

THIS DOCUMENT CONSISTS OF THE LISTING PARTICULARS (THE “LISTING PARTICULARS”) IN CONNECTION WITH THE APPLICATION TO HAVE THE NEW NOTES (AS DEFINED BELOW) LISTED ON THE OFFICIAL LIST OF THE LUXEMBOURG STOCK EXCHANGE AND ADMITTED FOR TRADING ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE (THE “LISTING”). THESE LISTING PARTICULARS ARE PROVIDED ONLY FOR THE PURPOSE OF OBTAINING APPROVAL OF ADMISSION OF THE NEW NOTES TO THE OFFICIAL LIST OF THE LUXEMBOURG STOCK EXCHANGE AND ADMISSION FOR TRADING ON THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE AND SHALL NOT BE USED FOR OR DISTRIBUTED FOR ANY OTHER PURPOSE. THESE LISTING PARTICULARS DO NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY OF THE NEW NOTES AND THESE LISTING PARTICULARS HAVE NOT BEEN FILED WITH, OR REVIEWED BY, ANY NATIONAL OR LOCAL SECURITIES COMMISSION OR REGULATORY AUTHORITY OF THE UNITED STATES, THE UNITED KINGDOM, FRANCE, GERMANY, BELGIUM, THE NETHERLANDS, IRELAND, DENMARK, THE CAYMAN ISLANDS, THE BRITISH VIRGIN ISLANDS OR ANY OTHER JURISDICTION, NOR HAS ANY SUCH COMMISSION OR AUTHORITY PASSED UPON THE MERITS, ACCURACY OR ADEQUACY OF THESE LISTING PARTICULARS. ANY REPRESENTATION TO THE CONTRARY MAY BE UNLAWFUL AND MAY BE A CRIMINAL OFFENSE.



unitymedia

€735,096,000 7½% Senior Secured Notes due 2019 (the “New Euro SSNs”)
\$459,328,000 7½% Senior Secured Notes due 2019 (the “New Dollar SSNs”)
€395,867,000 Senior Secured Floating Rate Notes due 2018 (the “New FRNs” and together with the New Euro SSNs and the New Dollar SSNs, the “New Senior Secured Notes”)

issued by

Unitymedia Hessen GmbH & Co. KG and Unitymedia NRW GmbH
and

€617,972,000 9½% Senior Notes due 2021 (the “New Senior Notes” and together with the New Senior Secured Notes, the “New Notes”)

issued by

Unitymedia GmbH

New Senior Secured Notes

Pursuant to the Senior Secured Exchange Offer (as defined below), on May 4, 2012 (the “Issue Date”), Unitymedia Hessen GmbH & Co. KG and Unitymedia NRW GmbH (the “New Senior Secured Notes Issuers”), each an indirect wholly owned subsidiary of Unitymedia GmbH, issued the New Senior Secured Notes.

New Senior Notes

Pursuant to the Senior Exchange Offer (as defined below), on the Issue Date, Unitymedia GmbH (the “New Senior Notes Issuer” and together with the New Senior Secured Notes Issuers, the “New Issuers”) issued the New Senior Notes.

The New Senior Secured Notes are guaranteed on a senior basis by the Senior Secured Note Guarantors (as defined herein) and are secured by the Senior Secured Notes Collateral (as defined herein). The New Senior Notes are guaranteed on a senior subordinated basis by the Senior Note Guarantors (as defined herein) and are secured by the Senior Notes Collateral (as defined herein). See “Summary—Summary of the New Notes—Ranking of the New Notes” beginning on page 19 and “Summary—Summary of the New Notes—Security” beginning on page 22.

The Exchange Offers

Upon the terms and subject to the conditions set forth in the offering memorandum dated April 3, 2012, and as supplemented and amended on April 27, 2012 (the “Offering Memorandum”), the New Senior Secured Notes Issuers offered to exchange (the “Senior Secured Exchange Offer”) (i) any and all outstanding €800,000,000 7½% Senior Secured Notes due 2019 (the “KBW Euro Senior Secured Notes”) of Kabel BW GmbH for an equal amount of the New Euro SSNs, (ii) any and all outstanding \$500,000,000 7½% Senior Secured Notes due 2019 of Kabel BW GmbH (the “KBW Dollar Senior Secured Notes”) for an equal amount of the New Dollar SSNs and (iii) any and all outstanding €420,000,000 Senior Secured Floating Rate Notes due 2018 of Kabel BW GmbH (the “KBW Senior Secured Floating Rate Notes” and together with the KBW Euro Senior Secured Notes and the KBW Dollar Senior Secured Notes, the “KBW Senior Secured Notes”) for an equal amount of the New FRNs.

Upon the terms and subject to the conditions set forth in the Offering Memorandum, the New Senior Notes Issuer offered to exchange (the “Senior Exchange Offer” and together with the Senior Secured Exchange Offer, the “Exchange Offers”) any and all outstanding €680,000,000 9½% Senior Notes due 2021 (the “KBW Senior Notes” and together with the KBW Senior Secured Notes, the “KBW Notes”) of UPC Germany HoldCo 1 GmbH (“UPC Germany HC1” and together with Kabel BW GmbH, the “Old Issuers”) for an equal amount of the New Senior Notes.

The Exchange Offers expired on April 30, 2012, and were consummated and the New Notes were issued on the Issue Date. All of the KBW Notes which were not tendered in the Exchange Offers were redeemed in the Special Optional Redemptions (as defined herein). For further information, please refer to “The Transactions” beginning on page 78.

An investment in the New Notes involves certain risks. Prospective investors should carefully consider the risk factors beginning on page 29 of these Listing Particulars.

The New Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any other jurisdiction. The New Issuers offered the New Notes only (1) to holders of KBW Notes that were “qualified institutional buyers” as defined in Rule 144A under the U.S. Securities Act (“Rule 144A”), in a private transaction in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section 4(2) thereof and (2) outside the United States, to holders of KBW Notes other than “U.S. persons” as defined in Rule 902 under the U.S. Securities Act in offshore transactions in compliance with Regulation S under the U.S. Securities Act (“Regulation S”). For a description of certain restrictions on the transfer of the New Notes see “Transfer Restrictions”.

