extinguishment of debt, net	—	(16.8)	(27.5)
Gains on disposition of assets, net	—	—	75.9
Other expense, net	(0.5)	—	(2.0)
Loss before income taxes and discontinued operations	€ (1,029.5)	€ (616.8)	€ (704.7)

Balance Sheet Data of our Reportable Segments

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

	Long-lived assets		Total assets [(a)]	
	December 31,		December 31,	
	2008	2007	2008	2007
	in millions			
UPC Broadband Division:				
The Netherlands	€ 1,939.5	€ 2,063.8	€ 2,001.6	€ 2,122.6
Switzerland	3,095.4	2,803.9	3,376.1	3,045.5
Austria	943.9	929.4	972.7	966.9
Ireland	538.6	520.7	560.6	549.5
Total Western Europe	6,517.4	6,317.8	6,911.0	6,684.5
Hungary	567.8	590.2	599.5	627.2
Other Central and Eastern Europe	1,461.0	1,597.0	1,542.7	1,685.9
Total Central and Eastern Europe	2,028.8	2,187.2	2,142.2	2,313.1
Central and corporate operations	181.1	191.9	962.8	939.0
Total UPC Broadband Division	8,727.3	8,696.9	10,016.0	9,936.6
VTR (Chile)	672.7	787.6	838.7	1,019.6
Total UPC Holding	€ 9,400.0	€ 9,484.5	€ 10,854.7	€ 10,956.2

(a) Intercompany receivable balances that eliminate within the LGI consolidated group are included in the central and corporate operations category

Capital Expenditures of our Reportable Segments

The capital expenditures of our reportable segments are set forth below:

	Year ended December 31,		
	2008	2007	2006
		in millions	
UPC Broadband Division:			
The Netherlands	€ 157.7	€ 148.7	€ 156.6
Switzerland	168.0	153.6	142.1
Austria	75.3	56.1	41.3
Ireland	74.8	93.4	63.2
Total Western Europe	475.8	451.8	403.2
Hungary	74.5	50.2	58.5
Other Central and Eastern Europe	217.0	171.2	115.3
Total Central and Eastern Europe	291.5	221.4	173.8
Central and corporate operations	99.5	113.6	87.2
Total UPC Broadband Division	866.8	786.8	664.2
VTR (Chile)	123.3	115.2	110.2
Total UPC Holding before disposal	990.1	902.0	774.4
Disposal (Belgium)	—	—	3.6
Total UPC Holding	€ 990.1	€ 902.0	€ 778.0

Revenue by Major Category

Our revenue by major category is set forth below:

	Year ended December 31,		
	2008	2007	2006
		in millions	
Subscription revenue (a):			
Video	€ 1,791.7	€ 1,732.0	€ 1,651.5
Broadband internet	851.6	759.5	648.9
Telephony	484.4	428.2	380.3
Total subscription revenue	3,127.7	2,919.7	2,680.7
Other revenue (b)	388.4	414.3	371.5
Total UPC Holding before disposal	3,516.1	3,334.0	3,052.2
Disposal (Belgium)	—	—	34.9
Total UPC Holding	€ 3,516.1	€ 3,334.0	€ 3,087.1

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile telephony revenue. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the stand-alone price for each individual service. However, due to regulatory and other constraints, the allocation of bundling discounts may vary somewhat between our broadband communications operating segments.

(b) Other revenue includes non-subscription revenue such as B2B and installation revenue.

Geographic Segments

Revenue

The revenue of our geographic segments is set forth below:

	Year ended December 31,		
	2008	2007	2006
		in millions	
Europe:			
The Netherlands	€ 803.7	€ 773.5	€ 735.3
Switzerland	692.7	637.1	614.3
Austria	365.5	366.9	333.8
Ireland	241.9	224.1	208.9
Hungary	275.6	275.2	244.6
Romania	144.8	173.2	149.1
Poland	212.5	166.8	134.7
Czech Republic	193.3	165.2	109.4
Slovakia	51.7	45.2	38.8
Slovenia	43.2	36.8	24.1
Central and corporate operations [(a)]	6.2	7.4	14.3
Total Europe	3,031.1	2,871.4	2,607.3
Chile	485.0	462.6	444.9
Total UPC Holding before disposal	3,516.1	3,334.0	3,052.2
Disposal (Belgium)	—	—	34.9
Total UPC Holding	€ 3,516.1	€ 3,334.0	€ 3,087.1

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

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

	December 31,	
	2008	2007
	in millions	
Europe:		
The Netherlands	€ 1,939.5	€ 2,063.8
Switzerland	3,095.4	2,803.9
Austria	943.9	929.4
Ireland	538.6	520.7
Hungary	567.8	590.2
Romania	313.2	473.4
Poland	268.1	285.4
Czech Republic	645.3	632.0
Slovakia	111.9	95.9
Slovenia	122.5	110.3
Central and corporate operations [a]	181.1	191.9
Total Europe	8,727.3	8,696.9
Chile	672.7	787.6
Total UPC Holding	€ 9,400.0	€ 9,484.5

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

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