



# **UPC HOLDING B.V.**

**Condensed Consolidated Financial Statements  
June 30, 2015**

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

	<b>June 30, 2015</b>	<b>December 31, 2014 (a)</b>
	<b>in millions</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	€ 27.2	€ 51.3
Trade receivables, net .....	161.3	259.8
Related-party receivables (note 9) .....	106.4	355.9
Derivative instruments (note 4) .....	79.8	311.8
Prepaid expenses .....	30.4	13.2
Deferred income taxes .....	4.9	10.8
Other current assets .....	28.4	69.7
Total current assets .....	438.4	1,072.5
Related-party receivables (note 9) .....	495.7	1,743.9
Property and equipment, net (note 6) .....	2,415.3	2,239.1
Goodwill (note 6) .....	4,421.1	4,044.5
Derivative instruments (note 4) .....	382.2	356.9
Intangible assets subject to amortization, net (note 6) .....	127.4	149.6
Other assets, net .....	111.9	124.8
Total assets .....	€ 8,392.0	€ 9,731.3

(a) As retrospectively revised – see note 3.

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

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

		<b>June 30, 2015</b>		<b>December 31, 2014 (a)</b>
<b>LIABILITIES AND OWNERS' DEFICIT</b>				
<b>in millions</b>				
<b>Current liabilities:</b>				
Accounts payable (note 9) .....	€	231.4	€	185.5
Deferred revenue and advance payments from subscribers and others .....		253.7		320.5
Derivative instruments (note 4) .....		112.5		663.0
Current portion of debt and capital lease obligations (note 7) .....		503.9		347.1
Accrued interest .....		90.6		165.9
Other accrued and current liabilities (note 9) .....		580.6		526.9
Total current liabilities .....		1,772.7		2,208.9
<b>Long-term debt and capital lease obligations (note 7):</b>				
Third-party .....		5,402.2		7,938.2
Related-party (note 9) .....		5,503.0		11,527.9
Derivative instruments (note 4) .....		1,016.9		844.0
Other long-term liabilities (note 9) .....		526.6		402.1
Total liabilities .....		14,221.4		22,921.1
<b>Commitments and contingencies (notes 4, 7 and 10)</b>				
<b>Owners' deficit:</b>				
<b>Parent's deficit:</b>				
Distributions and accumulated losses in excess of contributions .....		(6,764.1)		(13,755.4)
Accumulated other comprehensive earnings, net of taxes .....		848.9		543.8
Total parent's deficit .....		(5,915.2)		(13,211.6)
Noncontrolling interests .....		85.8		21.8
Total owners' deficit .....		(5,829.4)		(13,189.8)
Total liabilities and owners' deficit .....	€	8,392.0	€	9,731.3

(a) As retrospectively revised – see note 3.

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

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014 (a)	2015	2014 (a)
	in millions			
Revenue (notes 9 and 11).....	€ 646.9	€ 584.2	€ 1,275.0	€ 1,158.8
Operating costs and expenses:				
Operating (other than depreciation and amortization) (note 9)...	210.8	194.5	418.9	383.0
Selling, general and administrative (SG&A) (including share-based compensation) (note 9) .....	96.6	82.6	192.6	162.5
Related-party fees and allocations, net (note 9) .....	66.0	56.0	131.4	118.9
Depreciation and amortization .....	148.8	129.3	292.4	257.2
Impairment, restructuring and other operating items, net .....	(0.3)	(1.0)	9.7	(1.8)
	<u>521.9</u>	<u>461.4</u>	<u>1,045.0</u>	<u>919.8</u>
Operating income.....	<u>125.0</u>	<u>122.8</u>	<u>230.0</u>	<u>239.0</u>
Non-operating income (expense):				
Interest expense:				
Third-party .....	(87.2)	(123.0)	(199.3)	(259.8)
Related-party (note 9).....	(119.1)	(266.2)	(340.1)	(520.3)
Interest income (note 9).....	0.9	41.7	8.9	84.7
Realized and unrealized losses on derivative instruments, net (note 4) .....	(95.7)	(91.5)	(293.7)	(162.6)
Foreign currency transaction gains (losses), net.....	119.6	(2.5)	(74.5)	(6.1)
Losses on debt modification and extinguishment, net (note 7) ....	(53.4)	(30.0)	(181.9)	(42.0)
Other income (expense), net .....	1.1	(0.7)	1.4	(0.7)
	<u>(233.8)</u>	<u>(472.2)</u>	<u>(1,079.2)</u>	<u>(906.8)</u>
Loss before income taxes .....	<u>(108.8)</u>	<u>(349.4)</u>	<u>(849.2)</u>	<u>(667.8)</u>
Income tax expense (note 8) .....	(13.4)	(24.4)	(50.1)	(44.5)
Net loss .....	<u>(122.2)</u>	<u>(373.8)</u>	<u>(899.3)</u>	<u>(712.3)</u>
Net earnings attributable to noncontrolling interests .....	(2.5)	(2.5)	(6.4)	(4.6)
Net loss attributable to parent .....	<u>€ (124.7)</u>	<u>€ (376.3)</u>	<u>€ (905.7)</u>	<u>€ (716.9)</u>

(a) As retrospectively revised – see note 3.

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

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014 (a)	2015	2014 (a)
	in millions			
Net loss.....	€ (122.2)	€ (373.8)	€ (899.3)	€ (712.3)
Other comprehensive earnings - foreign currency translation adjustments.....	12.1	2.9	309.7	11.4
Other .....	—	—	(1.4)	—
Comprehensive loss.....	(110.1)	(370.9)	(591.0)	(700.9)
Comprehensive earnings attributable to noncontrolling interests.....	(2.6)	(2.6)	(9.6)	(4.8)
Comprehensive loss attributable to parent .....	€ (112.7)	€ (373.5)	€ (600.6)	€ (705.7)

(a) As retrospectively revised – see note 3.

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

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

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings, net of taxes	Total parent's deficit	Non- controlling interests	Total owners' deficit
	in millions				
Balance at January 1, 2015 (a).....	€ (13,755.4)	€ 543.8	€ (13,211.6)	€ 21.8	€ (13,189.8)
Net loss .....	(905.7)	—	(905.7)	6.4	(899.3)
Other comprehensive earnings .....	—	305.1	305.1	3.2	308.3
Consideration received in connection with the Ziggo Services Transfer (note 3).....	5,371.8	—	5,371.8	—	5,371.8
Consideration received in connection with the UPC Ireland Transfer (note 3).....	1,087.7	—	1,087.7	—	1,087.7
Deemed contributions from other subsidiaries of Liberty Global (note 9).....	953.4	—	953.4	—	953.4
Deemed contribution in connection with novation of third-party debt to another Liberty Global subsidiary (note 9).....	689.2	—	689.2	—	689.2
Deemed distributions to other subsidiaries of Liberty Global (note 9) .....	(230.9)	—	(230.9)	—	(230.9)
Impact of consolidation of UMI (note 7) .....	—	—	—	62.8	62.8
Deemed contribution of technology-related services (note 9) .....	18.2	—	18.2	—	18.2
Property and equipment contributed by parent company (notes 6 and 9).....	7.5	—	7.5	—	7.5
Share-based compensation .....	3.6	—	3.6	—	3.6
Capital charge in connection with the exercise of share-based incentive awards (note 9).....	(3.2)	—	(3.2)	—	(3.2)
Other .....	(0.3)	—	(0.3)	(8.4)	(8.7)
Balance at June 30, 2015 .....	<u>€ (6,764.1)</u>	<u>€ 848.9</u>	<u>€ (5,915.2)</u>	<u>€ 85.8</u>	<u>€ (5,829.4)</u>

(a) As retrospectively revised – see note 3.

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

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

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2015</b>	<b>2014 (a)</b>
	<b>in millions</b>	
Cash flows from operating activities:		
Net loss .....	€ (899.3)	€ (712.3)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation expense .....	3.6	3.9
Related-party fees and allocations, net.....	131.4	118.9
Depreciation and amortization .....	292.4	257.2
Impairment, restructuring and other operating items, net .....	9.7	(1.8)
Non-cash interest on related-party loans .....	340.1	520.3
Amortization of deferred financing costs and non-cash interest accretion .....	3.2	7.5
Realized and unrealized losses on derivative instruments, net .....	293.7	162.6
Foreign currency transaction losses, net .....	74.5	6.1
Losses on debt modification and extinguishment, net .....	181.9	42.0
Deferred income tax expense .....	21.6	4.4
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions .....	(267.8)	(253.4)
Net cash provided by operating activities .....	185.0	155.4
Cash flows from investing activities:		
Capital expenditures .....	(50.8)	(121.2)
Sale of related-party receivable .....	—	323.3
Other investing activities, net .....	(61.9)	47.9
Net cash provided (used) by investing activities .....	€ (112.7)	€ 250.0

(a) As retrospectively revised – see note 3.

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



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

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2015</b>	<b>2014 (a)</b>
	<b>in millions</b>	
Cash flows from financing activities:		
Repayments and repurchases of third-party debt and capital lease obligations.....	€ (5,358.6)	€ (963.0)
Borrowings of third-party debt .....	3,057.0	80.4
Borrowings of related-party debt, net .....	2,495.7	796.1
Net cash paid related to derivative instruments .....	(196.4)	(58.4)
Payment of financing costs and debt premiums.....	(171.5)	(14.8)
Change in cash collateral .....	51.5	—
Deemed contributions from (distributions to) other Liberty Global subsidiaries, net .....	0.7	(324.8)
Repayment of an advance from a related party.....	—	(341.3)
Other financing activities, net .....	(3.5)	(2.6)
Net cash used by financing activities .....	(125.1)	(828.4)
Effect of exchange rate changes on cash .....	28.7	0.3
Net decrease in cash and cash equivalents.....	(24.1)	(422.7)
Cash and cash equivalents:		
Beginning of period .....	51.3	461.7
End of period .....	€ 27.2	€ 39.0
Cash paid for interest.....	€ 274.8	€ 266.4
Net cash paid for taxes .....	€ 53.0	€ 7.3

(a) As retrospectively revised – see note 3.

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

**UPC HOLDING B.V.**  
**Notes to Condensed Consolidated Financial Statements**  
**June 30, 2015**  
**(unaudited)**

**(1) Basis of Presentation**

UPC Holding B.V. (**UPC Holding**) is a wholly-owned subsidiary of Liberty Global plc (**Liberty Global**). In these notes, the terms “we,” “our,” “our company” and “us” may refer, as the context requires, to UPC Holding or collectively to UPC Holding and its subsidiaries.

As of June 30, 2015, we provided (i) video, broadband internet and fixed-line telephony services in seven European countries and (ii) mobile services in four European countries. We also provide direct-to-home satellite (**DTH**) services to customers in the Czech Republic, Hungary, Romania and Slovakia through a Luxembourg-based organization that we refer to as “**UPC DTH**.”

During the first quarter of 2015, Liberty Global undertook various financing transactions in connection with certain internal reorganizations of its broadband and wireless communications businesses in Europe. These internal reorganizations include (i) the Ziggo Services Transfer, (ii) the UPC Ireland Transfer and (iii) the Corporate Entities Transfer, (together, the **UPC Transfers**) each as defined and described in note 3. We have accounted for the UPC Transfers as common control transfers at carryover basis and, accordingly, our condensed consolidated financial statements have been retrospectively revised to give effect to these transactions for all periods presented.

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (**U.S. GAAP**). Accordingly, these financial statements do not include all of the information required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2014 annual report.

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

Unless otherwise indicated, ownership percentages and convenience translations into euros are calculated as of June 30, 2015.

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

These condensed consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through August 21, 2015, the date of issuance.

**UPC HOLDING B.V.**  
**Notes to Condensed Consolidated Financial Statements — (Continued)**  
**June 30, 2015**  
**(unaudited)**

**(2) Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (the **FASB**) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (**ASU 2014-09**), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace existing revenue recognition guidance in U.S. GAAP when it becomes effective for annual and interim reporting periods beginning after December 15, 2017. Early application is permitted for annual and interim reporting periods that begin after December 15, 2016. This new standard permits the use of either the retrospective or cumulative effect transition method. We will adopt ASU 2014-09 effective January 1, 2018 and we are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

**(3) Common Control Transfer**

During the first quarter of 2015, we completed (i) the transfer of Ziggo Services B.V. (**Ziggo Services**), formerly known as UPC Nederland B.V., and its subsidiaries from our company to another subsidiary of Liberty Global outside of UPC Holding (the **Ziggo Services Transfer**), (ii) the transfer of UPC Broadband Ireland Ltd. (**UPC Ireland**) and its subsidiaries from our company to certain subsidiaries of Liberty Global outside of UPC Holding (the **UPC Ireland Transfer**) and (iii) the transfer of Liberty Global Services II B.V. (**Liberty Global Services II**) and Liberty Global Operations B.V. (**Liberty Global Operations**) from our company to certain other subsidiaries of Liberty Global outside of UPC Holding (the **Corporate Entities Transfer**). We have accounted for these transactions as common control transfers at carryover basis and the applicable prior period information has been retrospectively revised to give effect to these transactions for all periods presented.

The Ziggo Services Transfer comprised the transfer of 100% of the shares of Ziggo Services for total consideration of €5,371.8 million and the UPC Ireland Transfer comprised the transfer of 100% of the shares of UPC Ireland for total consideration of €1,087.7 million. Each of these amounts was settled through non-cash reductions to the Shareholder Loan (as defined and described in note 7) during the first quarter of 2015. The Corporate Entities Transfer comprised the distribution of 100% of the shares of (i) Liberty Global Services II and (ii) Liberty Global Operations for nominal value.

In connection with the UPC Ireland Transfer, we transferred the right to receive €634.3 million from UPC Ireland pursuant to a promissory note (the **UPC Ireland Note**) to another Liberty Global subsidiary in exchange for a €634.3 million non-cash reduction of the Shareholder Loan.

The following table sets forth the retrospective effects of the above-described common control transfers on our December 31, 2014 condensed consolidated balance sheet:

	As previously reported	Ziggo Services Transfer	UPC Ireland Transfer	Corporate Entities Transfer	As retrospectively revised
	in millions				
Current assets .....	€ 984.8	€ (43.1)	€ (20.2)	€ 151.0	€ 1,072.5
Property and equipment, net.....	€ 3,802.5	€ (861.0)	€ (358.8)	€ (343.6)	€ 2,239.1
Goodwill.....	€ 5,139.0	€ (914.3)	€ (180.2)	€ —	€ 4,044.5
Total assets .....	€ 10,574.2	€ 1,360.4	€ (131.9)	€ (2,071.4)	€ 9,731.3
Current liabilities.....	€ 2,654.9	€ (249.2)	€ (85.1)	€ (111.7)	€ 2,208.9
Long-term debt and capital lease obligations.....	€ 17,796.9	€ 1,669.2	€ —	€ —	€ 19,466.1
Total liabilities.....	€ 21,562.8	€ 1,598.9	€ (128.6)	€ (112.0)	€ 22,921.1
Parent's deficit.....	€ (11,010.4)	€ (238.4)	€ (3.3)	€ (1,959.5)	€ (13,211.6)
Owners' deficit.....	€ (10,988.6)	€ (238.4)	€ (3.3)	€ (1,959.5)	€ (13,189.8)
Total liabilities and owners' deficit.....	€ 10,574.2	€ 1,360.4	€ (131.9)	€ (2,071.4)	€ 9,731.3

**UPC HOLDING B.V.**  
**Notes to Condensed Consolidated Financial Statements — (Continued)**  
**June 30, 2015**  
**(unaudited)**

The following table sets forth the retrospective effects of this common control transfer on our operating results:

<b>Three months ended June 30, 2014</b>					
<b>As previously reported</b>	<b>Ziggo Services Transfer</b>	<b>UPC Ireland Transfer</b>	<b>Corporate Entities Transfer</b>	<b>As retrospectively revised</b>	
<b>in millions</b>					
Revenue.....	€ 904.3	€ (230.5)	€ (88.2)	€ (1.4)	€ 584.2
Operating expenses .....	€ 308.6	€ (66.9)	€ (36.4)	€ (10.8)	€ 194.5
SG&A expenses.....	€ 165.2	€ (29.8)	€ (10.7)	€ (42.1)	€ 82.6
Depreciation and amortization expense .....	€ 219.4	€ (46.2)	€ (16.4)	€ (27.5)	€ 129.3
Non-operating expense, net.....	€ (472.1)	€ (8.7)	€ 16.3	€ (7.7)	€ (472.2)
Income tax expense .....	€ (24.5)	€ —	€ 0.1	€ —	€ (24.4)
Net loss.....	€ (277.0)	€ (75.9)	€ 1.4	€ (22.3)	€ (373.8)
Net loss attributable to parent.....	€ (279.5)	€ (75.9)	€ 1.4	€ (22.3)	€ (376.3)

<b>Six months ended June 30, 2014</b>					
<b>As previously reported</b>	<b>Ziggo Services Transfer</b>	<b>UPC Ireland Transfer</b>	<b>Corporate Entities Transfer</b>	<b>As retrospectively revised</b>	
<b>in millions</b>					
Revenue.....	€ 1,799.0	€ (461.9)	€ (175.0)	€ (3.3)	€ 1,158.8
Operating expenses .....	€ 615.5	€ (135.5)	€ (70.8)	€ (26.2)	€ 383.0
SG&A expenses.....	€ 325.9	€ (58.4)	€ (22.3)	€ (82.7)	€ 162.5
Depreciation and amortization expense .....	€ 433.7	€ (92.2)	€ (32.1)	€ (52.2)	€ 257.2
Non-operating expense, net.....	€ (918.6)	€ (18.3)	€ 32.4	€ (2.3)	€ (906.8)
Income tax expense .....	€ (44.5)	€ —	€ —	€ —	€ (44.5)
Net loss.....	€ (503.1)	€ (151.9)	€ 4.7	€ (62.0)	€ (712.3)
Net loss attributable to parent .....	€ (507.7)	€ (151.9)	€ 4.7	€ (62.0)	€ (716.9)

**(4) Derivative Instruments**

In general, we seek to enter into derivative instruments to protect against (i) increases in the interest rates on our variable-rate debt and (ii) foreign currency movements, particularly with respect to borrowings that are denominated in a currency other than the functional currency of the borrowing entity. In this regard, through our subsidiaries, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the U.S. dollar (\$), the euro (€), the British pound sterling (£), the Swiss franc (CHF), the Chilean peso (CLP), the Czech koruna (CZK), the Hungarian forint (HUF), the Polish zloty (PLN) and the Romanian lei (RON). We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of our derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments, net, in our condensed consolidated statements of operations.