Application has been made to the Luxembourg Stock Exchange for the New Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market, which is not a regulated market (as defined by Article 1(13) of Directive 93/22/EEC). These Listing Particulars constitute a Prospectus for the purpose of Luxembourg Law dated July 10th, 2005 on Prospectus for Securities.

These Listing Particulars include additional information on the terms of the New Notes, including redemption and repurchase prices, covenants and transfer restrictions.

The New Issuers have not authorized any person (including any dealer, salesman or broker) to provide you with different information. You should not assume that the information contained in these Listing Particulars is accurate at any date other than the date of the Offering Memorandum.

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These Listing Particulars are provided only for the purpose of obtaining approval of admission for trading on the Euro MTF Market of the Luxembourg Stock Exchange and shall not be used for or distributed for any other purpose and these Listing Particulars do not constitute an offer to sell, or a solicitation of an offer to buy, any of the New Notes.

No person has been authorized to give any information or to make any representations about the New Issuers, the New Notes or the Exchange Offers other than those contained in these Listing Particulars and, if given or made, such information or representations must not be relied upon as having been authorized by the New Issuers or any of their respective agents.

No action was taken or will be taken in any jurisdiction by the New Issuers, the Dealer Manager or the Exchange Agent that permitted, or will permit, an offer of the New Notes to the public in any jurisdiction.

The New Issuers accept responsibility for the information contained in these Listing Particulars. To the best of their knowledge (having taken reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the impact of such information. All information contained in these Listing Particulars are current as of the date of the Offering Memorandum unless indicated otherwise and the delivery of these Listing Particulars shall not, in any circumstances, imply that the information contained herein is correct at any time subsequent. These Listing Particulars may only be used for the purpose for which they have been published. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information set forth herein and nothing contained in these Listing Particulars are, or shall be relied upon as, a promise or representation, whether as to the past or the future. No person has been authorized to give any information or to make any representation not contained in these Listing Particulars in connection with the Listing and, if given or made, any such information or representation should not be relied upon as having been authorized by the New Issuers. The distribution of these Listing Particulars may, in certain circumstances, be restricted by law.

The New Issuers offered the New Notes in reliance on exemptions from the registration requirements of the U.S. Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The New Notes have not been, and will not be, registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the “SEC”) or any other securities commission or regulatory authority, nor has the SEC or any other securities commission or authority passed upon the accuracy or adequacy of the Offering Memorandum or these Listing Particulars. Any representation to the contrary is a criminal offence in the United States.

These Listing Particulars are provided only for the purpose of obtaining approval of admission of the New Notes to the Official List of the Luxembourg Stock Exchange and admission for trading on the Euro MTF Market of the Luxembourg Stock Exchange and shall not be used for or distributed for any other purpose. These Listing Particulars do not constitute an offer to sell, or a solicitation of an offer to buy, any of the New Notes.

These Listing Particulars are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the New Issuers or the Trustee that any recipient of these Listing Particulars should purchase any New Notes. Each investor contemplating purchasing any New Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the New Issuers. In making an investment decision, each investor must rely on its own examination, analysis and enquiry of the New Issuers and the terms of the New Notes, including the merits and risks involved.

The distribution of these Listing Particulars may be restricted by law in certain jurisdictions. Neither the New Issuers nor the Trustee represents that these Listing Particulars may be lawfully distributed. In particular, no action has been taken by the New Issuers or the Trustee which is intended to permit the possession or distribution of these Listing Particulars other than to persons who (i) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) in connection with the issue or sale of any New Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being

referred to as “relevant persons”). These Listing Particulars are directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Persons into whose possession these Listing Particulars may come must inform themselves about, and observe, any such restrictions on the distribution of these Listing Particulars.

These Listing Particulars have been prepared on the basis that all offers of the New Notes pursuant to the Exchange Offers were made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the “Prospectus Directive”), as implemented in member states of the European Economic Area (the “EEA”), from the requirement to produce a prospectus for offers of the New Notes.

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

You are not to construe the contents of these Listing Particulars as investment, legal or tax advice. You should consult your own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of an investment in the New Notes. You are responsible for making your own examination of the New Issuers and your own assessment of the merits and risks of investing in the New Notes. The New Issuers are not making any representations to you regarding the legality of an investment in the New Notes by you.

The information contained in these Listing Particulars has been furnished by the New Issuers and other sources they believe to be reliable. These Listing Particulars contain summaries, believed to be accurate, of some of the terms of specified documents, but reference is made to the actual documents, copies of which will be made available by us upon request, for the complete information contained in those documents. Copies of such documents and other information relating to the issuance of the New Notes will also be available for inspection at the specified offices of the Paying Agent (as defined herein). All summaries of the documents contained herein are qualified in their entirety by this reference. You agree to the foregoing by accepting these Listing Particulars.

The New Notes are initially available in book-entry form only. The New Notes were represented on issue by one or more global notes, which were delivered through Euroclear Bank S.A./N.V. (“**Euroclear**”), Clearstream Banking, *société anonyme* (“**Clearstream**”) and The Depository Trust Company (“**DTC**” and, together with Euroclear and Clearstream, the “**Clearing Systems**” and each a “**Clearing System**”), as applicable. Interests in the global notes will be exchangeable for the relevant definitive notes only in certain limited circumstances. See “*Book Entry, Delivery and Form of New Notes*.”

RESTRICTIONS

U.S. TREASURY DEPARTMENT CIRCULAR 230 DISCLOSURE

PURSUANT TO U.S. TREASURY DEPARTMENT CIRCULAR 230, THE NEW ISSUERS HEREBY INFORM YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE U.S. INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN IN CONNECTION WITH THE MARKETING BY THE NEW ISSUERS OF THE EXCHANGE OFFERS, THE SPECIAL OPTIONAL REDEMPTIONS AND THE NEW NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NOTICE TO U.S. INVESTORS

The New Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States. The New Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act or any other applicable securities laws, pursuant to registration or an exemption therefrom. Please refer to the section of these Listing Particulars entitled “*Transfer Restrictions*”. The New Notes may not be offered to the public within any jurisdiction. By accepting delivery of these Listing Particulars, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any note to the public.

NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS

These Listing Particulars have been prepared on the basis that any offer of New Notes made pursuant to Exchange Offers in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) were made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of New Notes.

NOTICE TO CERTAIN EUROPEAN INVESTORS

Austria These Listing Particulars have not been or will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended. Neither these Listing Particulars nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither these Listing Particulars nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria. No steps may be taken that would constitute a public offering of the New Notes in Austria and the offering of the New Notes may not be advertised in Austria. Any offer of the New Notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the New Notes in Austria.

Germany The New Notes may be offered and sold in Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as amended, the Commission Regulation (EC) No 809/2004 of April 29, 2004 as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. These Listing Particulars have not been approved under the German

Securities Prospectus Act (*Wertpapierprospektgesetz*) or the Directive 2003/71/EC and accordingly the New Notes may not be offered publicly in Germany.

France These Listing Particulars have not been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and Title I of Book II of the *Règlement Général of the Autorité des marchés financiers* (the “AMF”) and therefore has not been submitted for clearance to the AMF. Consequently, the New Notes may not be, directly or indirectly, offered or sold to the public in France, and offers and sales of the New Notes will only be made in France to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) and/or to a closed circle of investors (*cercle restreint d’investisseurs*) acting for their own accounts, as defined in and in accordance with Articles L. 411-2 and D. 411-1 of the *Code of Monétaire et Financier*. Neither these Listing Particulars nor any other offering material may be distributed to the public in France.

Italy. None of these Listing Particulars or any other documents or materials relating to the Exchange Offers have been or will be submitted to the clearance procedure of the Commissione Nazionale per le Società e la Borsa (“CONSOB”). Therefore, the Exchange Offers were only carried out in the Republic of Italy (“Italy”) pursuant to an exemption under article 101-bis, paragraph 3-bis of the Legislative Decree No. 58 of 24 February 1998, as amended (the “Financial Services Act”) and article 35-bis, paragraph 3, of CONSOB Regulation No. 11971 of 14 May 1999, as amended. Accordingly, the Exchange Offers were not addressed to, and neither the Offering Memorandum, these Listing Particulars nor any other documents, materials or information relating, directly or indirectly, to the Exchange Offers can be distributed or otherwise made available (either directly or indirectly) to any person in Italy other than to qualified investors (*investitori qualificati*) pursuant to article 34-ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, acting on their own account.

Grand Duchy of Luxembourg The terms and conditions relating to these Listing Particulars have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for purposes of public offering or sale in the Grand Duchy of Luxembourg (“Luxembourg”). Accordingly, the New Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither these Listing Particulars nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except for the sole purpose of the admission to trading and listing of the New Notes on the Official List of the Luxembourg Stock Exchange and except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities.

The Netherlands The New Notes (including rights representing an interest in each global note that represents the New Notes) may not be offered or sold to individuals or legal entities in The Netherlands unless a prospectus relating to the offer is available to the public which is approved by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) or by a supervisory authority of another member state of the European Union. Article 5:3 Financial Supervision Act (the “FSA”) and article 53 paragraph 2 and 3 Exemption Regulation FSA provide for several exceptions to the obligation to make a prospectus available such as an offer to qualified investors within the meaning of article 5:3 FSA.

Spain The Exchange Offers were not been registered with the Comisión Nacional del Mercado de Valores and therefore the New Notes may not be offered, sold or distributed in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 30 bis of the Securities Market Act (“*Ley 24/1988, de 28 de julio del Mercado de Valores*”) as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 (“*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*”).

Switzerland The New Notes offered in the Exchange Offers were being offered in Switzerland on the basis of a private placement only. These Listing Particulars and the Offering Memorandum do not constitute a prospectus within the meaning of Art. 652A of the Swiss Federal Code of Obligations.

CURRENCY PRESENTATION AND DEFINITIONS

In these Listing Particulars, all references to “euro,” “Euro” or “€” are to the single currency of the participating member states of the European Union participation in the third stage of economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time; and all references to “U.S. dollars,” “US\$” and “\$” are to the lawful currency of the United States of America.

Definitions

As used in these Listing Particulars:

- “2011 Reorganization” has the meaning ascribed to it under “*The Transactions*”;
- “2012 Reorganization” has the meaning ascribed to it under “*The Transactions*”;
- “2012 Unitymedia Facilities Agreement” has the meaning ascribed to it under “*The Transactions*”;
- “Collateral” has the meaning ascribed to it under “*Summary — Summary of the New Notes — Security*”;
- “Dealer Manager” refers to Credit Suisse Securities (Europe) Limited;
- “Deutsche Telekom” refers to Deutsche Telekom AG;
- “European Economic Area” or “EEA” refers to the economic area encompassing all of the members of the European Union and the European Free Trade Association;
- “Intercreditor Agreement” refers to the intercreditor agreement dated November 20, 2009 (as amended from time to time) among, *inter alios*, UPC Germany Holding B.V., Unitymedia and Credit Suisse AG, London Branch, as security agent;
- “Issue Date” refers to the date the New Notes were issued which was on May 4, 2012;
- “Kabel BW” refers to Kabel BW Erste Beteiligungs GmbH with or without its consolidated subsidiaries prior to consummation of the 2012 Reorganization, as the context requires;
- “Kabel BW 2011 Consolidated Financial Statements” refers to Kabel BW’s December 31, 2011 consolidated financial statements, as audited by Deloitte & Touche GmbH and KPMG AG;
- “Kabel BW 2010 and 2009 Consolidated Financial Statements” refers to Kabel BW’s December 31, 2010 and 2009 consolidated financial statements, as audited by Deloitte & Touche GmbH;
- “Kabel BW Group” refers to UPC Germany Holdings and its consolidated subsidiaries subsequent to or prior to the consummation of the KBW Fold-in, as the context requires;
- “KBW” refers to Kabel BW GmbH (formerly known as Kabel BW Holdings GmbH), with or without its consolidated subsidiaries and subsequent to and/or prior to the consummation of the 2012 Reorganization, as the context requires;
- “KBW Collateral” has the meaning ascribed to it under “*Summary — Summary of the New Notes — Security*”;
- “KBW Dollar Senior Secured Notes” refers to KBW’s \$500 million aggregate principal amount of 7½% Senior Notes due 2019;
- “KBW Euro Senior Secured Notes” refers to KBW’s €800 million aggregate principal amount of 7½% Senior Notes due 2019;
- “KBW Fold-in” has the meaning ascribed to it under “*The Transactions*”;
- “KBW Indentures” refers to (i) the indenture dated March 31, 2011 (as amended and supplemented from time to time) between, *inter alios*, Kabel BW GmbH and The Bank of New York Mellon, London Branch, as trustee, in relation to the issuance of the KBW Senior Secured Notes; and (ii) the indenture dated March 31, 2011 (as amended and supplemented from time to time) between, *inter alios*, UPC Germany HC1 and The Bank of New York Mellon, London Branch, as trustee, in relation to the issuance of the KBW Senior Notes;
- “KBW Musketeer” refers to KBW Musketeer GmbH;