**UPC HOLDING B.V.**  
**Notes to Condensed Consolidated Financial Statements — (Continued)**  
**June 30, 2015**  
**(unaudited)**

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

	June 30, 2015			December 31, 2014		
	Current	Long-term	Total	Current	Long-term	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (a) .....	€ 77.8	€ 381.3	€ 459.1	€ 310.2	€ 356.2	€ 666.4
Foreign currency forward contracts .....	0.6	—	0.6	1.2	—	1.2
Other .....	1.4	0.9	2.3	0.4	0.7	1.1
Total.....	€ 79.8	€ 382.2	€ 462.0	€ 311.8	€ 356.9	€ 668.7
Liabilities:						
Cross-currency and interest rate derivative contracts (a) .....	€ 106.1	€ 1,016.9	€ 1,123.0	€ 662.4	€ 844.0	€ 1,506.4
Foreign currency forward contracts .....	6.4	—	6.4	0.4	—	0.4
Other .....	—	—	—	0.2	—	0.2
Total.....	€ 112.5	€ 1,016.9	€ 1,129.4	€ 663.0	€ 844.0	€ 1,507.0

- (a) We consider credit risk in our fair value assessments. As of June 30, 2015 and December 31, 2014, (i) the fair values of our cross-currency and interest rate derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €11.4 million and €7.6 million, respectively, and (ii) the fair values of our cross-currency and interest rate derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating €102.6 million and €33.6 million, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market and market quotations for certain of our subsidiaries' debt instruments, as applicable. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in a net gain (loss) of €48.3 million and (€9.3 million) during the three months ended June 30, 2015 and 2014, respectively, and a net gain (loss) of €65.2 million and (€20.3 million) during the six months ended June 30, 2015 and 2014, respectively. These amounts are included in realized and unrealized losses on derivative instruments, net, in our condensed consolidated statements of operations. For further information regarding our fair value measurements, see note 5.

**UPC HOLDING B.V.**  
**Notes to Condensed Consolidated Financial Statements — (Continued)**  
**June 30, 2015**  
**(unaudited)**

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>in millions</b>			
Cross-currency and interest rate derivative contracts .....	€ (94.8)	€ (90.0)	€ (291.2)	€ (168.4)
Foreign currency forward contracts .....	(0.7)	(2.3)	(3.5)	5.4
Other .....	(0.2)	0.8	1.0	0.4
Total.....	<u>€ (95.7)</u>	<u>€ (91.5)</u>	<u>€ (293.7)</u>	<u>€ (162.6)</u>

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

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>in millions</b>	
Operating activities .....	€ (97.3)	€ (130.6)
Financing activities .....	(196.4)	(58.4)
Total.....	<u>€ (293.7)</u>	<u>€ (189.0)</u>

***Counterparty Credit Risk***

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under our derivative instruments. At June 30, 2015, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €423.1 million.

**Details of our Derivative Instruments**

In the following tables, we present the details of the various categories of our derivative instruments, all of which are held by our subsidiary, UPC Broadband Holding B.V. (**UPC Broadband Holding**). The notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. In addition, for derivative instruments that were in effect as of June 30, 2015, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to June 30, 2015, we present a range of dates that represents the period covered by the applicable derivative instruments.

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*Cross-currency and Interest Rate Derivative Contracts*

*Cross-currency Swaps:*

The terms of our outstanding cross-currency swap contracts at June 30, 2015, are as follows:

Final maturity date	Notional amount due from counterparty	Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
in millions				
January 2023 .....	\$ 1,140.0	€ 1,043.7	5.38%	3.71%
July 2021 .....	\$ 440.0	€ 337.2	6 mo. LIBOR + 2.50%	6 mo. EURIBOR + 2.87%
January 2017 - July 2021 .....	\$ 262.1	€ 194.1	6 mo. LIBOR + 2.50%	6 mo. EURIBOR + 2.51%
January 2020 .....	\$ 252.5	€ 192.5	6 mo. LIBOR + 4.93%	7.49%
November 2019 .....	\$ 250.0	€ 181.5	7.25%	7.74%
November 2021 .....	\$ 250.0	€ 181.4	7.25%	7.50%
October 2020 .....	\$ 125.0	€ 91.3	6 mo. LIBOR + 3.00%	6 mo. EURIBOR + 3.04%
January 2020 .....	\$ 122.5	€ 93.4	6 mo. LIBOR + 4.94%	6 mo. EURIBOR + 4.87%
December 2016 .....	\$ 340.0	CHF 370.9	6 mo. LIBOR + 3.50%	6 mo. CHF LIBOR + 4.01%
July 2016 - January 2020 .....	\$ 225.0	CHF 206.3	6 mo. LIBOR + 4.81%	5.44%
July 2016 (a) .....	\$ 225.0	CHF 206.3	6 mo. LIBOR + 4.81%	1.00%
July 2021 .....	\$ 200.0	CHF 186.0	6 mo. LIBOR + 2.50%	6 mo. CHF LIBOR + 2.55%
January 2017 - July 2023 .....	\$ 200.0	CHF 185.5	6 mo. LIBOR + 2.50%	6 mo. CHF LIBOR + 2.48%
November 2019 .....	\$ 175.0	CHF 158.7	7.25%	6 mo. CHF LIBOR + 5.01%
January 2017 - July 2021 .....	\$ 100.0	CHF 92.8	6 mo. LIBOR + 2.50%	6 mo. CHF LIBOR + 2.49%
July 2016 (a) .....	\$ 201.5	RON 489.3	6 mo. LIBOR + 3.50%	1.40%
July 2016 - July 2020 .....	\$ 201.5	RON 489.3	6 mo. LIBOR + 3.50%	11.34%
January 2021 .....	€ 720.8	CHF 877.0	6 mo. EURIBOR + 2.50%	6 mo. CHF LIBOR + 2.62%
January 2017 - September 2022 .....	€ 383.8	CHF 477.0	6 mo. EURIBOR + 2.00%	6 mo. CHF LIBOR + 2.22%
January 2017 .....	€ 360.4	CHF 589.0	6 mo. EURIBOR + 3.75%	6 mo. CHF LIBOR + 3.94%
April 2018 .....	€ 285.1	CHF 346.7	10.51%	9.87%
January 2020 .....	€ 175.0	CHF 258.6	7.63%	6.76%

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Final maturity date	Notional amount due from counterparty		Notional amount due to counterparty		Interest rate due from counterparty	Interest rate due to counterparty
in millions						
July 2020 .....	€	107.4	CHF	129.0	6 mo. EURIBOR + 3.00%	6 mo. CHF LIBOR + 3.28%
July 2023 .....	€	85.3	CHF	95.0	6 mo. EURIBOR + 2.21%	6 mo. CHF LIBOR + 2.65%
July 2021 .....	€	76.1	CHF	92.1	6 mo. EURIBOR + 2.50%	6 mo. CHF LIBOR + 2.88%
January 2017 .....	€	75.0	CHF	110.9	7.63%	6.98%
December 2015 .....	€	69.1	CLP	53,000.0	3.50%	5.75%
January 2020 .....	€	318.9	CZK	8,818.7	5.58%	5.44%
January 2017 .....	€	60.0	CZK	1,703.1	5.50%	6.99%
July 2017 .....	€	39.6	CZK	1,000.0	3.00%	3.75%
July 2016 (a).....	€	260.0	HUF	75,570.0	5.50%	5.00%
July 2016 - January 2017 .....	€	260.0	HUF	75,570.0	5.50%	10.56%
December 2016 .....	€	150.0	HUF	43,367.5	5.50%	2.00%
July 2018 .....	€	78.0	HUF	19,500.0	5.50%	9.15%
January 2017 .....	€	245.0	PLN	1,000.6	5.50%	9.03%
September 2016.....	€	200.0	PLN	892.7	6.00%	3.91%
January 2020 .....	€	144.6	PLN	605.0	5.50%	7.98%
July 2017 .....	€	82.0	PLN	318.0	3.00%	5.60%
December 2015 .....	CLP	53,000.0	€	69.1	5.75%	3.50%

- (a) Unlike the other cross-currency swaps presented in this table, the identified cross-currency swaps do not involve the exchange of notional amounts at the inception and maturity of the instruments. Accordingly, the only cash flows associated with these instruments are interest payments and receipts.



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*Interest Rate Swaps:*

The terms of our outstanding interest rate swap contracts at June 30, 2015, are as follows:

<u>Final maturity date</u>	<u>Notional amount</u> in millions	<u>Interest rate due from</u> <u>counterparty</u>	<u>Interest rate due to</u> <u>counterparty</u>
January 2022 .....	\$ 675.0	6.88%	6 mo. LIBOR + 4.90%
July 2020 .....	€ 750.0	6.38%	6 mo. EURIBOR + 3.16%
July 2016 .....	€ 503.4	6 mo. EURIBOR	0.20%
July 2016 - January 2021 .....	€ 250.0	6 mo. EURIBOR	2.52%
July 2016 - January 2023 .....	€ 210.0	6 mo. EURIBOR	2.88%
November 2021 .....	€ 107.0	6 mo. EURIBOR	2.89%
July 2016 - July 2020 .....	€ 43.4	6 mo. EURIBOR	3.95%
July 2016 .....	CHF 900.0	6 mo. CHF LIBOR	0.05%
January 2022 .....	CHF 711.5	6 mo. CHF LIBOR	1.89%
July 2016 - January 2021 .....	CHF 500.0	6 mo. CHF LIBOR	1.65%
July 2016 - January 2018 .....	CHF 400.0	6 mo. CHF LIBOR	2.51%
December 2016 .....	CHF 370.9	6 mo. CHF LIBOR	3.82%
November 2019 .....	CHF 226.8	6 mo. CHF LIBOR + 5.01%	6.88%

*Interest Rate Cap*

Our sold interest rate cap contract with respect to EURIBOR at June 30, 2015, is detailed below:

<u>Final maturity date</u>	<u>Notional amount</u> in millions	<u>EURIBOR cap rate</u>
January 2020 (a) .....	€ 735.0	7.00%

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

*Interest Rate Collars*

Our interest rate collar contracts establish floor and cap rates with respect to EURIBOR on the indicated notional amounts at June 30, 2015, as detailed below:

<u>Final maturity date</u>	<u>Notional amount</u> in millions	<u>EURIBOR floor rate (a)</u>	<u>EURIBOR cap rate (b)</u>
January 2020 .....	€ 1,135.0	1.00%	3.54%

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

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***Foreign Currency Forwards***

The following table summarizes our outstanding foreign currency forward contracts, at June 30, 2015:

<u>Maturity dates</u>	<u>Currency purchased forward</u>		<u>Currency sold forward</u>	
	in millions			
July 2015 - March 2016 .....	\$	16.6	CZK	405.0
July 2015 - March 2016 .....	€	50.5	CHF	58.3
July 2015 - March 2016 .....	€	14.6	CZK	405.0
July 2015 - March 2016 .....	€	14.4	HUF	4,500.0
July 2015 - December 2015 .....	€	28.3	PLN	120.0
July 2015 - March 2016 .....	€	27.0	RON	121.1
July 2015 - March 2016 .....	£	2.7	€	3.6
July 2015 .....	CHF	35.5	€	34.0
July 2015 .....	CZK	500.0	€	18.4
July 2015 .....	HUF	6,000.0	€	19.2
July 2015 .....	PLN	60.0	€	14.4
July 2015 .....	RON	5.0	€	1.1

**(5) Fair Value Measurements**

We use the fair value method to account for our derivative instruments. The reported fair values of these derivative instruments as of June 30, 2015 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities. We expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of assets or liabilities in or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During the six months ended June 30, 2015, no such transfers were made.

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

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

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

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of reporting units, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of private reporting units is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During the six months ended June 30, 2015 and 2014, we did not perform any significant nonrecurring fair value measurements.

At June 30, 2015 and December 31, 2014, all of our derivative instruments fell under Level 2 of the fair value hierarchy.

**(6) Long-lived Assets**

***Property and Equipment, Net***

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

	<b>June 30, 2015</b>	<b>December 31, 2014 (a)</b>
	<b>in millions</b>	
Distribution systems .....	€ 3,742.8	€ 3,350.8
Customer premises equipment.....	1,206.2	1,079.0
Support equipment, buildings and land .....	399.8	364.0
	<u>5,348.8</u>	<u>4,793.8</u>
Accumulated depreciation .....	(2,933.5)	(2,554.7)
Total property and equipment, net.....	<u>€ 2,415.3</u>	<u>€ 2,239.1</u>

(a) As retrospectively revised – see note 3.

During the six months ended June 30, 2015 and 2014, we recorded non-cash increases to our property and equipment related to (i) certain vendor financing arrangements of €285.8 million and €152.8 million, respectively, and (ii) assets acquired under capital leases of €0.6 million and €0.3 million, respectively. Furthermore, during the six months ended June 30, 2015 and 2014, we recorded non-cash increases to our property and equipment of €7.5 million and €8.9 million, respectively, related to assets acquired on our behalf pursuant to vendor financing and capital lease arrangements of Liberty Global B.V. (**LG B.V.**), a subsidiary of Liberty Global that is outside of UPC Holding. For additional information, see notes 7 and 9.

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**Goodwill**

Changes in the carrying amount of our goodwill during the six months ended June 30, 2015 are set forth below:

	January 1, 2015 (a)	Acquisitions and related adjustments	Foreign currency translation adjustments	June 30, 2015
	in millions			
Switzerland/Austria .....	€ 2,968.4	€ —	€ 361.5	€ 3,329.9
Central and Eastern Europe .....	1,076.1	0.4	14.7	1,091.2
Total .....	<u>€ 4,044.5</u>	<u>€ 0.4</u>	<u>€ 376.2</u>	<u>€ 4,421.1</u>

(a) As retrospectively revised – see note 3.

**Intangible Assets Subject to Amortization, Net**

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

	June 30, 2015			December 31, 2014 (a)		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	in millions					
Customer relationships.....	€ 640.6	€ (514.5)	€ 126.1	€ 594.4	€ (446.5)	€ 147.9
Other.....	3.8	(2.5)	1.3	3.8	(2.1)	1.7
Total.....	<u>€ 644.4</u>	<u>€ (517.0)</u>	<u>€ 127.4</u>	<u>€ 598.2</u>	<u>€ (448.6)</u>	<u>€ 149.6</u>

(a) As retrospectively revised – see note 3.