- “KBW Musketeer Loan Facility” has the meaning ascribed to it under “*Unaudited Pro Forma Condensed Combined Financial Information of Unitymedia—March 2011 Debt Refinancing*”;
- “KBW Notes” refers collectively to the KBW Senior Secured Notes and the KBW Senior Notes;
- “KBW Revolving Credit Facility” refers to the €100,000,000 senior revolving credit facility agreement dated March 31, 2011 (as amended from time to time) among, *inter alios*, Kabel BW GmbH, as borrower, and Deutsche Bank AG, London Branch, as facility agent and security trustee which will be cancelled in connection with Transactions;
- “KBW Senior Notes” refers to UPC Germany HC1’s €680 million aggregate principal amount of 9½% Senior Notes due 2021;
- “KBW Senior Secured Fixed Rate Notes” refers to the KBW Euro Senior Secured Notes and the KBW Dollar Senior Secured Notes;
- “KBW Senior Secured Floating Rate Notes” refers to KBW’s €420 million aggregate principal amount of Senior Secured Floating Rate Notes due 2018;
- “KBW Senior Secured Notes” refers collectively to the KBW Senior Secured Fixed Rate Notes and the KBW Senior Secured Floating Rate Notes;
- “LG Europe” refers to Liberty Global Europe, Inc., with or without its consolidated subsidiaries, as the context requires;
- “LGI/KBW Transaction” refers to the acquisition by UPC Germany HC2 of all of the outstanding shares of Kabel BW Musketeer GmbH on December 15, 2011;
- “LGI/Unitymedia Transaction” refers to the acquisition by UPC Germany GmbH of Old Unitymedia on January 28, 2010;
- “Liberty Global Europe” refers to Liberty Global Europe Holding B.V., with or without its consolidated subsidiaries, as the context requires;
- “Liberty Global Holding” refers to Liberty Global Holding B.V., with or without its consolidated subsidiaries, as the context requires;
- “Liberty Global” refers to Liberty Global, Inc., with or without its consolidated subsidiaries, as the context requires;
- “March 2011 Debt Refinancing” has the meaning ascribed to it under “*Unaudited Pro Forma Condensed Combined Financial Information of Unitymedia*”;
- “New Dollar SSNs” refers to \$500 million aggregate principal amount of 7½% Senior Secured Notes due 2019 issued pursuant to the Offering Memorandum;
- “New Euro SSNs” refers to €800 million aggregate principal amount of 7½% Senior Secured Notes due 2019 and the New FRNs;
- “New FRNs” refers to €420 million aggregate principal amount of Senior Secured Floating Rate Notes due 2018 issued pursuant to the Offering Memorandum;
- “New Indentures” collectively refers to the New Senior Notes Indenture and the New Senior Secured Notes Indenture, and “New Indenture” refers to either the New Senior Notes Indenture or the New Senior Secured Notes Indenture, as the context may require.
- “New Issuers” collectively refers to the New Senior Notes Issuer and the New Senior Secured Notes Issuers and “New Issuer” refers to either the New Senior Notes Issuer or the New Senior Secured Notes Issuers together as co-issuers, as the context may require;
- “New Note Guarantees” collectively refers to the New Senior Secured Note Guarantees and the New Senior Note Guarantees;
- “New Notes” collectively refers to the New Senior Secured Notes and the New Senior Notes;
- “New Senior Note Guarantees” collectively refers to Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH, Unitymedia Hessen GmbH & Co. KG, Unitymedia NRW GmbH, UPC Germany Holdings GmbH, UPC Germany Holdco 1 GmbH, Kabel

BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH on a senior subordinated basis guaranteeing the New Senior Notes;