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**(7) Debt and Capital Lease Obligations**

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

	June 30, 2015		Estimated fair value (c)		Carrying value (d)	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	June 30, 2015	December 31, 2014 (e)	June 30, 2015	December 31, 2014 (e)
	in millions					
Third-party debt:						
Parent - UPC Holding Senior Notes.....	6.59%	€ —	€ 1,500.9	€ 2,151.7	€ 1,381.3	€ 1,976.6
Subsidiaries:						
UPC Broadband Holding Bank Facility .....	3.25%	1,046.2	1,158.5	2,608.6	1,167.6	2,627.4
UPCB SPE Notes .....	5.81%	—	2,843.3	3,536.3	2,831.0	3,313.4
Vendor financing (f) .....	3.35%	—	501.6	345.1	501.6	345.1
Total third-party debt.....	5.27%	1,046.2	€ 6,004.3	€ 8,641.7	5,881.5	8,262.5
Related-party debt (note 9):						
Shareholder Loan (g) .....	9.79%	—	(h)	(h)	5,326.6	9,752.7
UPC Nederland Loans (i).....	8.00%	—	(h)	(h)	—	1,775.2
Other (j).....	9.29%	—	(h)	(h)	176.4	—
Total related-party debt.....	9.77%	—			5,503.0	11,527.9
Total debt.....	7.45%	€ 1,046.2			11,384.5	19,790.4
Capital lease obligations .....					24.6	22.8
Total debt and capital lease obligations.....					11,409.1	19,813.2
Current maturities .....					(503.9)	(347.1)
Long-term debt and capital lease obligations .....					€ 10,905.2	€ 19,466.1

- (a) Represents the weighted average interest rate in effect at June 30, 2015 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates presented represent stated rates and do not include the impact of derivative instruments, deferred financing costs, original issue premiums or discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our aggregate third-party variable- and fixed-rate indebtedness was 5.4% at June 30, 2015. For information regarding our derivative instruments, see note 4.
- (b) Unused borrowing capacity represents the maximum availability under the UPC Broadband Holding Bank Facility (as defined and described below) at June 30, 2015 without regard to covenant compliance calculations or other conditions precedent to borrowing. At June 30, 2015, based on the applicable leverage and other financial covenants, our availability under the UPC Broadband Holding Bank Facility was limited to €381.0 million. When the relevant June 30, 2015 compliance reporting requirements have been completed and assuming no changes from June 30, 2015 borrowing levels, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €531.6 million.
- (c) The estimated fair values of our debt instruments are determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy). For additional information regarding fair value hierarchies, see note 5.

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- (d) Amounts include the impact of discounts, where applicable.
- (e) As retrospectively revised – see note 3.
- (f) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property and equipment additions, and to a lesser extent, certain of our operating expenses. These obligations are generally due within one year. At each of June 30, 2015 and December 31, 2014, the amounts owed pursuant to these arrangements include €4.6 million related to third-party capital-related vendor financing obligations for which we and LG B.V. are co-obligors. We expect to cash settle the co-obligor obligations with LG B.V. in advance of when we and LG B.V. are required to settle the obligations with the applicable third parties. Our cash payments to LG B.V. will be reflected as cash capital expenditures in our condensed consolidated statements of cash flows and any cash payments made prior to the settlement of the related co-obligor obligation will be reflected in our related-party accounts receivable from LG B.V. in our condensed consolidated balance sheets. In addition, the June 30, 2015 and December 31, 2014 amounts include €49.6 million and €27.8 million, respectively, of value-added taxes (VAT) that was paid on our behalf by the vendor. Repayments of vendor financing obligations other than the co-obligor obligations are included in repayments and repurchases of debt and capital lease obligations in our condensed consolidated statements of cash flows.
- (g) UPC Holding has an unsecured shareholder loan (the **Shareholder Loan**) with Liberty Global Europe Financing B.V. (**LGE Financing**), which, as amended, is scheduled to be repaid in 2030 and is subordinated in right of payment to the prior payment in full of the UPC Holding Senior Notes in the event of (i) a total or partial liquidation, dissolution or winding up of UPC Holding, (ii) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (iii) an assignment for the benefit of creditors or (iv) any marshaling of UPC Holding's assets or liabilities. Accrued interest is included in other long-term liabilities until the end of each fiscal year and then it is transferred to the loan balance. The interest rate on the Shareholder Loan is a fixed rate of 9.79%. The net decrease in the Shareholder Loan balance during the first six months of 2015 includes (a) a net €5,901.8 million non-cash decrease related to the UPC Transfers, including (1) a decrease of €5,371.8 million related to the non-cash consideration received for the Ziggo Services Transfer, (2) a decrease of €1,087.7 million related to the non-cash consideration received for the UPC Ireland Transfer, (3) a decrease of €634.3 million related to the transfer of the UPC Ireland Note and (4) an increase of €1,192.0 million related to the non-cash transfer of an amount payable to another Liberty Global subsidiary into the Shareholder Loan, (b) cash borrowings of €6,552.5 million, (c) cash payments of €5,319.6 million, (d) a €172.5 million non-cash increase representing the then fair value of certain derivative instruments that were novated from us to another subsidiary of Liberty Global and (e) a €70.3 million non-cash increase related to the settlement of related-party charges and allocations. The transferred payable was established through the receipt of cash that was subsequently applied to repay a portion of our third-party debt in connection with the Ziggo Services Transfer. During the six months ended June 30, 2015 and 2014, none of our Shareholder Loan repayments represented payments of interest.
- (h) The fair values are not subject to reasonable estimation due to the related-party nature of these loans.
- (i) The December 31, 2014 amount relates to loans from certain subsidiaries of Ziggo Services that, prior to the Ziggo Services Transfer, were eliminated in consolidation. These loans were settled during the first quarter of 2015, as further discussed in note 9.
- (j) Represents borrowings under a loan agreement (the **UPC Equipment Note**) between a subsidiary of Liberty Global and our subsidiary, UPC Equipment B.V. (**UPC Equipment**). The UPC Equipment Note bears interest at 9.29% as of June 30, 2015 and matures in March 2032. Accrued and unpaid interest on this note may, at the option of UPC Equipment, (i) be payable on the last day of each month and on the date of each full or partial repayment of the outstanding principal, (ii) be added to the outstanding principal amount on January 1 of each year or (iii) be payable in any other manner as communicated and agreed by the respective parties. UPC Equipment, together with its immediate parent entity (together, the **UPC Leasing Entities**), and Unitymedia International GmbH (**UMI**), a subsidiary of Liberty Global that is outside of UPC Holding, were formed for the purpose of acquiring and legally owning certain customer premises equipment assets to be leased to Ziggo Services. Prior to the Ziggo Services Transfer, the leasing transactions between (a) UMI and the UPC Leasing Entities and (b) Ziggo Services and, to a much lesser extent, certain of our other subsidiaries, created variable interests in UMI for which Ziggo Services was the primary beneficiary, as contemplated by U.S. GAAP. As such, Ziggo Services and UPC Holding were required to consolidate UMI through December 31, 2014. During the first quarter of 2015, we completed the Ziggo Services Transfer and unwound the leasing transactions between (1) Ziggo Services and (2) UMI and the UPC Leasing

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Entities. As described in note 3, we accounted for the Ziggo Services Transfer as a common control transfer with retrospective application for all periods presented. As a result of this accounting treatment, our financial statements no longer include Ziggo Services and UMI for periods prior to January 1, 2015. Beginning with the first quarter of 2015, the remaining leasing transactions between UMI, the UPC Leasing Entities and certain of our other subsidiaries create a variable interest in UMI for which we are the primary beneficiary and, accordingly, UPC Holding is required to consolidate UMI effective January 1, 2015. Upon consolidation of the UPC Leasing Entities, we recognized an initial loan balance of €78.6 million. The increase in the aggregate balance of the UPC Equipment Note during the first six months of 2015 includes (I) cash borrowings of €181.0 million, (II) cash payments of €88.9 million and (III) the transfer of €5.7 million in non-cash accrued interest to the loan balance.

***UPC Broadband Holding Bank Facility***

The UPC Broadband Holding Bank Facility, as amended, is the senior secured credit facility of UPC Broadband Holding. The details of our borrowings under the UPC Broadband Holding Bank Facility as of June 30, 2015 are summarized in the following table:

<u>Facility</u>	<u>Maturity</u>	<u>Interest rate</u>	<u>Facility amount (in borrowing currency) (a)</u>	<u>Unused borrowing capacity (b)</u>	<u>Carrying value</u>
				<u>in millions</u>	
AC (c).....	November 15, 2021	7.250%	\$ 675.0	€ —	€ 605.2
AD (c) .....	January 15, 2022	6.875%	\$ 675.0	—	605.2
AH (d) .....	June 30, 2021	LIBOR + 2.50% (e)	\$ 1,305.0	—	1,167.6
AI .....	April 30, 2019	EURIBOR + 3.25%	€ 1,046.2	1,046.2	—
AK (c) .....	January 15, 2027	4.000%	€ 600.0	—	600.0
AL (c).....	January 15, 2025	5.375%	\$ 1,140.0	—	1,022.1
Elimination of Facilities AC, AD, AK and AL in consolidation (c).....				—	(2,832.5)
Total.....				<u>€ 1,046.2</u>	<u>€ 1,167.6</u>

- (a) Except as described in (c) below, amounts represent total third-party facility amounts at June 30, 2015 without giving effect to the impact of discounts.
- (b) At June 30, 2015, our availability under the UPC Broadband Holding Bank Facility was limited to €381.0 million. When the relevant June 30, 2015 compliance reporting requirements have been completed and assuming no changes from the June 30, 2015 borrowing levels, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €531.6 million. Facility AI has a fee on unused commitments of 1.3% per year.
- (c) Amounts relate to certain senior secured notes (the **UPCB SPE Notes**) issued by special purpose financing entities (the **UPCB SPEs**) that are consolidated by UPC Holding. The proceeds from the UPCB SPE Notes were used to fund additional Facilities AC, AD, AK and AL with our wholly-owned subsidiary, UPC Financing Partnership (**UPC Financing**), as the borrower. Accordingly, the amounts outstanding under Facilities AC, AD, AK and AL are eliminated in our condensed consolidated financial statements.
- (d) The carrying value of Facility AH includes the impact of a discount.
- (e) Facility AH has a LIBOR floor of 0.75%.

*Refinancing Transactions.* During the first quarter of 2015, UPC Holding used the cash consideration received in connection with the Ziggo Services Transfer and the UPC Ireland Transfer to prepay (i) in full the €500.0 million outstanding principal amount of Facility V under the UPC Broadband Holding Bank Facility, together with accrued and unpaid interest and the related prepayment premium to UPCB Finance I Limited (**UPCB Finance I**) and, in turn UPCB Finance I used such proceeds to fully redeem its

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€500.0 million aggregate principal amount of 7.625% senior secured notes (the **UPCB Finance I Notes**), (ii) €560.0 million of the outstanding principal amount of Facility Y under the UPC Broadband Holding Bank Facility, together with accrued and unpaid interest and the related prepayment premium to UPCB Finance II Limited (**UPCB Finance II**) and, in turn UPCB Finance II used such proceeds to redeem €560.0 million of its €750.0 million aggregate principal amount of 6.375% senior secured notes (the **UPCB Finance II Notes**) and (iii) the remaining €870.2 million outstanding principal amount of Facility AG under the UPC Broadband Holding Bank Facility, together with accrued and unpaid interest. In connection with these transactions, we recognized a loss on debt modification and extinguishment, net, of €66.7 million. This loss includes (a) the payment of €47.8 million of redemption premium, (b) the write-off of €14.7 million of deferred financing costs and (c) the write-off of €4.2 million of unamortized discount.

On August 3, 2015, UPC Financing entered into a new €990.1 million revolving term loan facility agreement (**Facility AM**) under the UPC Broadband Holding Bank Facility. Facility AM bears interest at EURIBOR plus a margin of 2.75%, has a fee on unused commitments of 1.1% per year and matures on December 31, 2021. In connection with this transaction, the existing revolving term loan Facility AI was cancelled.

***UPC Holding Senior Notes***

The details of the UPC Holding Senior Notes as of June 30, 2015 are summarized in the following table:

<u>UPC Holding Senior Notes</u>	<u>Maturity</u>	<u>Outstanding principal amount</u>		<u>Estimated fair value</u>	<u>Carrying value</u>
		<u>Borrowing currency</u>	<u>Euro equivalent</u>		
<b>in millions</b>					
UPC Holding 6.375% Senior Notes (a).....	September 15, 2022	€	600.0	€ 600.0	€ 595.7
UPC Holding 6.75% Euro Senior Notes .....	March 15, 2023	€	450.0	450.0	450.0
UPC Holding 6.75% CHF Senior Notes .....	March 15, 2023	CHF	350.0	335.6	335.6
Total.....				<u>€ 1,385.6</u>	<u>€ 1,381.3</u>

(a) The carrying value of the UPC Holding 6.375% Senior Notes includes the impact of a discount.

*Refinancing Transaction.* During the first quarter of 2015, UPC Holding used the cash consideration received in connection with the UPC Ireland Transfer to redeem in full the €640.0 million principal amount of 8.375% senior notes due August 15, 2020 (the **UPC Holding 8.375% Senior Notes**). In connection with this transaction, we recognized a loss on debt modification and extinguishment, net, of €61.8 million. This loss includes (i) the payment of €52.8 million of redemption premium and (ii) the write-off of €9.0 million of deferred financing costs.



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**UPCB SPE Notes**

The details of the UPCB SPE Notes as of June 30, 2015 are summarized in the following table:

UPCB SPEs	Maturity	Interest rate	Outstanding principal amount		Estimated fair value	Carrying value
			Borrowing currency	Euro equivalent		
in millions						
UPCB Finance IV Dollar Notes (a)....	January 15, 2025	5.375%	\$ 1,140.0	€ 1,022.1	€ 978.0	€ 1,020.6
UPCB Finance IV Euro Notes.....	January 15, 2027	4.000%	€ 600.0	600.0	566.7	600.0
UPCB Finance V Notes.....	November 15, 2021	7.250%	\$ 675.0	605.2	651.4	605.2
UPCB Finance VI Notes .....	January 15, 2022	6.875%	\$ 675.0	605.2	647.2	605.2
Total .....				€ 2,832.5	€ 2,843.3	€ 2,831.0

- (a) The carrying value includes the impact of a discount related to the Additional UPCB Finance IV Dollar Notes, as defined and described below.

*Refinancing Transactions.* UPCB Finance IV Limited (**UPCB Finance IV**), a special purpose financing entity that is owned 100% by a charitable trust, was created for the primary purpose of facilitating the April 15, 2015 offering of (i) \$800.0 million (€717.3 million) aggregate principal amount of 5.375% senior secured notes due January 15, 2025 (the **Original UPCB Finance IV Dollar Notes**) and (ii) €600.0 million aggregate principal amount of 4.0% senior secured notes due January 15, 2027 (the **UPCB Finance IV Euro Notes**).

UPCB Finance IV, which has no material business operations, used the proceeds from (i) the Original UPCB Finance IV Dollar Notes to fund a new additional facility (**Facility AL**) and (ii) the UPCB Finance IV Euro Notes to fund a new additional facility (**Facility AK**), each under the UPC Broadband Holding Bank Facility, with UPC Financing as the borrower. The call provisions, maturity and applicable interest rate for Facility AL and Facility AK are the same as those of the Original UPCB Finance IV Dollar Notes and the UPCB Finance IV Euro Notes, respectively.

The proceeds from Facility AL and Facility AK were used to (i) prepay the remaining €190.0 million outstanding principal amount of Facility Y under the UPC Broadband Holding Bank Facility, together with accrued and unpaid interest and the related prepayment premium, to UPCB Finance II and, in turn UPCB Finance II used such proceeds to fully redeem the remaining outstanding amount of its UPCB Finance II Notes, (ii) prepay the outstanding principal amount of Facility Z under the UPC Broadband Holding Bank Facility, together with accrued and unpaid interest and the related prepayment premium, to UPCB Finance III Limited (**UPCB Finance III**) and, in turn UPCB Finance III used such proceeds to fully redeem the UPCB Finance III Notes, (iii) redeem 10% of the outstanding principal amount of each of the following: (a) Facility AC under the UPC Broadband Holding Bank Facility, together with accrued and unpaid interest and the related prepayment premium, to UPCB Finance V Limited (**UPCB Finance V**) and, in turn UPCB Finance V used such proceeds to redeem 10% of the outstanding principal amount of the UPCB Finance V Notes and (b) Facility AD under the UPC Broadband Holding Bank Facility, together with accrued and unpaid interest and the related prepayment premium, to UPCB Finance VI Limited (**UPCB Finance VI**) and, in turn UPCB Finance VI used such proceeds to redeem 10% of the outstanding principal amount of the UPCB Finance VI Notes, each at a redemption price equal to 103% of the applicable redeemed principal amount in accordance with the indentures governing each of the notes, and (iv) prepay in full the then outstanding €200.0 million amount under Facility AI under the UPC Broadband Holding Bank Facility.

On May 20, 2015, UPCB Finance IV issued \$340.0 million (€304.8 million) principal amount of 5.375% senior secured notes due January 15, 2025 (the **Additional UPCB Finance IV Dollar Notes** and, together with the Original UPCB Finance IV Dollar Notes, the **UPCB Finance IV Dollar Notes**). The Additional UPCB Finance IV Dollar Notes were issued at 99.5% of par. We refer to the UPCB Finance IV Dollar Notes and the UPCB Finance IV Euro Notes as the “**UPCB Finance IV Notes.**” UPCB Finance IV used the proceeds from the Additional UPCB Finance IV Dollar Notes to fund a new additional facility (**Facility AL2** and, together with Facility AK and Facility AL, the **New Facilities**) under the UPC Broadband Holding Bank Facility, with UPC Financing as the borrower. The call provisions, maturity and applicable interest rate for Facility AL2 are the same as those of the

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Additional UPCB Finance IV Dollar Notes. The proceeds of Facility AL2, together with existing cash have been used to prepay in full the outstanding €400.0 million principal amount of Facility AI under the UPC Broadband Holding Bank Facility, which amount was drawn subsequent to the €200.0 million prepayment described above.

UPCB Finance IV is dependent on payments from UPC Financing under each of the applicable New Facilities in order to service its payment obligations under each of the respective UPCB Finance IV Notes. Although UPC Financing has no equity or voting interest in UPCB Finance IV, the New Facilities create a variable interest in UPCB Finance IV for which UPC Financing is the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Financing and its parent entities, including UPC Holding, are required by the provisions of U.S. GAAP to consolidate UPCB Finance IV. As a result, the amounts outstanding under the New Facilities are eliminated in UPC Holding's condensed consolidated financial statements.

Subject to the circumstances described below, the UPCB Finance IV Dollar Notes are non-callable until January 15, 2020 and the UPCB Finance IV Euro Notes are non-callable until January 15, 2021 (each a **UPCB Finance IV Notes Call Date**). If, however, at any time prior to the applicable UPCB Finance IV Notes Call Date, all or a portion of the loans under the New Facilities are voluntarily prepaid (an **Early Redemption Event**), then UPCB Finance IV will be required to redeem an aggregate principal amount of the applicable UPCB Finance IV Notes equal to the aggregate principal amount of the loans so prepaid under the relevant New Facility. In general, the redemption price payable will equal 100% of the principal amount of the applicable UPCB Finance IV Notes to be redeemed and a "make-whole" premium, which is the present value of all remaining scheduled interest payments to the applicable UPCB Finance IV Notes Call Date using the discount rate (as specified in the indenture) as of the redemption date plus 50 basis points.

Upon the occurrence of an Early Redemption Event on or after the applicable UPCB Finance IV Notes Call Date, UPCB Finance IV will redeem an aggregate principal amount of the UPCB Finance IV Notes equal to the principal amount of the related facility prepaid at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest and additional amounts, (as specified in the applicable indenture), if any, to the applicable redemption date, if redeemed during the 12-month period commencing on January 15 of the years set forth below:

<u>Year</u>	<u>Redemption price</u>	
	<u>UPCB Finance IV Dollar Notes</u>	<u>UPCB Finance IV Euro Notes</u>
2020 .....	102.688%	N.A.
2021 .....	101.792%	102.000%
2022 .....	100.896%	101.000%
2023 .....	100.000%	100.500%
2024 and thereafter .....	100.000%	100.000%

If there is a change in control (as specified in the indenture) under the UPC Broadband Holding Bank Facility, UPCB Finance IV must offer to repurchase the UPCB Finance IV Notes at a redemption price of 101%.

Prior to the applicable UPCB Finance IV Notes Call Date, during each 12-month period commencing on the date on which the UPCB Finance IV Notes were issued, UPCB Finance IV may redeem up to 10% of the principal amount of the UPCB Finance IV Notes at a redemption price of 103% of the principal amount of the relevant UPCB Finance IV Notes plus accrued and unpaid interest up to (but excluding) the redemption date.

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

Maturities of our debt and capital lease obligations as of June 30, 2015 are presented below and such amounts represent euro equivalents based on June 30, 2015 exchange rates:

*Debt:*

	<b>Third-party debt (a)</b>	<b>Shareholder Loan and related- party debt</b>	<b>Total</b>
		<b>in millions</b>	
Year ending December 31:			
2015 (remainder of year) .....	€ 235.7	€ —	€ 235.7
2016 .....	265.9	—	265.9
2017 .....	—	—	—
2018 .....	—	—	—
2019 .....	—	—	—
2020 .....	—	—	—
Thereafter .....	5,388.2	5,503.0	10,891.2
Total debt maturities .....	<u>5,889.8</u>	<u>5,503.0</u>	<u>11,392.8</u>
Unamortized discount .....	(8.3)	—	(8.3)
Total debt .....	<u>€ 5,881.5</u>	<u>€ 5,503.0</u>	<u>€ 11,384.5</u>
Current portion .....	<u>€ 501.6</u>	<u>€ —</u>	<u>€ 501.6</u>
Noncurrent portion .....	<u>€ 5,379.9</u>	<u>€ 5,503.0</u>	<u>€ 10,882.9</u>

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

*Capital lease obligations (in millions):*

Year ending December 31:		
2015 (remainder of year) .....	€	2.1
2016 .....		3.8
2017 .....		4.0
2018 .....		3.4
2019 .....		2.9
2020 .....		2.4
Thereafter .....		17.9
Total principal and interest payments .....		<u>36.5</u>
Amounts representing interest .....		(11.9)
Present value of net minimum lease payments .....	€	<u>24.6</u>
Current portion .....	€	<u>2.3</u>
Noncurrent portion .....	€	<u>22.3</u>

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*Non-cash Refinancing Transactions*

During the six months ended June 30, 2015 and 2014, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating €1,378.4 million and €1,005.3 million, respectively.

**(8) Income Taxes**

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014 (a)	2015	2014 (a)
	in millions			
Computed “expected” tax benefit.....	€ 27.2	€ 87.4	€ 212.3	€ 167.0
Change in valuation allowances .....	(27.3)	(92.6)	(236.3)	(179.1)
Non-deductible or non-taxable interest and other expenses.....	(19.5)	(16.9)	(39.7)	(29.8)
Other, net .....	6.2	(2.3)	13.6	(2.6)
Total income tax expense.....	€ (13.4)	€ (24.4)	€ (50.1)	€ (44.5)

(a) As retrospectively revised – see note 3.

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**(9) Related-party Transactions**

Our related-party transactions are as follows:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014 (a)</b>	<b>2015</b>	<b>2014 (a)</b>
	<b>in millions</b>			
Revenue.....	€ 0.6	€ 0.4	€ 1.0	€ 1.6
Operating expenses .....	(3.6)	(4.4)	(7.9)	(10.7)
SG&A expenses .....	1.8	1.7	3.0	4.1
Allocated share-based compensation expense .....	(1.8)	(2.0)	(3.6)	(3.9)
Fees and allocations, net:				
Operating and SG&A related (exclusive of depreciation and share-based compensation) .....	(28.1)	(21.1)	(54.4)	(45.5)
Depreciation and share-based compensation.....	(20.7)	(14.8)	(46.0)	(29.5)
Management fee .....	(17.2)	(20.1)	(31.0)	(43.9)
Total fees and allocations, net.....	(66.0)	(56.0)	(131.4)	(118.9)
Included in operating income.....	(69.0)	(60.3)	(138.9)	(127.8)
Interest expense.....	(119.1)	(266.2)	(340.1)	(520.3)
Interest income .....	0.5	41.6	8.1	84.2
Included in net loss .....	€ (187.6)	€ (284.9)	€ (470.9)	€ (563.9)
Property and equipment transfers, net .....	€ (134.7)	€ (29.6)	€ (184.8)	€ (64.4)

(a) As retrospectively revised – see note 3.

*General.* Certain Liberty Global subsidiaries charge fees and allocate costs and expenses to UPC Holding. Depending on the nature of these related-party transactions, the amount of the charges or allocations may be based on (i) our estimated share of the underlying costs, (ii) our estimated share of the underlying costs plus a mark-up or (iii) commercially-negotiated rates. Through June 30, 2014, our related-party operating and SG&A expenses and our related-party fees and allocations generally were based on our company's estimated share of the applicable estimated costs (including personnel-related and other costs associated with the services provided) incurred by the other applicable Liberty Global subsidiaries. The estimated amounts charged were reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year. The revision to reflect the actual costs underlying our related-party fees and allocations for 2013 amounted to an increase of €5.1 million in our billings from a subsidiary of Liberty Global, which was recorded during the first quarter of 2014. The revision to reflect actual costs for our related-party operating and SG&A expenses for 2013 was not material. During the third quarter of 2014, Liberty Global and its subsidiaries began basing the fees charged and amounts allocated on actual costs incurred. As a result, during the third quarter of 2014, we recorded a €14.1 million increase to the fees and allocations charged to our company by a subsidiary of Liberty Global to reflect the impact of this change in methodology as of January 1, 2014. The impact of this change in methodology on our related-party operating and SG&A expenses was not material. Although we believe that the related-party charges and allocations described below are reasonable, no assurance can be given that the related-party costs and expenses reflected in our condensed consolidated statements of operations are reflective of the costs that we would incur on a standalone basis.

In connection with the Corporate Entities Transfer, Liberty Global changed the processes it uses to charge fees and allocate costs and expenses from one subsidiary to another. This new methodology, which is intended to ensure that Liberty Global continues to allocate its central and administrative costs to its borrowing groups on a fair and rational basis, impacts the calculation of the “EBITDA” metric specified by our debt agreements (**Covenant EBITDA**). In this regard, the components of related-party fees and allocations that are deducted to arrive at our Covenant EBITDA are based on (i) the amount and nature of costs incurred by

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the allocating Liberty Global subsidiaries during the period, (ii) the allocation methodologies in effect during the period and (iii) the size of the overall pool of entities that are charged fees and allocated costs, such that changes in any of these factors would likely result in changes to the amount of related-party fees and allocations that will be deducted to arrive at our Covenant EBITDA in future periods. For example, to the extent that a Liberty Global subsidiary borrowing group was to acquire (sell) an operating entity, and assuming no change in the total costs incurred by the allocating entities, the fees charged and the costs allocated to our company would decrease (increase). Prior to the Corporate Entities Transfer, UPC Holding charged fees and allocated costs and expenses from our company to other Liberty Global subsidiaries. As a result of the Corporate Entities Transfer, UPC Holding began receiving charges effective January 1, 2015 for fees and allocated costs and expenses from another Liberty Global subsidiary.

*Revenue.* Amounts primarily relate to B2B related services and network maintenance services provided to certain non-consolidated affiliates and, prior to the January 31, 2014 sale (the **Chellomedia Sale Date**) by Liberty Global of substantially all of the assets of Chellomedia B.V. (**Chellomedia**), programming services provided to Chellomedia.

*Operating expenses.* Amounts represent certain cash settled charges from other Liberty Global subsidiaries to UPC Holding and consist of (i) aggregate recharges of network-related and other items from LG B.V. of €2.1 million and €3.1 million for the three months ended June 30, 2015 and 2014, respectively, and €4.9 million and €5.8 million for the six months ended June 30, 2015 and 2014, respectively, and (ii) programming and interconnect fees charged by certain of Liberty Global's affiliates of €1.5 million and €1.3 million for the three months ended June 30, 2015 and 2014, respectively, and €3.0 million and €2.8 million for the six months ended June 30, 2015 and 2014, respectively. In addition, the amount for the six months ended June 30, 2014 includes charges for programming and digital interactive services provided by Chellomedia until the Chellomedia Sale Date of €2.1 million.

*SG&A expenses.* Amounts represent certain cash settled charges from other Liberty Global subsidiaries to UPC Holding, primarily for software maintenance services.

*Allocated share-based compensation expense.* Liberty Global allocates share-based compensation expense to our company.

*Fees and allocations, net.* These amounts represent fees charged to UPC Holding that originate with Liberty Global and certain other Liberty Global subsidiaries, and include charges for management, finance, legal, technology and other corporate and administrative services provided to our subsidiaries. The categories of our fees and allocations, net, are as follows:

- *Operating and SG&A related (exclusive of depreciation and share-based compensation).* The amounts included in this category, which are generally cash settled, represent our estimated share of certain centralized technology, management, marketing, finance and other operating and SG&A expenses of Liberty Global's European operations, whose activities benefit multiple operations, including operations within and outside of our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global's European operations, without a mark-up. Amounts in this category are generally deducted to arrive at our Covenant EBITDA.
- *Depreciation and share-based compensation.* The amounts included in this category, which are generally loan settled, represent our estimated share of (i) depreciation of assets not owned by our company and (ii) share-based compensation associated with Liberty Global employees who are not employees of our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global's European operations, without a mark-up.
- *Management fee.* The amounts included in this category, which are generally loan settled, represent our estimated allocable share of (i) operating and SG&A expenses related to stewardship services provided by certain Liberty Global subsidiaries and (ii) the mark-up, if any, applicable to each category of the related-party fees and allocations charged to our company.

During the first three quarters of 2014, a subsidiary of Liberty Global allocated technology-based costs to our company and other Liberty Global subsidiaries based on each subsidiaries' estimated proportionate share of these costs. During the fourth quarter of 2014, the approach used to charge technology-based fees was changed to a royalty-based method. For the six months ended June 30, 2015, our €82.4 million proportional share of these technology-based costs was €18.2 million more than the aggregate royalty-based technology fee charged under the new approach. Accordingly, the €18.2 million excess has been reflected as a deemed contribution of technology-related services in our condensed consolidated statement of owners' deficit. The charges under the new royalty-based fees are expected to escalate in future periods. Any excess of these charges over our estimated proportionate share of the underlying technology-based costs will be classified as management fees and added back to arrive at Covenant EBITDA.

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

*Interest income.* Amounts primarily include interest income related to receivables from certain subsidiaries of Ziggo Services and UPC Ireland and from Liberty Global Operations that, prior to the UPC Transfers, were eliminated in consolidation. These related-party receivables were settled during the first quarter of 2015, as discussed below.

*Property and equipment transfers, net.* These amounts, which are generally cash settled, represent the net carrying values of (i) customer premises equipment that is centrally procured by a UPC Holding subsidiary and subsequently transferred to other Liberty Global subsidiaries outside of UPC Holding and (ii) customer premises and network-related equipment acquired from other Liberty Global subsidiaries, including LG B.V. During all periods presented, the carrying values of the equipment transferred out of UPC Holding exceed the carrying values of the equipment transferred into UPC Holding.

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

	<b>June 30, 2015</b>	<b>December 31, 2014 (a)</b>
	<b>in millions</b>	
Related-party receivables (b) .....	€ 106.4	€ 355.9
Other assets (c) .....	€ 495.7	€ 1,743.9
Accounts payable .....	€ 72.5	€ 38.0
Accrued liabilities .....	92.8	60.7
Shareholder Loan (note 7) .....	5,326.6	9,752.7
Other related-party debt (note 7) (d) .....	176.4	1,775.2
Other long-term liabilities (e) .....	323.6	132.7
Total .....	<u>€ 5,991.9</u>	<u>€ 11,759.3</u>

(a) As retrospectively revised – see note 3.

(b) Primarily represents (i) €17.1 million and €257.7 million, respectively, of receivables from LG B.V. that arose from our retention of certain third-party liabilities of Liberty Global Services II following the Corporate Entities Transfer and (ii) €58.8 million and €79.0 million, respectively, of receivables due from other Liberty Global subsidiaries related to centrally-procured property and equipment purchased by our company on behalf of these other Liberty Global subsidiaries. These receivables are non-interest bearing and are expected to be cash settled.

(c) The June 30, 2015 amount includes €428.6 million of long-term receivables from LG B.V. that arose from our retention of certain third-party liabilities of Liberty Global Services II following the Corporate Entities Transfer. The December 31, 2014 amount includes (i) €1,002.3 million due from a subsidiary of Ziggo Services (the **Ziggo Services Receivable**), (ii) €629.7 million related to the UPC Ireland Note and (iii) €106.0 million due from Liberty Global Operations (the **LGO Receivable**). Prior to the UPC Transfers, each of these amounts was eliminated in consolidation. During the first quarter of 2015 and in connection with the UPC Transfers, (a) €881.5 million of the outstanding principal under the Ziggo Services Receivable was settled against the UPC Broadband Loan Payable (as defined in (d) below) and (b) the €634.3 million then-outstanding balance of the UPC Ireland Note was transferred to another Liberty Global subsidiary in exchange for a non-cash reduction of the Shareholder Loan. In addition, (1) the remaining outstanding principal and interest of €120.8 million under the Ziggo Services Receivable, (2) the LGO Receivable and (3) a €4.1 million related-party receivable due from Liberty Global Services II were converted to equity during the first quarter of 2015, and the €230.9 million aggregate amount of these related-party receivables is reflected as a non-cash deemed distribution in our condensed consolidated statement of owners' deficit.

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- (d) The December 31, 2014 amount includes (i) related-party debt of (a) €853.1 million and (b) €103.3 million (together, the **Ziggo Services Loans Payable**) that we owed to certain subsidiaries of Ziggo Services and (ii) €818.8 million of related-party debt (the **UPC Western Europe Loan Payable**) that was owed to a subsidiary of Ziggo Services. Prior to the UPC Transfers, each of these amounts was eliminated in consolidation. During the first quarter of 2015 and in connection with the UPC Transfers, (1) the €953.4 million then-outstanding balance of the Ziggo Services Loans Payable was converted to equity and is reflected as a non-cash deemed contribution in our condensed consolidated statement of owners' deficit and (2) the €881.5 million then-outstanding balance of the UPC Western Europe Loan Payable was settled against a portion of the Ziggo Services Receivable, as described above. In addition, in February 2015, we rolled €689.2 million of our commitments under Facility AG of the UPC Broadband Holding Bank Facility to a subsidiary of Ziggo Services in connection with the Ziggo Services Transfer. This transaction is reflected as a non-cash deemed contribution in our condensed consolidated statement of owners' deficit.
- (e) Primarily includes accrued interest on the Shareholder Loan and other related-party loans. For additional information regarding the Shareholder Loan, see note 7.