- “New Senior Notes Indenture” refers to the indenture to be dated on or about the Issue Date governing the New Senior Notes, by and among, inter alios, the New Senior Notes Issuer and the Trustee.
- “New Senior Notes Issuer” refers to Unitymedia GmbH;
- “New Senior Notes Trustee” refers to The Bank of New York Mellon, London Branch, as trustee under the New Senior Notes Indenture.
- “New Senior Notes” refers to €680 million aggregate principal amount of 9½% Senior Notes due 2021 issued pursuant to the Offering Memorandum;
- “New Senior Secured Note Guarantees” collectively refers to Unitymedia GmbH, Unitymedia Hessen Verwaltung GmbH, Unitymedia Management GmbH, UPC Germany Holdings GmbH, UPC Germany Holdco 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH on a senior basis guaranteeing the New Senior Secured Notes;
- “New Senior Secured Notes Indenture” refers to the indenture to be dated on or about the Issue Date governing the New Senior Secured Notes, by and among, inter alios, the New Senior Secured Notes Issuers and the Trustee.
- “New Senior Secured Notes Issuers” refers to Unitymedia Hessen GmbH & Co. KG and Unitymedia NRW GmbH, as co-issuers of the New Senior Secured Notes;
- “New Senior Secured Notes Trustee” refers to The Bank of New York Mellon, London Branch, as trustee under the New Senior Secured Notes Indenture.
- “New Senior Secured Notes” collectively refers to the New Euro SSNs and the New Dollar SSNs;
- “Old Issuers” refers to Kabel BW GmbH and UPC Germany HC1 as issuers of the KBW Notes, as applicable, pursuant to the KBW Indentures;
- “Old Unitymedia” refers to the entity formerly known as Unitymedia GmbH, the entity acquired by UPC Germany GmbH as part of the LGI/Unitymedia Transaction;
- “Oskar Rakso” refers to Oskar Rakso S.à r.l., an indirect subsidiary of the EQT funds IV and V and prior to the LGI/KBW Transaction, the parent company to the Kabel BW Group;
- “Paying Agent” refers to the Principal Paying Agent and The Bank of New York Mellon, acting in their capacity as paying agents under the New Indentures;
- “Senior Note Guarantors” refers to Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH, Unitymedia Hessen, Unitymedia NRW GmbH, UPC Germany Holdings GmbH, UPC Germany HoldCo 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH;
- “Senior Secured Note Guarantors” refers to Unitymedia GmbH, Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH, UPC Germany Holdings GmbH, UPC Germany HoldCo 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH;
- “Sky Deutschland” refers to Sky Deutschland GmbH;
- “Tele Columbus” or “Tele Columbus Group” refers to the cable network business of the group of companies controlled by Tele Columbus Kabel Holding GmbH, Hannover, our acquisition of which was completed on December 9, 2005;
- “Trustees” collectively refers to the New Senior Secured Notes Trustee and the New Senior Notes Trustee and “Trustee” refers to the New Senior Secured Notes Trustee or the New Senior Notes Trustee, as the context requires;
- “UM Dollar Senior Secured Notes” refers to Unitymedia Hessen’s and Unitymedia NRW’s existing \$845 million aggregate principal amount of 8½% Senior Secured Notes due 2017;
- “UM Euro Senior Secured Notes” refers to Unitymedia Hessen’s and Unitymedia NRW’s existing €1,430 million aggregate principal amount of 8½% Senior Secured Notes due 2017;

- “UM Senior Notes” refers to Unitymedia GmbH’s existing €665 million aggregate principal amount of 9⁵/₈% Senior Notes due 2019;
- “UM Senior Secured Notes” refers collectively to the UM Euro Senior Secured Notes and the UM Dollar Senior Secured Notes;
- “UMI” refers to Unitymedia International GmbH;
- “Unitymedia” refers to Unitymedia GmbH, with or without its consolidated subsidiaries and prior to and/or following the consummation of the Transactions, as the context requires;
- “Unitymedia Collateral” has the meaning ascribed to it under “*Summary — Summary of the New Notes — Security*”;
- “Unitymedia Consolidated Financial Statements” refers to Unitymedia’s audited consolidated financial statements for the years ended December 31, 2011 and 2010 and the notes thereto included in these Listing Particulars;
- “Unitymedia Exchange Transaction” refers to the debt exchange transactions provided for in the KBW Indentures and as described herein (see “*The Transactions*”);
- “Unitymedia GmbH” refers to Unitymedia GmbH (formerly UPC Germany GmbH), a company organized under the laws of Germany, on a standalone basis, unless the context otherwise requires;
- “Unitymedia Group” refers to Unitymedia GmbH and its consolidated subsidiaries prior to and/or following the consummation of the Transactions, as the context requires;
- “Unitymedia Hessen” refers to Unitymedia Hessen GmbH & Co. KG, formerly iesy Hessen GmbH & Co. KG;
- “Unitymedia Merger” refers to the merger of Old Unitymedia into Unitymedia on September 16, 2010;
- “Unitymedia Notes” refers collectively to the UM Senior Secured Notes and the UM Senior Notes;
- “Unitymedia NRW” refers to Unitymedia NRW GmbH, Cologne, formerly the group of companies controlled by Kabelnetz NRW HoldCo GmbH, which was renamed ish NRW GmbH & Co. KG on September 2, 2005 and which was acquired by Unitymedia Hessen on June 24, 2005;
- “Unitymedia Revolving Credit Facility” refers to the senior secured revolving credit facility agreement entered into on December 21, 2009 among, *inter alios*, Unitymedia, as borrower (and thereafter assumed by Unitymedia Hessen and Unitymedia NRW), Credit Suisse AG, London Branch, as facility agent and as security agent, and certain banks and financial institutions as lenders;
- “Unitymedia Services” refers to Unitymedia Services GmbH, Bochum, formerly Tele Columbus West Beteiligungs GmbH, which was acquired as part of the Tele Columbus Group and includes assets of the former Unitymedia Services GmbH & Co. KG, which was merged into Unitymedia Services GmbH by way of accretion (*Anwachsung*), effective as of August 22, 2008;
- “UPC Germany” refers to UPC Germany GmbH (which has been renamed Unitymedia GmbH), a company organized under the laws of Germany, on a standalone basis, unless the context otherwise requires;
- “UPC Germany HC1” refers to UPC Germany Holdco 1 GmbH, a subsidiary of Liberty Global;
- “UPC Germany HC2” refers to UPC Germany Holdco 2 GmbH, a subsidiary of Liberty Global;
- “UPC Germany Holding” refers to UPC Germany Holding B.V., the immediate parent company of Unitymedia and UPC Germany Holdings;
- “UPC Germany Holdings” refers to UPC Germany Holdings GmbH;
- “UPC Holding” refers to UPC Holding B.V., with or without its consolidated subsidiaries, as the context requires;

- “U.S. Exchange Act” refers to the U.S. Securities Exchange Act of 1934;
- “U.S. Securities Act” refers to the U.S. Securities Act of 1933;
- “U.S.” refers to the United States of America; and
- Except as otherwise indicated, “we”, “us”, “our” or the “Company” refers to Unitymedia GmbH and its consolidated subsidiaries prior to and/or following the completion of the Transactions (as the context may require). The Company together with its subsidiaries is also referred to as the “Unitymedia Group”. “Unitymedia” also refers to the Unitymedia trademark where the context so requires.