During the six months ended June 30, 2015, we recorded an aggregate capital charge of €3.2 million in our condensed consolidated statement of owners' deficit in connection with the exercise of Liberty Global share appreciation rights and the vesting of Liberty Global restricted share awards and PSUs held by employees of our subsidiaries. We and Liberty Global have agreed that these capital charges will be based on the fair value of the underlying Liberty Global shares associated with share-based incentive awards that vest or are exercised during the period, subject to any reduction that is necessary to ensure that the capital charge does not exceed the amount of share-based compensation expense recorded by our company with respect to Liberty Global share-based incentive awards. We expect that these charges will be loan settled.

LG B.V. leases certain property and equipment on our behalf, which is then contributed by LG B.V. to our company. During the six months ended June 30, 2015, LG B.V.'s carrying value in such property and equipment of €7.5 million has been reflected as a decrease to parent's deficit in our condensed consolidated statement of owners' deficit.

**(10) 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 purchases of customer premises and other equipment, non-cancelable operating leases, network and connectivity commitments, programming contracts and other items. The euro equivalents of such commitments as of June 30, 2015 are presented below:

	<b>Payments due during:</b>							<b>Total</b>
	<b>Remainder of 2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Thereafter</b>	
	<b>in millions</b>							
Purchase commitments .....	€ 222.5	€ 51.6	€ 20.1	€ 1.2	€ —	€ —	€ —	€ 295.4
Operating leases .....	21.5	35.3	27.3	23.8	21.8	17.8	97.5	245.0
Network and connectivity commitments .....	38.4	38.4	22.8	6.6	5.4	4.0	7.8	123.4
Programming commitments .....	11.0	13.1	11.7	9.4	—	—	—	45.2
Other commitments .....	79.9	62.3	48.5	35.4	14.3	7.6	15.5	263.5
Total (a) .....	<u>€ 373.3</u>	<u>€ 200.7</u>	<u>€ 130.4</u>	<u>€ 76.4</u>	<u>€ 41.5</u>	<u>€ 29.4</u>	<u>€ 120.8</u>	<u>€ 972.5</u>



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- (a) The commitments reflected in this table do not reflect any liabilities that are included in our June 30, 2015 condensed consolidated balance sheet.

Purchase commitments include unconditional purchase obligations associated with commitments to purchase customer premises and other equipment that are enforceable and legally binding on us, including €14.7 million associated with related-party purchase obligations.

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

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during the six months ended June 30, 2015 and 2014, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €134.0 million and €124.0 million, respectively.

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

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the six months ended June 30, 2015 and 2014, see note 4.

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

***Guarantees and Other Credit Enhancements***

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

***Legal and Regulatory Proceedings and Other Contingencies***

*Financial Transactions Tax.* Eleven countries in the European Union (EU), including Austria and Slovakia, are participating in an enhanced cooperation procedure to introduce a financial transactions tax (the FTT). Under the draft language of the FTT proposal, a wide range of financial transactions could be taxed at rates of at least 0.01% for derivative transactions based on the notional amount and 0.1% for other covered financial transactions based on the underlying transaction price. Each of the individual countries would be permitted to determine an exact rate, which could be higher than the proposed rates of 0.01% and 0.1%. Any implementation of the FTT could have a global impact because it would apply to all financial transactions where a financial institution is involved (including unregulated entities that engage in certain types of covered activity) and either of the parties (whether the financial institution or its counterparty) is in one of the eleven participating countries. Although ongoing debate in

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the relevant countries demonstrates continued momentum around the FTT, uncertainty remains as to when the FTT would be implemented and the breadth of its application. Based on our understanding of the current status of the potential FTT, we do not expect that any implementation of the FTT would occur before 2016. Any imposition of the FTT could increase banking fees and introduce taxes on internal transactions that we currently perform. Due to the uncertainty regarding the FTT, we are currently unable to estimate the financial impact that the FTT could have on our results of operations, cash flows or financial position.

*Other Regulatory Issues.* Video distribution, broadband internet, fixed-line telephony, mobile and content businesses are regulated in each of the countries in which we operate. The scope of regulation varies from country to country, although in some significant respects regulation in European markets is harmonized under the regulatory structure of the EU. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

*Other.* In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business, including (i) legal proceedings, (ii) issues involving VAT and wage, property and other tax issues and (iii) disputes over interconnection, programming, copyright and carriage fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations, cash flows or financial position in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

**(11) Segment Reporting**

We generally identify our reportable segments as those consolidated subsidiaries that represent 10% or more of our revenue, Adjusted Segment OIBDA (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 Adjusted Segment OIBDA. In addition, we review non-financial measures such as subscriber growth, as appropriate.

Adjusted operating income before depreciation and amortization (**Adjusted Segment OIBDA**) is the primary measure used by our chief operating decision maker to evaluate segment operating performance. Adjusted Segment OIBDA is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources to segments and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, Adjusted Segment OIBDA is defined as operating income before depreciation and amortization, share-based compensation, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items. Other operating items include (a) gains and losses on the disposition of long-lived assets, (b) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, and (c) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Our internal decision makers believe Adjusted Segment OIBDA is a meaningful measure and is superior to available U.S. GAAP measures because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to (1) readily view operating trends, (2) perform analytical comparisons and benchmarking between segments and (3) identify strategies to improve operating performance in the different countries in which we operate. We believe our Adjusted Segment OIBDA measure is useful to investors because it is one of the bases for comparing our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other companies. Adjusted Segment OIBDA should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings or loss, cash flow from operating activities and other U.S. GAAP measures of income or cash flows. A reconciliation of total Adjusted Segment OIBDA to our loss before income taxes is presented below.

During the fourth quarter of 2014, we began presenting (i) our operating segments in Switzerland and Austria as one combined reportable segment and (ii) our UPC DTH operating segment as part of our Central and Eastern Europe reportable segment. These changes were made as a result of Liberty Global's internal changes in organizational structures, changes in how these segments

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are evaluated and monitored by Liberty Global's chief operating decision maker and the integration of certain functions within these reportable segments. Previously, (a) our operating segment in Switzerland was a separate reportable segment, (b) our operating segments in Ireland (see note 3) and Austria were combined into one reportable segment, "Other Western Europe," and (c) our UPC DTH operating segment was included in our other category. Segment information for all periods presented reflects the above-described changes and the UPC Transfers.

As of June 30, 2015, our reportable segments are as follows:

- Switzerland/Austria
- Central and Eastern Europe

Our reportable segments derive their revenue primarily from broadband communications services, including video, broadband internet and fixed-line telephony services. Each of our reportable segments also provides business-to-business (**B2B**) and mobile services. At June 30, 2015, we provided broadband communications services in seven European countries and DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia through UPC DTH. In addition to UPC DTH, our Central and Eastern Europe segment includes our broadband communications operations in the Czech Republic, Hungary, Poland, Romania and Slovakia.

*Performance Measures of Our Reportable Segments*

	<b>Revenue</b>			
	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014 (a)</b>	<b>2015</b>	<b>2014 (a)</b>
	<b>in millions</b>			
Switzerland/Austria.....	€ 405.5	€ 347.6	€ 795.6	€ 686.0
Central and Eastern Europe.....	241.4	236.6	479.4	472.8
Total.....	<u>€ 646.9</u>	<u>€ 584.2</u>	<u>€ 1,275.0</u>	<u>€ 1,158.8</u>

(a) As retrospectively revised – see note 3.

	<b>Adjusted Segment OIBDA</b>			
	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014 (a)</b>	<b>2015</b>	<b>2014 (a)</b>
	<b>in millions</b>			
Switzerland/Austria.....	€ 234.5	€ 202.2	€ 455.4	€ 395.2
Central and Eastern Europe.....	106.9	107.2	211.8	222.6
Other.....	(0.1)	(0.3)	(0.1)	(0.6)
Total.....	<u>€ 341.3</u>	<u>€ 309.1</u>	<u>€ 667.1</u>	<u>€ 617.2</u>

(a) As retrospectively revised – see note 3.

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The following table provides a reconciliation of total Adjusted Segment OIBDA to loss before income taxes:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014 (a)	2015	2014 (a)
	in millions			
Total Adjusted Segment OIBDA.....	€ 341.3	€ 309.1	€ 667.1	€ 617.2
Share-based compensation expense .....	(1.8)	(2.0)	(3.6)	(3.9)
Related-party fees and allocations, net.....	(66.0)	(56.0)	(131.4)	(118.9)
Depreciation and amortization .....	(148.8)	(129.3)	(292.4)	(257.2)
Impairment, restructuring and other operating items, net .....	0.3	1.0	(9.7)	1.8
Operating income.....	<u>125.0</u>	<u>122.8</u>	<u>230.0</u>	<u>239.0</u>
Interest expense:				
Third-party .....	(87.2)	(123.0)	(199.3)	(259.8)
Related-party.....	(119.1)	(266.2)	(340.1)	(520.3)
Interest income .....	0.9	41.7	8.9	84.7
Realized and unrealized losses on derivative instruments, net .....	(95.7)	(91.5)	(293.7)	(162.6)
Foreign currency transaction gains (losses), net .....	119.6	(2.5)	(74.5)	(6.1)
Losses on debt modification and extinguishment, net .....	(53.4)	(30.0)	(181.9)	(42.0)
Other income (expense), net .....	1.1	(0.7)	1.4	(0.7)
Loss before income taxes.....	<u>€ (108.8)</u>	<u>€ (349.4)</u>	<u>€ (849.2)</u>	<u>€ (667.8)</u>

(a) As retrospectively revised – see note 3.

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

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014 (a)	2015	2014 (a)
	in millions			
Switzerland/Austria .....	€ 74.8	€ 61.9	€ 125.2	€ 115.7
Central and Eastern Europe .....	58.5	44.2	101.8	77.8
Other (b) .....	32.3	1.4	34.3	20.9
Property and equipment additions .....	165.6	107.5	261.3	214.4
Assets acquired under capital-related vendor financing arrangements .....	(163.5)	(72.4)	(285.8)	(152.8)
Assets contributed by parent company .....	(3.1)	(3.7)	(7.5)	(8.9)
Assets acquired under capital leases .....	(0.2)	(0.2)	(0.6)	(0.3)
Changes in current liabilities related to capital expenditures (including related-party amounts) .....	26.9	41.8	83.4	68.8
Capital expenditures .....	€ 25.7	€ 73.0	€ 50.8	€ 121.2

(a) As retrospectively revised – see note 3.

(b) Primarily relates to inventory build-up of centrally-procured customer premises equipment. This equipment is ultimately transferred to certain of Liberty Global's European operating subsidiaries, including subsidiaries within UPC Holding. See note 9.

***Revenue by Major Category***

Our revenue by major category is set forth below:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014 (a)	2015	2014 (a)
	in millions			
Subscription revenue (b):				
Video .....	€ 307.5	€ 280.8	€ 606.7	€ 558.8
Broadband internet .....	191.0	168.2	374.5	331.0
Fixed-line telephony .....	61.2	60.0	122.3	120.2
Cable subscription revenue .....	559.7	509.0	1,103.5	1,010.0
Mobile subscription revenue (c) .....	2.8	0.4	4.4	0.7
Total subscription revenue .....	562.5	509.4	1,107.9	1,010.7
B2B revenue (d) .....	53.3	46.2	105.4	90.7
Other revenue (e) .....	31.1	28.6	61.7	57.4
Total .....	€ 646.9	€ 584.2	€ 1,275.0	€ 1,158.8

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- (a) As retrospectively revised – see note 3.
- (b) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.
- (c) Mobile subscription revenue excludes mobile interconnect revenue of €0.4 million and €0.6 million during the three and six months ended June 30, 2015, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.
- (d) B2B revenue includes revenue from business broadband internet, video, voice, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to certain small office and home office (SOHO) subscribers. SOHO subscribers pay a premium price to receive enhanced service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. Revenue from SOHO subscribers, which aggregated €14.8 million and €11.4 million during the three months ended June 30, 2015 and 2014, respectively, and €28.7 million and €22.0 million during the six months ended June 30, 2015 and 2014, respectively, is included in cable subscription revenue.
- (e) Other revenue includes, among other items, installation, carriage fee, late fee and interconnect revenue.

***Geographic Segments***

The revenue of our geographic segments is set forth below:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014 (a)</b>	<b>2015</b>	<b>2014 (a)</b>
	<b>in millions</b>			
Switzerland .....	€ 322.8	€ 266.4	€ 630.8	€ 523.8
Poland .....	91.5	88.4	181.0	176.3
Austria.....	82.7	81.2	164.8	162.2
Hungary.....	59.6	58.6	118.4	116.2
The Czech Republic.....	39.9	41.9	79.7	84.8
Romania .....	34.9	31.7	69.5	63.4
Slovakia.....	13.5	14.1	27.1	28.3
Other .....	2.0	1.9	3.7	3.8
Total.....	<u>€ 646.9</u>	<u>€ 584.2</u>	<u>€ 1,275.0</u>	<u>€ 1,158.8</u>

- (a) As retrospectively revised – see note 3.

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

The following discussion and analysis, which should be read in conjunction with our condensed consolidated financial statements and the discussion and analysis included in our 2014 annual report, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Forward-Looking Statements.* This section provides a description of certain factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three and six months ended June 30, 2015 and 2014.
- *Material Changes in Financial Condition.* This section provides an analysis of our corporate and subsidiary liquidity, condensed consolidated statements of cash flows and contractual commitments.

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

Unless otherwise indicated, convenience translations into euros are calculated as of June 30, 2015.

### Forward-Looking Statements

Certain statements in this quarterly report constitute forward-looking statements. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding our business, product, foreign currency and finance strategies, our property and equipment additions, subscriber growth and retention rates, competitive, regulatory and economic factors, the maturity of our markets, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in our revenue, costs or growth rates, our liquidity, credit risks, foreign currency risks, target leverage levels, our future projected contractual commitments and cash flows and other information and statements that are not historical fact. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the following list of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the countries in which we operate;
- the competitive environment in the countries in which we operate, including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of our existing service offerings, including our enhanced video, broadband internet, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- our ability to manage rapid technological changes;

- our ability to maintain or increase the number of subscriptions to our digital video, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- our ability to maintain our revenue from channel carriage arrangements;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in the countries in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that opens our broadband distribution networks to competitors;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions, and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement our business plan with respect to, the businesses we acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof in countries in which we operate;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors (including our third-party wireless network providers under our MVNO arrangements) to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our enhanced video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- problems we may discover post-closing with the operations of businesses we acquire;
- the leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

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



## Overview

We are an international provider of (i) video, broadband internet and fixed-line telephony services in seven European countries and (ii) mobile services in four European countries. We also provide DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia through UPC DTH.

As further described in note 3 to our condensed consolidated financial statements, we completed the UPC Transfers during the first quarter of 2015. We have accounted for these transactions as common control transfers at carryover basis and the applicable prior period information has been retrospectively revised to give effect to these transactions for all periods presented.

We have completed a number of transactions that somewhat impact the comparability of our 2015 and 2014 results of operations.

At June 30, 2015, we owned and operated networks that passed 12,408,500 homes and served 12,318,700 revenue generating units (RGUs), consisting of 5,968,800 video subscribers, 3,838,700 broadband internet subscribers and 2,511,200 fixed-line telephony subscribers. In addition, at June 30, 2015, we served 53,400 mobile subscribers.

During the first quarter of 2015, we modified certain video subscriber definitions to better align these definitions with the underlying services received by our subscribers and have replaced our “digital cable” and “analog cable” subscriber definitions with “enhanced video” and “basic video,” respectively. A basic video subscriber receives our video service via an analog video signal or a digital video signal without subscribing to any recurring monthly service that requires the use of encryption-enabling technology. An enhanced video subscriber receives our video service via a digital video signal while subscribing to any recurring monthly service that requires the use of encryption-enabling technology.

Including the effects of acquisitions, we added a total of 96,900 and 116,900 RGUs, respectively, during the three and six months ended June 30, 2015. Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition date RGU additions, we added 77,000 and 99,700 RGUs, respectively, on an organic basis during the three and six months ended June 30, 2015, as compared to 41,800 and 115,400 RGUs, respectively, that we added on an organic basis during the corresponding periods in 2014. The organic RGU growth during the three and six months ended June 30, 2015 is primarily attributable to the net effect of (i) decreases of 52,400 and 98,700 basic video RGUs, respectively, (ii) increases of 48,000 and 89,700 broadband internet RGUs, respectively, (iii) increases of 51,300 and 73,700 fixed-line telephony RGUs, respectively and (iv) increases of 29,900 and 38,000 enhanced video RGUs, respectively.

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

- (i) an organic decline in telephony revenue in Poland during the second quarter of 2015, as compared to the second quarter of 2014; and
- (ii) organic declines during the second quarter of 2015 in video RGUs in most of our markets, as net declines in our basic video RGUs generally exceeded net additions to our enhanced video RGUs (including migrations from basic video) in these markets.

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

## Material Changes in Results of Operations

As noted under *Overview* above, the comparability of our operating results during 2015 and 2014 is affected by an acquisition. In the following discussion, we quantify the estimated impact of the acquisition on our operating results. The acquisition impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the acquisition impact on an acquired entity's operating results during the first three months following the acquisition date such that changes from those operating results in subsequent periods are considered to be organic changes. Accordingly, in the following discussion, variances attributed to an acquired entity during the first 12 months following the acquisition date represent differences between the estimated acquisition impact and the actual results.

Changes in foreign currency exchange rates have a significant impact on our reported operating results as most of our operating segments have functional currencies other than the euro. Our primary exposure to foreign currency translation effects (FX) risk during the three months ended June 30, 2015 was to the Swiss franc and other local currencies in Europe. In this regard, 84.8% of our euro revenue during the period was derived from subsidiaries whose functional currency is other than the euro. The portions of the changes in the various components of our results of operations that are attributable to changes in FX are highlighted under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* below.

## Discussion and Analysis of our Reportable Segments

### General

Our reportable segments derive their revenue primarily from broadband communications services, including video, broadband internet and fixed-line telephony services. Each of our reportable segments also provides B2B and mobile services. For detailed information regarding the composition of our reportable segments, including information regarding certain changes to our reportable segments that we made during the fourth quarter of 2014, see note 11 to our condensed consolidated financial statements.

The tables presented below in this section provide a separate analysis of each of the line items that comprise Adjusted Segment OIBDA, as further discussed in note 11 to our condensed consolidated financial statements, as well as an analysis of Adjusted Segment OIBDA by reportable segment for the three and six months ended June 30, 2015 and 2014. These tables present (i) the amounts reported by each of our reportable segments for the current and comparative periods, (ii) the euro change and percentage change from period to period and (iii) the organic percentage change from period to period (percentage change after removing FX and the estimated impact of acquisitions). The comparisons that exclude FX assume that exchange rates remained constant at the prior year rate during the comparative periods that are included in each table. We also provide a table showing the Adjusted Segment OIBDA margins of our reportable segments for the three and six months ended June 30, 2015 and 2014 at the end of this section.

The revenue of our reportable segments includes revenue earned from (i) subscribers to our broadband communications and mobile services and (ii) B2B services, interconnect, channel carriage fees, mobile handset sales, installation fees, late fees and advertising revenue. Consistent with the presentation of our revenue categories in note 11 to our condensed consolidated financial statements, we use the term "subscription revenue" in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees and late fees. In the following tables, mobile subscription revenue excludes the related interconnect revenue.

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

We pay interconnection fees to other telephony providers when calls or text messages from our subscribers terminate on another network, and we receive similar fees from such providers when calls or text messages from their customers terminate on our networks or networks that we access through MVNO or other arrangements. The amounts we charge and incur with respect to fixed-line telephony and mobile interconnection fees are subject to regulatory oversight in many of our markets. To the extent that regulatory authorities introduce fixed-line or mobile termination rate changes we would experience prospective

changes in our interconnect revenue and/or costs. The ultimate impact of any such changes in termination rates on our Adjusted Segment OIBDA would be dependent on the call or text messaging patterns that are subject to the changed termination rates.

**Revenue of our Reportable Segments**

	<b>Three months ended June 30,</b>		<b>Increase</b>		<b>Organic increase</b>
	<b>2015</b>	<b>2014 (a)</b>	<b>€</b>	<b>%</b>	<b>%</b>
	<b>in millions</b>				
Switzerland/Austria .....	€ 405.5	€ 347.6	€ 57.9	16.7	2.7
Central and Eastern Europe .....	241.4	236.6	4.8	2.0	1.4
Total .....	€ 646.9	€ 584.2	€ 62.7	10.7	2.2

  

	<b>Six months ended June 30,</b>		<b>Increase</b>		<b>Organic increase</b>
	<b>2015</b>	<b>2014 (a)</b>	<b>€</b>	<b>%</b>	<b>%</b>
	<b>in millions</b>				
Switzerland/Austria .....	€ 795.6	€ 686.0	€ 109.6	16.0	3.3
Central and Eastern Europe .....	479.4	472.8	6.6	1.4	1.1
Total .....	€ 1,275.0	€ 1,158.8	€ 116.2	10.0	2.4

(a) As retrospectively revised – see note 3 to our condensed consolidated financial statements.

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

*Switzerland/Austria.* The increases in Switzerland/Austria's revenue during the three and six months ended June 30, 2015, as compared to the corresponding periods in 2014, include (i) organic increases of €9.4 million or 2.7% and €22.4 million or 3.3%, respectively, (ii) the impact of an acquisition and (iii) the impact of FX, as set forth below:

	Three-month period			Six-month period		
	Subscription revenue	Non-subscription revenue	Total	Subscription revenue	Non-subscription revenue	Total
	in millions					
Increase in cable subscription revenue due to change in:						
Average number of RGUs (a) .....	€ 2.6	€ —	€ 2.6	€ 6.3	€ —	€ 6.3
ARPU (b) .....	2.9	—	2.9	7.8	—	7.8
Total increase in cable subscription revenue .....	5.5	—	5.5	14.1	—	14.1
Increase in mobile subscription revenue (c) .....	1.8	—	1.8	3.0	—	3.0
Total increase in subscription revenue .....	7.3	—	7.3	17.1	—	17.1
Increase in B2B revenue (d) .....	—	1.6	1.6	—	4.3	4.3
Increase in other non-subscription revenue .....	—	0.5	0.5	—	1.0	1.0
Total organic increase .....	7.3	2.1	9.4	17.1	5.3	22.4
Impact of an acquisition .....	1.4	(0.1)	1.3	2.8	(0.2)	2.6
Impact of FX .....	40.6	6.6	47.2	72.3	12.3	84.6
Total .....	€ 49.3	€ 8.6	€ 57.9	€ 92.2	€ 17.4	€ 109.6

- (a) The increases in cable subscription revenue related to changes in the average numbers of RGUs are attributable to increases in the average numbers of broadband internet, fixed-line telephony and enhanced video RGUs that were largely offset by declines in the average number of basic video RGUs.
- (b) The increases in cable subscription revenue related to changes in ARPU are primarily due to increases in Switzerland, as Austria's ARPU increased only slightly. The increases in ARPU in Switzerland are due to (i) improvements in RGU mix and (ii) net increases primarily resulting from the following factors: (a) higher ARPU due to price increases in March 2015, January 2015 and, for the six-month comparison, April 2014 for certain broadband internet, video and fixed-line telephony services, (b) lower ARPU due to the impact of increases in the proportion of subscribers receiving lower-priced tiers of broadband internet services in Switzerland's bundles, (c) lower ARPU due to the impact of higher bundling discounts and (d) lower ARPU due to decreases in fixed-line telephony call volumes. The increases in ARPU in Austria are primarily due to the net effect of (1) higher ARPU due to January 2015 price increases for video and broadband internet services and (2) lower ARPU due to the impact of higher bundling discounts.
- (c) The increases in mobile subscription revenue are primarily due to increases in the average number of mobile subscribers in Switzerland. Switzerland's mobile services were launched during the second quarter of 2014.
- (d) The increases in B2B revenue are primarily due to higher revenue from voice and data services in Switzerland.

*Central and Eastern Europe.* The increases in Central and Eastern Europe's revenue during the three and six months ended June 30, 2015, as compared to the corresponding periods in 2014, include (i) organic increases of €3.3 million or 1.4% and €5.2 million or 1.1%, respectively, and (ii) the impact of FX, as set forth below:

	Three-month period			Six-month period		
	Subscription revenue	Non-subscription revenue	Total	Subscription revenue	Non-subscription revenue	Total
	in millions					
Increase (decrease) in cable subscription revenue due to change in:						
Average number of RGUs (a) .....	€ 6.1	€ —	€ 6.1	€ 12.1	€ —	€ 12.1
ARPU (b) .....	(4.2)	—	(4.2)	(8.9)	—	(8.9)
Total increase in cable subscription revenue .....	1.9	—	1.9	3.2	—	3.2
Increase in mobile subscription revenue .....	0.4	—	0.4	0.5	—	0.5
Total increase in subscription revenue .....	2.3	—	2.3	3.7	—	3.7
Increase in B2B revenue (c) .....	—	0.8	0.8	—	2.3	2.3
Increase (decrease) in other non-subscription revenue .....	—	0.2	0.2	—	(0.8)	(0.8)
Total organic increase .....	2.3	1.0	3.3	3.7	1.5	5.2
Impact of FX .....	1.5	—	1.5	1.3	0.1	1.4
Total .....	€ 3.8	€ 1.0	€ 4.8	€ 5.0	€ 1.6	€ 6.6

- (a) The increases in cable subscription revenue related to changes in the average numbers of RGUs are primarily attributable to the net effect of (i) increases in the average numbers of enhanced video, broadband internet and fixed-line telephony RGUs in Poland, Romania, Hungary and Slovakia, (ii) declines in the average number of basic video RGUs in Poland, Romania, Hungary and Slovakia, (iii) declines in the average numbers of fixed-line telephony and enhanced video RGUs in the Czech Republic and (iv) increases in the average number of RGUs at UPC DTH.
- (b) The decreases in cable subscription revenue related to changes in ARPU are due to the net effect of (i) decreases primarily resulting from the following factors: (a) lower ARPU due to the impact of higher bundling discounts, primarily in Hungary, Poland and Romania, and (b) lower ARPU resulting from the impact of a January 1, 2015 change in how VAT is calculated for UPC DTH's operations in Hungary, the Czech Republic and Slovakia, which reduced UPC DTH's revenue by €3.1 million and €6.2 million, respectively, and (ii) improvements in RGU mix.
- (c) The increases in B2B revenue are primarily due to higher revenue from voice services in Poland.

## Operating Expenses of our Reportable Segments

	Three months ended June 30,		Increase (decrease)		Organic increase
	2015	2014 (a)	€	%	%
	in millions				
Switzerland/Austria.....	€ 113.6	€ 98.7	€ 14.9	15.1	2.1
Central and Eastern Europe.....	97.3	95.8	1.5	1.6	0.8
Other.....	(0.1)	—	(0.1)	N.M.	N.M.
Total.....	€ 210.8	€ 194.5	€ 16.3	8.4	1.4
	in millions				
	Six months ended June 30,		Increase (decrease)		Organic increase
	2015	2014 (a)	€	%	%
	in millions				
Switzerland/Austria.....	€ 224.5	€ 197.4	€ 27.1	13.7	1.9
Central and Eastern Europe.....	194.7	185.6	9.1	4.9	4.6
Other.....	(0.3)	—	(0.3)	N.M.	N.M.
Total.....	€ 418.9	€ 383.0	€ 35.9	9.4	3.1

(a) As retrospectively revised – see note 3 to our condensed consolidated financial statements.

N.M. — Not Meaningful.

Operating expenses include programming and copyright, network operations, mobile access and interconnect, customer operations, customer care and other costs related to our operations. Programming and copyright costs, which represent a significant portion of our operating costs, are expected to rise in future periods as a result of (i) growth in the number of our enhanced video subscribers, (ii) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, and (iii) rate increases. In addition, we are subject to inflationary pressures with respect to our labor and other costs and foreign currency exchange risk with respect to costs and expenses that are denominated in currencies other than the respective functional currencies of our operating segments (non-functional currency expenses). Any cost increases that we are not able to pass on to our subscribers through rate increases would result in increased pressure on our operating margins.

Our operating expenses increased €16.3 million or 8.4% and €35.9 million or 9.4% during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. These increases include €0.3 million and €0.7 million, respectively, attributable to the impact of an acquisition. Excluding the effects of the acquisition and FX, our operating expenses increased €2.7 million or 1.4% and €12.0 million or 3.1%, respectively. These increases include the following factors:

- Increases in programming and copyright costs of €3.8 million or 5.6% and €10.4 million or 8.0%, respectively, primarily due to growth in the numbers of enhanced video subscribers and higher costs for certain premium content in Switzerland/Austria, Poland, Hungary and Romania. The increase for the six-month comparison also includes the €3.4 million net adverse impact of certain nonrecurring adjustments related to the settlement or reassessment of operational contingencies. These nonrecurring adjustments include a €1.9 million benefit in Switzerland/Austria that was recorded during the first quarter of 2015 and a €5.3 million benefit in Poland that was recorded during the first quarter of 2014;
- Increases in mobile handset costs of €1.5 million and €3.5 million, respectively, primarily due to increases in mobile handset sales to third-party retailers in Switzerland/Austria;
- Increases in mobile access and interconnect costs of €2.1 million and 14.5% and €3.4 million and 11.9%, respectively, primarily due to increases in fixed-line telephony call volumes in Switzerland/Austria and Poland;
- Decreases in bad debt and collection expense of €1.2 million or 17.5% and €1.4 million or 10.8%, respectively, primarily due to decreases in Poland; and
- Net decreases resulting from individually insignificant changes in other operating expense categories.

### SG&A Expenses of our Reportable Segments

	Three months ended June 30,		Increase (decrease)		Organic increase (decrease)
	2015	2014 (a)	€	%	%
	in millions				
Switzerland/Austria.....	€ 57.4	€ 46.7	€ 10.7	22.9	8.7
Central and Eastern Europe.....	37.2	33.6	3.6	10.7	9.8
Other.....	0.2	0.3	(0.1)	(33.3)	(33.3)
Total SG&A expenses excluding share-based compensation expense.....	94.8	80.6	14.2	17.6	9.0
Share-based compensation expense.....	1.8	2.0	(0.2)	(10.0)	
Total.....	€ 96.6	€ 82.6	€ 14.0	16.9	

  

	Six months ended June 30,		Increase (decrease)		Organic increase (decrease)
	2015	2014 (a)	€	%	%
	in millions				
Switzerland/Austria.....	€ 115.7	€ 93.4	€ 22.3	23.9	10.7
Central and Eastern Europe.....	72.9	64.6	8.3	12.8	12.4
Other.....	0.4	0.6	(0.2)	(33.3)	(33.3)
Total SG&A expenses excluding share-based compensation expense.....	189.0	158.6	30.4	19.2	11.2
Share-based compensation expense.....	3.6	3.9	(0.3)	(7.7)	
Total.....	€ 192.6	€ 162.5	€ 30.1	18.5	

(a) As retrospectively revised – see note 3 to our condensed consolidated financial statements.

SG&A expenses include human resources, information technology, general services, management, finance, legal and sales and marketing costs, share-based compensation and other general expenses. We do not include share-based compensation in the following discussion and analysis of the SG&A expenses of our reportable segments as share-based compensation expense is not included in the performance measures of our reportable segments. Share-based compensation expense is discussed under *Discussion and Analysis of Our Consolidated Operating Results* below. As noted under *Operating Expenses of our Reportable Segments* above, we are subject to inflationary pressures with respect to our labor and other costs and foreign currency exchange risk with respect to non-functional currency expenses.

Our SG&A expenses (exclusive of share-based compensation expense) increased €14.2 million or 17.6% and €30.4 million or 19.2% during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. The increase for the six-month comparison includes €0.1 million attributable to the impact of an acquisition. Excluding the effects of the acquisition and FX, our SG&A expenses increased €7.2 million or 9.0% and €17.8 million or 11.2%, respectively. These increases include the following factors:

- Increases in sales and marketing costs of €3.8 million or 16.0% and €8.6 million and 19.1%, respectively, primarily due to higher costs associated with advertising campaigns, primarily in Switzerland/Austria and Hungary;
- Increases in personnel costs of €1.5 million or 3.8% and €4.6 million or 5.8%, respectively, primarily due to increases in Switzerland/Austria and Poland related to (i) increased staffing levels and (ii) for the six-month comparison, higher incentive compensation costs;
- Increases in facilities expenses of €0.9 million or 13.3% and €1.8 million or 12.8%, respectively, primarily due to higher rent for office and retail space in Switzerland/Austria; and
- Net increases resulting from individually insignificant changes in other SG&A expense categories.

### *Adjusted Segment OIBDA of our Reportable Segments*

Adjusted Segment OIBDA is the primary measure used by our chief operating decision maker to evaluate segment operating performance. For the definition of this performance measure and for a reconciliation of total Adjusted Segment OIBDA to our loss before income taxes, see note 11 to our condensed consolidated financial statements.

	Three months ended June 30,		Increase (decrease)		Organic increase (decrease)
	2015	2014 (a)	€	%	%
	in millions				
Switzerland/Austria.....	€ 234.5	€ 202.2	€ 32.3	16.0	1.7
Central and Eastern Europe .....	106.9	107.2	(0.3)	(0.3)	(0.8)
Other .....	(0.1)	(0.3)	0.2	N.M.	N.M.
Total.....	€ 341.3	€ 309.1	€ 32.2	10.4	0.9

  

	Six months ended June 30,		Increase (decrease)		Organic increase (decrease)
	2015	2014 (a)	€	%	%
	in millions				
Switzerland/Austria.....	€ 455.4	€ 395.2	€ 60.2	15.2	2.2
Central and Eastern Europe .....	211.8	222.6	(10.8)	(4.9)	(5.1)
Other .....	(0.1)	(0.6)	0.5	N.M.	N.M.
Total.....	€ 667.1	€ 617.2	€ 49.9	8.1	(0.4)

(a) As retrospectively revised – see note 3 to our condensed consolidated financial statements.

N.M. — Not Meaningful.