For explanations or definitions of certain technical and industry terms relating to our business as used herein, see “*Glossary*”.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical Financial Data

Unless otherwise indicated, the financial information presented in these Listing Particulars is the historical consolidated financial information of Unitymedia and its subsidiaries and Kabel BW and its subsidiaries.

These Listing Particulars include (1) the Unitymedia Consolidated Financial Statements, (2) the Kabel BW 2011 Consolidated Financial Statements and (3) the Kabel BW 2010 and 2009 Consolidated Financial Statements, each of which is prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (“EU-IFRS”). All financial statement information included in these Listing Particulars with respect to Kabel BW has been derived from the Kabel BW 2011 Consolidated Financial Statements. The Kabel BW 2011 Consolidated Financial Statements include information as of December 31, 2010 and for the years ended December 31, 2010 and 2009 that has been reclassified from the amounts previously reported in the Kabel BW 2010 and 2009 Consolidated Financial Statements in order to conform to Liberty Global’s financial statement presentation policies. For additional information concerning these reclassifications, see note 2 to the Kabel BW 2011 Consolidated Financial Statements.

In order to provide meaningful comparisons, the discussion and analysis in these Listing Particulars of our results of operations is based on pro forma statement of operations and statistical data that gives effect to the formation of Unitymedia, the Unitymedia Merger, the LGI/Unitymedia Transaction and the refinancing of Old Unitymedia’s debt as of January 1, 2010. As a result, (i) the historical operating results of Old Unitymedia’s continuing operations are included in the statement of operations and statistical data for all periods presented and discussed in these Listing Particulars unless otherwise indicated and (ii) the pro forma statement of operations amounts for the year ended December 31, 2010 include adjustments to (a) reflect the new basis of accounting resulting from the LGI/Unitymedia Transaction and (b) eliminate the impacts of the refinanced debt of Old Unitymedia. The pro forma amounts related to Old Unitymedia are derived from the historical financial statements of Old Unitymedia for the relevant period. The pro forma financial information is not necessarily indicative of the results of operations that would have occurred if these transactions had occurred on such dates.

Pro Forma Financial Information

We present in these Listing Particulars certain unaudited pro forma condensed combined financial and operating data of Unitymedia as of and for the year ended December 31, 2011. The summary unaudited pro forma condensed combined balance sheet data as of December 31, 2011 for Unitymedia gives effect to (1) the KBW Fold-in, (2) the Exchange Offers, and (3) the Special Optional Redemptions, as applicable, as if such transactions occurred on December 31, 2011. The effect of the Exchange Offers assumes a range of results based on the exchange of 100% (the “Maximum Exchange”) and, to approximate an outcome satisfying the Minimum Tender Condition, 51% (the “Minimum Exchange”) of the KBW Notes for New Notes, and in the case of the Minimum Exchange, further assumes the impact of the Special Optional Redemptions for the remaining 49% of the KBW Notes. The Maximum Exchange and the Minimum Exchange represent the range of possible results that could occur with respect to the Exchange Offers and the Special Optional Redemptions. The actual results of these transactions may fall anywhere within this range. The unaudited pro forma condensed combined statement of operations data gives effect to (1) the LGI/KBW Transaction, (2) the March 2011 Debt Refinancing, (3) the KBW Fold-in, (4) the Exchange Offers, and (5) the Special Optional Redemptions, as applicable, as if such transactions occurred on January 1, 2011. This pro forma information has been derived from, and should be read in conjunction with, the Unitymedia Consolidated Financial Statements, the Kabel BW 2011 Consolidated Financial Statements, and the “*Unaudited Pro Forma Condensed Combined Financial Information of Unitymedia*”, included elsewhere herein. Neither the assumptions underlying the pro forma adjustments nor the resulting pro forma financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

Other Financial Measures

Adjusted EBITDA is the primary measure used by our management to evaluate the company’s performance. Adjusted EBITDA is also a key factor that is used by our internal decision makers to evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. We define EBITDA as earnings before net finance expense, income taxes, depreciation and amortization. As we use the term, Adjusted EBITDA is defined as EBITDA before stock-based

compensation, impairment, restructuring and other operating charges or credits and related-party fees and allocations, net. Other operating charges or credits include (i) gains and losses on the disposition of long-lived assets, (ii) direct acquisition costs, such as third-party due diligence, legal and advisory costs, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Our internal decision makers believe Adjusted EBITDA is a meaningful measure and is superior to other available EU-IFRS measures because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to readily view operating trends and identify strategies to improve operating performance. We believe our Adjusted EBITDA 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 EBITDA should be viewed as a measure of operating performance that is a supplement to, and not a substitute for earnings before interest and taxes (EBIT), net earnings (loss), cash flow from operating activities and other EU-IFRS measures of income or cash flows. We provide a reconciliation of Adjusted EBITDA to earnings (loss) from continuing operations in these Listing Particulars. See “*Selected Consolidated Financial and Operating Data of Unitymedia*” and “*Selected Financial and Operating Data of Kabel BW*”.

Certain amounts and percentages included in these Listing Particulars have been rounded and accordingly may not add up exactly or correspond to aggregate amounts in certain tables in these Listing Particulars.

Subscriber Data

Each subscriber is counted as a revenue generating unit (“**RGU**”) for each service subscribed. Thus, a subscriber who receives from either Unitymedia or KBW cable television, broadband internet and telephony services (regardless of their number of telephony access lines) would be counted as three RGUs. The subscriber data included in these Listing Particulars, including penetration rates, average monthly subscription revenue earned per average RGU (“**ARPU**”), are determined by management, are not part of Unitymedia’s or KBW’s financial statements and have not been audited or otherwise reviewed by an outside auditor, consultant or expert. For more information regarding how Unitymedia defines and calculates its operating statistics, see “*Business of Unitymedia — Introduction*”, and for more information regarding how KBW defines and calculates its operating statistics, see “*Business of Kabel BW — Introduction*”. Unless otherwise indicated, operational and statistical data, including subscriber statistics and product offerings, are as of December 31, 2011.