### *Adjusted Segment OIBDA Margin*

The following table sets forth the Adjusted Segment OIBDA margins (Adjusted Segment OIBDA divided by revenue) of each of our reportable segments:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014 (a)	2015	2014 (a)
	%			
Switzerland/Austria.....	57.9	58.2	57.3	57.6
Central and Eastern Europe.....	44.3	45.4	44.2	47.1
Total, including other.....	52.8	52.9	52.3	53.3

(a) As retrospectively revised – see note 3 to our condensed consolidated financial statements.

The Adjusted Segment OIBDA margins of our Switzerland/Austria segment during the 2015 periods were largely consistent with the corresponding prior year periods. The decreases in the Adjusted Segment OIBDA margin of our Central and Eastern Europe segment are largely attributable to the aforementioned adverse changes in VAT, competitive factors and, for the six-month comparison, the net negative impact of non-recurring items.

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



## Discussion and Analysis of our Consolidated Operating Results

### General

For more detailed explanations of the changes in our revenue, operating expenses and SG&A expenses, including the impacts of nonrecurring items, see the *Discussion and Analysis of our Reportable Segments* above.

### Revenue

Our revenue by major category is set forth below:

	Three months ended June 30,		Increase		Organic increase (decrease)
	2015	2014 (a)	€	%	%
	in millions				
Subscription revenue (b):					
Video.....	€ 307.5	€ 280.8	€ 26.7	9.5	1.1
Broadband internet .....	191.0	168.2	22.8	13.6	5.0
Fixed-line telephony .....	61.2	60.0	1.2	2.0	(6.8)
Cable subscription revenue.....	559.7	509.0	50.7	10.0	1.5
Mobile subscription revenue (c).....	2.8	0.4	2.4	600.0	537.0
Total subscription revenue.....	562.5	509.4	53.1	10.4	1.9
B2B revenue (d).....	53.3	46.2	7.1	15.4	5.3
Other revenue (e) .....	31.1	28.6	2.5	8.7	2.5
Total.....	€ 646.9	€ 584.2	€ 62.7	10.7	2.2
	Six months ended June 30,		Increase		Organic increase (decrease)
	2015	2014 (a)	€	%	%
	in millions				
Subscription revenue (b):					
Video.....	€ 606.7	€ 558.8	€ 47.9	8.6	1.0
Broadband internet .....	374.5	331.0	43.5	13.1	5.8
Fixed-line telephony .....	122.3	120.2	2.1	1.7	(6.1)
Cable subscription revenue.....	1,103.5	1,010.0	93.5	9.3	1.7
Mobile subscription revenue (c).....	4.4	0.7	3.7	528.6	490.8
Total subscription revenue.....	1,107.9	1,010.7	97.2	9.6	2.1
B2B revenue (d).....	105.4	90.7	14.7	16.2	7.2
Other revenue (e) .....	61.7	57.4	4.3	7.5	0.4
Total.....	€ 1,275.0	€ 1,158.8	€ 116.2	10.0	2.4

- (a) As retrospectively revised – see note 3 to our condensed consolidated financial statements.
- (b) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.
- (c) Mobile subscription revenue excludes mobile interconnect revenue of €0.4 million and €0.6 million during the three and six months ended June 30, 2015, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.
- (d) B2B revenue includes revenue from business broadband internet, video, voice, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to certain SOHO subscribers. SOHO subscribers pay a premium price to receive enhanced service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. Revenue from SOHO subscribers, which aggregated €14.8 million and €11.4 million during the three months ended June 30, 2015 and 2014, respectively, and €28.7 million and €22.0 million during the six months ended June 30, 2015 and 2014, respectively, is included in cable subscription revenue. On an organic basis, our total B2B revenue, including revenue from SOHO subscribers, increased 8.8% and 10.4% for the three and six months ended June 30, 2015, respectively, as compared to the corresponding prior year periods.
- (e) Other revenue includes, among other items, installation, carriage fee, late fee and interconnect revenue.

*Total revenue.* Our consolidated revenue increased €62.7 million and €116.2 million during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. These increases include €1.3 million and €2.6 million attributable to the impact of an acquisition, respectively. Excluding the effects of the acquisition and FX, total consolidated revenue increased €12.7 million or 2.2% and €27.6 million or 2.4%, respectively.

*Subscription revenue.* The details of the increases in our consolidated subscription revenue for the three and six months ended June 30, 2015, as compared to the corresponding periods in 2014, are as follows:

	<b>Three-month period</b>	<b>Six-month period</b>
	<b>in millions</b>	
Increase (decrease) in cable subscription revenue due to change in:		
Average number of RGUs.....	€ 8.7	€ 18.4
ARPU .....	(1.3)	(1.1)
Total increase in cable subscription revenue .....	7.4	17.3
Increase in mobile subscription revenue .....	2.2	3.5
Total organic increase in subscription revenue.....	9.6	20.8
Impact of an acquisition .....	1.4	2.8
Impact of FX .....	42.1	73.6
Total .....	<u>€ 53.1</u>	<u>€ 97.2</u>

Excluding the effects of an acquisition and FX, our consolidated cable subscription revenue increased €7.4 million or 1.5% and €17.3 million or 1.7% during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. These increases are attributable to the net effect of (i) increases in subscription revenue from broadband internet services of €8.5 million or 5.0% and €19.1 million or 5.8%, respectively, primarily attributable to the net effect of (a) increases in the average number of broadband internet RGUs and (b) lower ARPU from broadband internet services, (ii) decreases in subscription revenue from fixed-line telephony services of €4.1 million or 6.8% and €7.4 million or 6.1%, respectively, primarily attributable to the net effect of (1) lower ARPU from fixed-line telephony services and (2) increases in the average number of

fixed-line telephony RGUs, and (iii) increases in subscription revenue from video services of €3.0 million or 1.1% and €5.6 million or 1.0%, respectively, primarily attributable to the net effect of (I) higher ARPU from video services and (II) declines in the average number of video RGUs.

Excluding the effects of an acquisition and FX, our consolidated mobile subscription revenue increased €2.2 million and €3.5 million during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. These increases are primarily due to increases in Switzerland.

*B2B revenue.* Excluding the effects of an acquisition and FX, our consolidated B2B revenue increased €2.4 million or 5.3% and €6.6 million or 7.2% during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. These increases are primarily attributable to increases in Switzerland and Poland.

*Other revenue.* Excluding the effects of an acquisition and FX, our consolidated other revenue increased €0.7 million or 2.5% and €0.2 million or 0.4% during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. These increases are largely attributable to the net effect of (i) increases in mobile handset sales, primarily in Switzerland, (ii) decreases in installation revenue and (iii) decreases in fixed-line interconnect revenue.

For additional information regarding the changes in our subscription, B2B and other revenue, see *Discussion and Analysis of Reportable Segments* above. For information regarding the competitive environment in certain of our markets, see *Overview and Discussion and Analysis of our Reportable Segments* above.

#### *Operating expenses*

Our operating expenses increased €16.3 million and €35.9 million during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. These increases include €0.3 million and €0.7 million, respectively, attributable to the impact of an acquisition. Excluding the effects of the acquisition and FX, our operating expenses increased €2.7 million or 1.4% and €12.0 million or 3.1% during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. These increases are primarily attributable to the net effect of (i) increases in programming and copyright costs, (ii) increases in mobile handset costs, (iii) increases in mobile access and interconnect costs and (iv) decreases in bad debt and collection expense. For additional information regarding the changes in our operating expenses, see *Operating Expenses of our Reportable Segments* above.

#### *SG&A expenses*

Our SG&A expenses increased €14.0 million and €30.1 million during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. The increase for the six-month comparison includes €0.1 million attributable to the impact of an acquisition. Our SG&A expenses include share-based compensation expense, which decreased €0.2 million and €0.3 million during the three and six months ended June 30, 2015, respectively. For additional information, see the discussion under *Share-based compensation expense* below. Excluding the effects of the acquisition, FX and share-based compensation expense, our SG&A expenses increased €7.2 million or 9.0% and €17.8 million or 11.2% during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. These increases are primarily attributable to increases in (i) sales and marketing costs and (ii) personnel costs. For additional information regarding the changes in our SG&A expenses, see *SG&A Expenses of our Reportable Segments* above.

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

Our share-based compensation expense, which is included in SG&A expenses, represents amounts allocated to our company by Liberty Global. The amounts allocated by Liberty Global to our company represent the share-based compensation associated with the Liberty Global share-based incentive awards held by certain employees of our subsidiaries. A summary of the aggregate share-based compensation expense is set forth below:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014 (a)	2015	2014 (a)
	in millions			
Liberty Global shares:				
Performance-based incentive awards (b).....	€ 0.7	€ 1.0	€ 1.7	€ 2.0
Other share-based incentive awards.....	1.1	1.0	1.9	1.9
Total Liberty Global shares .....	<u>€ 1.8</u>	<u>€ 2.0</u>	<u>€ 3.6</u>	<u>€ 3.9</u>

(a) As retrospectively revised – see note 3 to our condensed consolidated financial statements.

(b) Includes share-based compensation expense related to (i) Liberty Global performance-based restricted share units (PSUs) and (ii) a challenge performance award plan for certain executive officers and key employees of Liberty Global, including certain employees of our subsidiaries (the Challenge Performance Awards). The Challenge Performance Awards include performance-based share appreciation rights and PSUs.

*Related-party fees and allocations, net*

We recorded related-party fees and allocations, net, of €66.0 million and €56.0 million during the three months ended June 30, 2015 and 2014, respectively, and €131.4 million and €118.9 million during the six months ended June 30, 2015 and 2014, respectively. These amounts represent fees charged to UPC Holding that originate with Liberty Global and certain other Liberty Global subsidiaries, and include charges for management, finance, legal, technology and other corporate and administrative services provided to our subsidiaries. For additional information, see note 9 to our condensed consolidated financial statements.

*Depreciation and amortization expense*

Our depreciation and amortization expense increased €19.5 million and €35.2 million during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. Excluding the effects of FX, depreciation and amortization expense increased €8.1 million or 6.2% and €15.1 million or 5.9%, respectively, primarily due to the net effect of (i) increases associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives and (ii) decreases associated with certain assets becoming fully depreciated, primarily in Switzerland, Poland, Slovakia, the Czech Republic and Austria.

### *Impairment, restructuring and other operating items, net*

We recognized net credits related to our impairment, restructuring and other operating items of €0.3 million and €1.0 million during the three months ended June 30, 2015 and 2014, respectively, and a net charge (credit) of €9.7 million and (€1.8 million) during the six months ended June 30, 2015 and 2014, respectively. The amount for the six-month period in 2015 is primarily related to restructuring charges associated with reorganization and integration activities during the first quarter, primarily in Switzerland.

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

### *Interest expense — third-party*

Our third-party interest expense decreased €35.8 million and €60.5 million during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. These decreases are primarily attributable to lower average outstanding debt balances, mainly related to the refinancing transactions completed during the first quarter of 2015. For additional information regarding our outstanding indebtedness, see note 7 to our condensed consolidated financial statements.

It is possible that the interest rates on (i) any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) our variable-rate indebtedness could increase in future periods. As further discussed in note 4 to our condensed consolidated financial statements, we use derivative instruments to manage our interest rate risks.

### *Interest expense — related-party*

Our related-party interest expense primarily relates to the interest expense on the Shareholder Loan and, during the 2014 periods, interest expense on certain other related party loans that were settled during the first quarter of 2015. Our total related-party interest expense decreased €147.1 million and €180.2 million during the three and six months ended June 30, 2015, respectively, as compared to the corresponding periods in 2014. These decreases are primarily due to decreases in the average outstanding balances of the Shareholder Loan, mainly related to the refinancing transactions completed during the first quarter of 2015. For additional information, see notes 7 and 9 to our condensed consolidated financial statements.

### *Realized and unrealized losses on derivative instruments, net*

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

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>in millions</b>			
Cross-currency and interest rate derivative contracts (a).....	€ (94.8)	€ (90.0)	€ (291.2)	€ (168.4)
Foreign currency forward contracts .....	(0.7)	(2.3)	(3.5)	5.4
Other .....	(0.2)	0.8	1.0	0.4
Total.....	<u>€ (95.7)</u>	<u>€ (91.5)</u>	<u>€ (293.7)</u>	<u>€ (162.6)</u>

- (a) The loss during the 2015 three-month period is primarily attributable to the net effect of (i) losses associated with increases in the values of the euro and Swiss franc relative to the U.S. dollar and (ii) gains associated with decreases in the values of the Hungarian forint and Polish zloty relative to the euro. The loss during the 2015 six-month period is primarily attributable to the net effect of (a) losses associated with an increase in the value of the Swiss franc relative to the euro,

(b) gains associated with an increase in the value of the U.S. dollar relative to the euro, (c) losses associated with an increase in the value of the Swiss franc relative to the U.S. dollar, (d) losses associated with a decrease in the market interest rates in the Swiss franc market and (e) gains associated with a decrease in the value of the Hungarian forint relative to the euro. In addition, the losses during the 2015 periods include net gains of €48.3 million and €65.2 million, respectively, resulting from changes in our credit risk valuation adjustments. The loss during the 2014 three-month period is primarily attributable to the net effect of (1) losses associated with decreases in market interest rates in the euro, Swiss franc, Hungarian forint and Polish zloty markets, (2) gains associated with decreases in market interest rates in the U.S. dollar market and (3) gains associated with a decrease in the value of the euro relative to the U.S. dollar. The loss during the 2014 six-month period is primarily attributable to the net effect of (I) losses associated with decreases in market interest rates in the euro, Swiss franc, Hungarian forint, and Polish zloty markets, (II) gains associated with decreases in the values of the Hungarian forint and Chilean peso relative to the euro, (III) gains associated with decreases in the values of the euro and Chilean peso relative to the U.S. dollar and (IV) losses associated with an increase in the value of the Swiss franc relative to the euro. In addition, the losses during the 2014 periods include net losses of €9.3 million and €20.3 million, respectively, resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see notes 4 and 5 to our condensed consolidated financial statements.

*Foreign currency transaction gains (losses), net*

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014 (a)	2015	2014 (a)
	in millions			
U.S. dollar denominated debt issued by euro functional currency entities .....	€ 17.4	€ (6.5)	€ (164.5)	€ (10.0)
Intercompany payables and receivables denominated in a currency other than the entity's functional currency (b) .....	107.6	1.0	67.3	1.4
Cash and restricted cash denominated in a currency other than the entity's functional currency .....	(6.0)	2.1	29.2	1.5
Other .....	0.6	0.9	(6.5)	1.0
Total .....	<u>€ 119.6</u>	<u>€ (2.5)</u>	<u>€ (74.5)</u>	<u>€ (6.1)</u>

(a) As retrospectively revised – see note 3 to our condensed consolidated financial statements.

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

### *Losses on debt modification and extinguishment, net*

We recognized losses on debt modification and extinguishment, net, of €53.4 million and €181.9 million during the three and six months ended June 30, 2015, respectively. The loss during the 2015 six-month period includes the following:

- a €66.7 million loss during the first quarter related to (i) the redemption of the UPCB Finance I Notes and a portion of the UPCB Finance II Notes and (ii) the prepayment of Facility AG under the UPC Broadband Holding Bank Facility. This loss includes (a) the payment of €47.8 million of redemption premium, (b) the write-off of €14.7 million of deferred financing costs and (c) the write-off of €4.2 million of unamortized discount;
- a €61.8 million loss during the first quarter related to the redemption of the UPC Holding 8.375% Senior Notes. This loss includes (i) the payment of €52.8 million of redemption premium and (ii) the write-off of €9.0 million of deferred financing costs; and
- a €53.4 million loss during the second quarter related to the redemption of (i) the remainder of the UPCB Finance II Notes, (ii) the UPCB Finance III Notes and (iii) 10% of the principal amount of each of the UPCB Finance V Notes and the UPCB Finance VI Notes. This loss includes (a) the payment of €48.6 million of redemption premium and (b) the write-off of €4.8 million of deferred financing costs.

We recognized losses on debt modification and extinguishment, net, of €30.0 million and €42.0 million, during the three and six months ended June 30, 2014, respectively. The loss during the 2014 six-month period includes the following:

- a €30.0 million loss during the second quarter related to the repayment of UPC Holding's 9.875% senior notes due 2018. This loss includes (i) the payment of €14.3 million of redemption premium, (ii) the write-off of €12.5 million of unamortized discount and (iii) the write-off of €3.2 million of deferred financing costs; and
- a €12.0 million loss during the first quarter related to the repayment of Facilities R, S, AE and AF under the UPC Broadband Holding Bank Facility. This loss includes (i) the write-off of €8.5 million of deferred financing costs and (ii) the write-off of €3.5 million of an unamortized discount.

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

### *Income tax expense*

We recognized income tax expense of €13.4 million and €24.4 million during the three months ended June 30, 2015 and 2014, respectively.

The income tax expense during the three months ended June 30, 2015 and 2014 differs from the expected income tax benefit of €27.2 million and €87.4 million, respectively, (based on the Dutch 25.0% income tax rate) primarily due to the negative impact of (i) a net increase in valuation allowances and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items.

We recognized income tax expense of €50.1 million and €44.5 million during the six months ended June 30, 2015 and 2014, respectively.

The income tax expense during the six months ended June 30, 2015 and 2014 differs from the expected income tax benefit of €212.3 million and €167.0 million, respectively, (based on the Dutch 25.0% income tax rate) primarily due to the negative impact of (i) a net increase in valuation allowances and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items.

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

### *Net loss*

During the three months ended June 30, 2015 and 2014, we reported net losses of €122.2 million and €373.8 million, respectively, including (i) operating income of €125.0 million and €122.8 million, respectively, (ii) non-operating expense of €233.8 million and €472.2 million, respectively, and (iii) income tax expense of €13.4 million and €24.4 million, respectively.

During the six months ended June 30, 2015 and 2014, we reported net losses of €899.3 million and €712.3 million, respectively, including (i) operating income of €230.0 million and €239.0 million, respectively, (ii) non-operating expense of €1,079.2 million and €906.8 million, respectively, and (iii) income tax expense of €50.1 million and €44.5 million, respectively.

Gains or losses associated with (i) changes in the fair values of derivative instruments, (ii) movements in foreign currency exchange rates and (iii) the disposition of assets and changes in ownership are subject to a high degree of volatility, and as such, any gains from these sources do not represent a reliable source of income. In the absence of significant gains in the future from these sources or from other non-operating items, our ability to achieve earnings from operations is largely dependent on our ability to increase our aggregate Adjusted Segment OIBDA to a level that more than offsets the aggregate amount of our (a) share-based compensation expense, (b) related-party fees and allocations, net, (c) depreciation and amortization, (d) impairment, restructuring and other operating items, net, (e) interest expense, (f) other net non-operating expenses and (g) income tax expenses.

Subject to the limitations included in our various debt instruments, we expect that Liberty Global will cause our company to maintain our debt at current levels relative to our Covenant EBITDA for the foreseeable future. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information regarding our expectations with respect to trends that may affect certain aspects of our operating results in future periods, see the discussion under *Overview* above. For information regarding the reasons for changes in specific line items in our condensed consolidated statements of operations, see the discussion under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* above.

### *Net earnings attributable to noncontrolling interests*

Net earnings attributable to noncontrolling interests were unchanged during the three months ended June 30, 2015, as compared to the corresponding prior year period. The increase during the six-month comparison primarily relates to the results of operations of UMI, which we began consolidating on January 1, 2015.



## **Material Changes in Financial Condition**

### ***Sources and Uses of Cash***

As a holding company, UPC Holding's primary assets are its investments in consolidated subsidiaries. UPC Holding's primary subsidiary is UPC Broadband Holding, which owns all of the operating subsidiaries that are consolidated by UPC Holding. Although our consolidated operating subsidiaries generate cash from operating activities, the terms of the instruments governing the indebtedness of UPC Broadband Holding may restrict our ability to access the assets of these subsidiaries. These subsidiaries accounted for substantially all of our €27.2 million of our consolidated cash and cash equivalents at June 30, 2015. In addition, our ability to access the liquidity of these and other subsidiaries may be limited by tax and legal considerations, the presence of noncontrolling interests and other factors.

### ***Liquidity of UPC Holding***

As UPC Holding typically does not hold significant amounts of cash and cash equivalents at the parent level, UPC Holding's primary source of liquidity is proceeds received from UPC Broadband Holding (and indirectly from UPC Broadband Holding's subsidiaries) in the form of loans or distributions. As noted above, various factors may limit the ability of UPC Holding's direct and indirect subsidiaries to loan or distribute cash to UPC Holding. From time to time, UPC Holding may also supplement its sources of liquidity with net proceeds received in connection with the issuance of debt instruments and/or loans or contributions from LGE Financing (and ultimately Liberty Global and other Liberty Global subsidiaries). No assurance can be given that any external funding would be available on favorable terms, or at all.

UPC Holding's corporate liquidity requirements include (i) corporate general and administrative expenses and (ii) interest payments on the UPC Holding Senior Notes. From time to time, UPC Holding may also require cash in connection with (a) the repayment of third-party and intercompany debt (including the repurchase or exchange of outstanding debt securities in the open market or privately-negotiated transactions and net repayments to LGE Financing pursuant to the Shareholder Loan, as described in note 7 to our condensed consolidated financial statements), (b) the funding of loans or distributions to LGE Financing (and ultimately Liberty Global and other Liberty Global subsidiaries), (c) the satisfaction of contingent liabilities, (d) acquisitions, (e) other investment opportunities or (f) income tax payments.

### ***Liquidity of Subsidiaries***

In addition to cash and cash equivalents, the primary sources of liquidity of our subsidiaries are cash provided by operations and, in the case of UPC Broadband Holding, borrowing availability under the UPC Broadband Holding Bank Facility. For the details of the borrowing availability under the UPC Broadband Holding Bank Facility at June 30, 2015, see note 7 to our condensed consolidated financial statements. Our subsidiaries' liquidity generally is used to fund property and equipment additions, debt service requirements and payments required by UPC Holding's derivative instruments. From time to time, our subsidiaries may also require liquidity in connection with (i) acquisitions and other investment opportunities, (ii) loans to UPC Holding or other Liberty Global subsidiaries, (iii) capital distributions to UPC Holding or (iv) the satisfaction of contingencies. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

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

### ***Capitalization***

At June 30, 2015, our outstanding consolidated third-party debt and capital lease obligations aggregated €5,906.1 million, including €503.9 million that is classified as current in our condensed consolidated balance sheet and €5,396.4 million that is not due until 2020 or thereafter. For additional information regarding our current debt maturities, see note 7 to our condensed consolidated financial statements.

When it is cost effective, we generally seek to match the denomination of the borrowings of our subsidiaries with the functional currency of the operations that are supporting the respective borrowings. As further discussed in note 4 to our condensed consolidated financial statements, we also use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in the credit agreements and indentures of UPC Holding and UPC Broadband Holding is dependent primarily on our ability to maintain or increase the Covenant EBITDA of our operating subsidiaries and to achieve adequate returns on our property and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in UPC Holding and UPC Broadband Holding's debt instruments. For example, if the Covenant EBITDA of UPC Broadband Holding were to decline, we could be required to partially repay or limit our borrowings under the UPC Broadband Holding Bank Facility in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment. At June 30, 2015, UPC Holding and UPC Broadband Holding were in compliance with their respective debt covenants. In addition, we do not anticipate any instances of non-compliance with respect to any of our debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

Notwithstanding our negative working capital position at June 30, 2015, we believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our maturing debt grows in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete these refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

With the exception of the UPC Holding Senior Notes, all of our consolidated third-party debt and capital lease obligations had been borrowed or incurred by our subsidiaries at June 30, 2015.

For additional information regarding our debt and capital lease obligations, see note 7 to our condensed consolidated financial statements.

### ***Condensed Consolidated Statements of Cash Flows***

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

*Summary.* Our condensed consolidated statements of cash flows for the six months ended June 30, 2015 and 2014 are summarized as follows:

	<b>Six months ended</b>		
	<b>June 30,</b>		
	<b>2015</b>	<b>2014 (a)</b>	<b>Change</b>
	<b>in millions</b>		
Net cash provided by operating activities.....	€ 185.0	€ 155.4	€ 29.6
Net cash provided (used) by investing activities .....	(112.7)	250.0	(362.7)
Net cash used by financing activities.....	(125.1)	(828.4)	703.3
Effect of exchange rate changes on cash .....	28.7	0.3	28.4
Net decrease in cash and cash equivalents.....	<u>€ (24.1)</u>	<u>€ (422.7)</u>	<u>€ 398.6</u>

(a) As retrospectively revised – see note 3 to our condensed consolidated financial statements.

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

*Investing Activities.* The change in net cash provided (used) by our investing activities is primarily attributable to the net effect of (i) a decrease in cash of €323.3 million associated with the sale of a loan receivable during the first quarter of 2014 and (ii) an increase in cash of €70.4 million associated with lower capital expenditures.

The capital expenditures that we report in our condensed consolidated statements of cash flows do not include (i) amounts that our company has financed under capital-related vendor financing or capital lease arrangements or (ii) purchased assets transferred to our company by another entity under the common control of Liberty Global in exchange for non-cash increases to the Shareholder Loan or non-cash contributions from our parent (non-cash related-party capital additions). Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and in the case of capital-related vendor financing and capital lease arrangements and non-cash related-party capital additions that are settled through increases to the Shareholder Loan, as repayments of debt when the principal is repaid. In this discussion, we refer to (a) our capital expenditures as reported in our condensed consolidated statements of cash flows, which exclude non-cash related-party capital additions and amounts financed under capital-related vendor financing or capital lease arrangements, and (b) our total property and equipment additions, which include our capital expenditures on an accrual basis, non-cash related-party capital additions and amounts financed under capital-related vendor financing or capital lease arrangements. For additional information, see notes 6 and 7 to our condensed consolidated financial statements. For further details on property and equipment additions, including a reconciliation of our consolidated property and equipment additions to our consolidated capital expenditures as reported in our condensed consolidated statements of cash flows, see note 11 to our condensed consolidated financial statements.

*Financing Activities.* The decrease in net cash used by our financing activities is primarily attributable to the net effect of (i) an increase in cash of €1,699.6 million due to higher net borrowings of related-party debt, (ii) a decrease in cash of €1,419.0 million due to higher net repayments of third-party debt, (iii) an increase in cash of €341.3 million related to the repayment of an advance to a subsidiary of Liberty Global during the 2014 period, (iv) an increase in cash of €325.5 million related to the net change in deemed distributions and contributions, (v) a decrease in cash of €156.7 million due to higher payments for financing costs and debt premiums, (vi) a decrease in cash of €138.0 million due to higher cash payments related to derivative instruments and (vii) an increase in cash of €51.5 million related to changes in cash collateral.

### **Contractual Commitments**

The euro equivalents of our commitments as of June 30, 2015 are presented below:

	<b>Payments due during:</b>							<b>Total</b>
	<b>Remainder of 2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Thereafter</b>	
	<b>in millions</b>							
Debt (excluding interest):								
Third-party .....	€ 235.7	€ 265.9	€ —	€ —	€ —	€ —	€ 5,388.2	€ 5,889.8
Related-party .....	—	—	—	—	—	—	5,503.0	5,503.0
Capital leases (excluding interest) .....	1.1	2.2	2.5	2.1	1.7	1.4	13.6	24.6
Purchase commitments .....	222.5	51.6	20.1	1.2	—	—	—	295.4
Operating leases .....	21.5	35.3	27.3	23.8	21.8	17.8	97.5	245.0
Network and connectivity commitments .....	38.4	38.4	22.8	6.6	5.4	4.0	7.8	123.4
Programming commitments .....	11.0	13.1	11.7	9.4	—	—	—	45.2
Other commitments .....	79.9	62.3	48.5	35.4	14.3	7.6	15.5	263.5
Total (a) .....	<u>€ 610.1</u>	<u>€ 468.8</u>	<u>€ 132.9</u>	<u>€ 78.5</u>	<u>€ 43.2</u>	<u>€ 30.8</u>	<u>€ 11,025.6</u>	<u>€ 12,389.9</u>
Projected cash interest payments on third-party debt and capital lease obligations (b) .....	<u>€ 126.0</u>	<u>€ 333.1</u>	<u>€ 308.8</u>	<u>€ 308.6</u>	<u>€ 299.5</u>	<u>€ 294.7</u>	<u>€ 760.9</u>	<u>€ 2,431.6</u>

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- (a) The commitments reflected in this table do not reflect any liabilities that are included in our June 30, 2015 condensed consolidated balance sheet other than debt and capital lease obligations. Our liability for uncertain tax positions in the various jurisdictions in which we operate (€15.2 million at June 30, 2015) has been excluded from the table as the amount and timing of any related payments are not subject to reasonable estimation.
- (b) Amounts are based on interest rates, interest payment dates and contractual maturities in effect as of June 30, 2015. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. In addition, the amounts presented do not include the impact of our interest rate derivative contracts, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Amounts associated with related-party debt are excluded from the table.

Purchase commitments include unconditional purchase obligations associated with commitments to purchase customer premises and other equipment that are enforceable and legally binding on us, including €14.7 million associated with related-party purchase obligations.

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

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during the six months ended June 30, 2015 and 2014, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €134.0 million and €124.0 million, respectively.

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

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods. For information regarding projected cash flows associated with these derivative instruments, see *Projected Cash Flows Associated with Derivative Instruments* below. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the six months ended June 30, 2015 and 2014, see note 4 to our condensed consolidated financial statements.

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

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

The following table provides information regarding the projected cash flows associated with our derivative instruments. The euro equivalents presented below are based on interest rates and exchange rates that were in effect as of June 30, 2015. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. For additional information regarding our derivative instruments, including our counterparty credit risk, see note 4 to our condensed consolidated financial statements.

	<b>Payments (receipts) due during:</b>							<b>Total</b>
	<b>Remainder of 2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Thereafter</b>	
	<b>in millions</b>							
Projected derivative cash payments (receipts), net:								
Interest-related (a).....	€ (1.8)	€ (37.9)	€ 6.8	€ (19.3)	€ (22.9)	€ (41.7)	€ (66.4)	€ (183.2)
Principal-related (b) ...	(4.7)	51.4	171.8	31.2	(42.6)	(54.1)	88.7	241.7
Other .....	5.8	—	—	—	—	—	—	5.8
<b>Total.....</b>	<b>€ (0.7)</b>	<b>€ 13.5</b>	<b>€ 178.6</b>	<b>€ 11.9</b>	<b>€ (65.5)</b>	<b>€ (95.8)</b>	<b>€ 22.3</b>	<b>€ 64.3</b>

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

**SUPPLEMENTAL SELECTED FINANCIAL INFORMATION**

**(unaudited)**

**Selected Financial Information Retrospectively Revised for the UPC Transfers  
(unaudited)**

During the first quarter of 2015, Liberty Global undertook various financing transactions in connection with certain internal reorganizations of its broadband and wireless communications businesses in Europe. As part of these reorganizations, we completed the UPC Transfers, as defined and described in note 1 to our condensed consolidated financial statements. We have accounted for these transactions as common control transfers at carryover basis and, accordingly, the applicable prior period information has been retrospectively revised to give effect to these transactions for all periods presented.

The following table, which should be read in conjunction with our condensed consolidated financial statements included herein, presents selected unaudited financial information that gives retrospective effect to the UPC Transfers. For additional information, see notes 1 and 3 to our condensed consolidated financial statements.

	Three months ended				Year ended December 31, 2014
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	
	in millions, except % amounts				
Revenue:					
Switzerland/Austria .....	€ 338.4	€ 347.6	€ 347.6	€ 356.4	€ 1,390.0
Central and Eastern Europe .....	236.2	236.6	235.4	239.6	947.8
Total .....	<u>€ 574.6</u>	<u>€ 584.2</u>	<u>€ 583.0</u>	<u>€ 596.0</u>	<u>€ 2,337.8</u>
Adjusted Segment OIBDA:					
Switzerland/Austria .....	€ 193.0	€ 202.2	€ 205.5	€ 194.1	€ 794.8
Central and Eastern Europe .....	115.4	107.2	108.5	107.3	438.4
Other .....	(0.3)	(0.3)	(0.2)	(0.1)	(0.9)
Total Adjusted Segment OIBDA.....	308.1	309.1	313.8	301.3	1,232.3
Share-based compensation expense.....	(1.9)	(2.0)	(2.6)	(2.4)	(8.9)
Related-party fees and allocations, net .....	(62.9)	(56.0)	(49.3)	(50.4)	(218.6)
Depreciation and amortization.....	(127.9)	(129.3)	(132.1)	(135.6)	(524.9)
Impairment, restructuring and other operating items, net.....	0.8	1.0	2.8	(1.3)	3.3
Operating income .....	<u>€ 116.2</u>	<u>€ 122.8</u>	<u>€ 132.6</u>	<u>€ 111.6</u>	<u>€ 483.2</u>
Adjusted Segment OIBDA as percentage of revenue .....	<u>53.6%</u>	<u>52.9%</u>	<u>53.8%</u>	<u>50.6%</u>	<u>52.7%</u>
Property and equipment additions, net:					
Switzerland/Austria .....	€ 53.8	€ 61.9	€ 62.1	€ 69.0	246.8
Central and Eastern Europe .....	33.6	44.2	52.2	71.4	201.4
Other (a).....	19.5	1.4	(6.3)	(12.6)	2.0
Total .....	<u>€ 106.9</u>	<u>€ 107.5</u>	<u>€ 108.0</u>	<u>€ 127.8</u>	<u>€ 450.2</u>
Total property and equipment additions as a percentage of revenue.....	<u>18.6%</u>	<u>18.4%</u>	<u>18.5%</u>	<u>21.4%</u>	<u>19.3%</u>

- (a) Primarily relates to inventory build-up of centrally-procured customer premises equipment. This equipment is ultimately transferred to certain of Liberty Global's European operating subsidiaries, including subsidiaries within UPC Holding. See note 9 to our condensed consolidated financial statements.