Third-Party Information

The information provided in these Listing Particulars on the market environment, market developments, growth rates, market trends and on the competitive situation in the markets and segments in which Unitymedia and KBW operate is based (to the extent not otherwise indicated) on third-party data, statistical information and reports as well as on estimates of Unitymedia.

Market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward looking and speculative. These Listing Particulars also contain estimates made by us based on third-party market data, which in turn is based on published market data or figures from publicly available sources.

We have not verified the figures, market data or other information on which third parties have based their studies nor have such third parties verified the external sources on which such estimates are based. Therefore we do not guarantee nor do we assume responsibility for the accuracy of the information from third-party studies presented in these Listing Particulars or for the accuracy of the information on which such estimates are based.

These Listing Particulars also contain estimates of market data and information derived therefrom which cannot be gathered from publications by market research institutions or any other independent sources. Such information is based on our internal estimates. In many cases there is no publicly available information on such market data, for example from industry associations, public authorities or other organizations and institutions. We believe that its estimates of market data and information derived therefrom are helpful in order to give investors a better understanding of the industry in which we operate as well as our position within this industry. Although we believe that our internal market observations are reliable, our estimates are not reviewed or verified by any external sources. We assume no responsibility for the accuracy of our estimates and the information derived therefrom. These may deviate from estimates made by our competitors or future statistics provided by market research institutes or other independent sources.

EXCHANGE RATE INFORMATION

We present the Unitymedia Consolidated Financial Statements and the Kabel BW 2011 Consolidated Financial Statements in euro. We have set forth in the table below, for the periods and dates indicated, certain information regarding the exchange rates between U.S. dollars and the euro based on the market rates at 6 p.m. London time. We have provided this exchange rate information solely for your convenience. We make no representation that any amount of currencies specified in the table below has been, or could be, converted into the applicable currency at the rates indicated or any other rate. The market rate at 6 p.m. London time of the euro on May 21, 2012 was \$1.28= €1.00.

U.S.\$ per €1.00				
	Period Average ⁽¹⁾	High	Low	Period End
Year				
2007	1.37	1.49	1.29	1.46
2008	1.47	1.60	1.24	1.39
2009	1.39	1.51	1.25	1.43
2010	1.33	1.45	1.20	1.34
2011	1.39	1.49	1.29	1.30
Month				
January 2012	1.29	1.32	1.27	1.31
February 2012	1.32	1.35	1.31	1.34
March 2012	1.32	1.33	1.30	1.33
April 2012	1.32	1.34	1.30	1.32
May 2012 (through May 21, 2012)	1.29	1.33	1.26	1.28

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

FORWARD-LOOKING STATEMENTS

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

By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties. Many of these assumptions, risks and uncertainties are beyond our control. Accordingly, actual results may differ materially from those expressed or implied by the forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. We caution readers not to place undue reliance on the statements, which speak only as of the date of the Offering Memorandum, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished.

Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward-looking statements included in these Listing Particulars include those described under “*Risk Factors*”.

The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated results or events:

- economic and business conditions and industry trends in the markets in which we operate;
- the competitive environment in the broadband communications and programming industries in Germany, 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 in the European Union and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of our existing service offerings, including our digital video, broadband internet and telephony services and of new technology, programming alternatives and broadband services that we may offer in the future;
- our ability to manage rapid technological changes;
- our ability to renew existing contracts with housing associations and Professional Operators, especially in light of the conditions imposed on us as a result of the LGI/KBW Transaction;
- our ability to maintain or increase the number of subscriptions to our digital video, broadband internet and telephony services and our average revenue per household;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;

- changes in, or failure or inability to comply with, government regulations in the markets in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that opens our broadband distribution networks to competitors;
- the ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions, and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions, including the impact of conditions imposed in connection with the LGI/KBW Transaction;
- our ability to successfully negotiate rate increases where applicable;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the markets in which we operate;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors to timely deliver products, equipment, software and services;
- the availability of attractive programming for our digital video services at reasonable costs;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- our ability to successfully integrate and realize anticipated efficiencies from the businesses we or Liberty Global acquire, including anticipated synergies from the LGI/KBW Transaction;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- our availability to maintain or increase our revenue from channel carriage arrangements;
- 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;
- changes in the nature of key relationships with Deutsche Telekom and certain of its affiliates for the access and operation of a significant portion of our network;
- our ability to successfully interact with labor councils and unions; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

The broadband distribution services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in these Listing Particulars 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 the Offering Memorandum, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

We undertake no obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward looking statements to reflect events or circumstances after the date of the Offering Memorandum.

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

AVAILABLE INFORMATION

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

The New Issuers are not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the New Indentures and so long as the New Notes are outstanding, the New Issuers will furnish periodic information to holders of the New Notes. See “*Description of the New Senior Secured Notes — Certain Covenants — Reports*” and “*Description of the New Senior Notes — Certain Covenants — Reports*”.

SUMMARY

The following is a summary of selected information contained in these Listing Particulars. It does not contain all of the information that you should consider before making an investment decision. To understand this offering fully, you should read the entire Listing Particulars, including the sections entitled “Risk Factors”, “Unaudited Pro Forma Condensed Combined Financial Information of Unitymedia”, “Selected Consolidated Financial and Operating Data of Unitymedia”, “Selected Financial and Operating Data of Kabel BW”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Unitymedia”, “Supplemental Discussion and Analysis of Certain Historical Financial Information and Results of Operations of Kabel BW”, “Industry Overview”, “Business of Unitymedia” and “Business of Kabel BW”, as well as the financial statements included herein.

On May 4, 2012, we completed the Exchange Offers and the Special Optional Redemptions (in respect of the KBW Notes that were not tendered in the Exchange Offers) simultaneously with the KBW Fold-in (as described herein under “The Transactions”). We may also enter into the other transactions described below under “The Transactions” in connection with, or following, the completion of the Exchange Offers and the KBW Fold-in. For the purposes of this Summary, unless otherwise specified or unless the context indicates or otherwise requires:

- the term “Unitymedia’s business” refers to the basic cable and communications business as historically operated by Unitymedia prior to completion of the KBW Fold-in; and*
- the term “Kabel BW’s business” refers to the basic cable and communications business as historically operated by Kabel BW and its subsidiaries prior to completion of the KBW Fold-in.*

Unless otherwise indicated, operational and statistical data, including subscriber statistics and product offerings, are as of December 31, 2011. Please see “Glossary” for more information on the technical terms used in these Listing Particulars.

Company Overview

Unitymedia, a subsidiary of Liberty Global, provides digital and analog cable television and broadband internet and telephony services to its customers over its broadband communications network in the federal states of North Rhine-Westphalia and Hesse, Germany. Pursuant to the transactions being undertaken in conjunction with the Exchange Offers and as described further herein, we intend to combine the Kabel BW Group into the Unitymedia Group. See “ — Pro Forma Summary Corporate and Financing Structure” and “ — The Transactions”.

Following these transactions we will be the second largest cable operator in Germany in terms of revenues, operating profits, subscribers and RGUs and the largest cable operator in each of the German federal states of Baden-Württemberg, North Rhine-Westphalia and Hesse. In each of our markets we offer a variety of broadband services over our networks, including video, broadband internet and telephony. Our video service offerings include basic digital and analog television and radio services and premium digital cable services. Our premium digital cable service is comprised of premium subscription channels that we bundle into packages, pay-per-view programming such as video-on-demand (“VoD”) and near-video-on-demand (“NVoD”), digital-video-recorders (“DVR”) and high definition (“HD”) television offerings. In addition, in the upgraded portions of our network coverage area, we offer our customers access to triple-play (and, in certain circumstances, quadruple-play) services consisting of digital cable video, broadband internet and telephony. Through our partnership with Telefónica Germany GmbH & Co. OHG (Telefónica Germany), we also offer mobile telephony services.

On a pro forma basis, our network passes 12,445,300 homes, and the upgraded portion of our network coverage area, which supports full bi-directional capacity, covers 97% of our coverage area in Baden-Württemberg, North Rhine-Westphalia and Hesse, in the aggregate. On a pro forma basis, we serve 6,752,400 video revenue generating units (RGUs) (including 1,983,800 digital cable RGUs), 1,799,500 broadband internet RGUs and 1,831,700 telephony RGUs.

On a pro forma basis, assuming the KBW Fold-in had closed on January 1, 2011, we would have generated revenue of €1,630.4 million and Adjusted EBITDA (as calculated under footnote (b) under “ — Unitymedia Summary Unaudited Pro Forma Combined Financial and Operating Data”) of €963.7 million for the year ended December 31, 2011.

For further historical information regarding Unitymedia's business and Kabel BW's business prior to the completion of the KBW Fold-in see "*Business of Unitymedia*" and "*Business of Kabel BW*" in these Listing Particulars.

Our Strengths

We believe the following strengths will allow us to execute our growth strategy described below:

Our business operates in a highly attractive geographic area. We are the largest cable television service provider in terms of revenue and subscribers in Baden-Württemberg, North Rhine-Westphalia and Hesse. Our network coverage area includes the metropolitan areas of sixteen of the twenty-five largest cities in Germany including Cologne, Dortmund, Düsseldorf, Essen, Frankfurt, Karlsruhe, Mannheim, Stuttgart and Wiesbaden. The states in which we operate have a population and combined number of households of 34.7 million and 16.6 million, respectively, accounted for approximately 45% of Germany's Gross Domestic Product ("GDP") and, together, constituted the 5th largest economy in the European Union as measured by GDP (Source: IWS and Eurostat, 2010). We believe the scale of our operations in combination with our network ownership and our strong brand recognition and customer loyalty in our regions provides us with a significant advantage and will allow us to disproportionately benefit from growth opportunities in our markets.

The German market offers significant growth opportunities for the cable sector. The market for broadband internet services in Germany has grown rapidly over the last five years and broadband internet penetration in Germany was estimated at 70% of households as of December 31, 2011 (Source: IHS Screen Digest). Despite the rapid growth, broadband penetration in Germany is still relatively low compared to the broadband internet penetration in Western Europe. We believe that, due to its competitive advantage, the German cable distribution technology will continue to attract broadband internet access customers from other distribution technologies such as DSL. The premium television channel market in Germany has historically been underdeveloped. We see significant upside in migrating customers from basic free-to-air television offerings to premium digital cable services such as premium subscription channels, HD channels, DVR and VoD. We are well positioned to participate in the growth in our sector as a result of our advanced products and services and our reputation in our markets as a leading triple-play provider.

Our basic cable video services provide us with strong, stable cash flows. Cable is the leading TV distribution platform in Germany, with 48% of German homes receiving video signals via cable in 2011 (Source: IHS Screen Digest). This percentage has declined only slightly over the last years despite the introduction of alternative TV platforms such as digital satellite, DTT or IPTV offerings. A significant portion of our residential customers pay via direct debit, and many of our housing association customers pay annually or semi-annually in advance pursuant to longer-term contracts. These characteristics, together with the high value proposition of our basic cable services, have historically been responsible for low gross churn rates and a relatively stable basic cable video base. As a result, our business has benefitted from reliable revenue, which, when combined with our predictable cost base and low maintenance capital expenditures, have led to strong and stable cash flows.

We have a large customer base to which we can up- and cross-sell our triple-play services. Our basic cable video base represents a unique asset to which we can up- and cross-sell digital and broadband products and services using our extensive sales and distribution network. Due to the delayed roll-out of advanced services in Germany, our total ratio of RGUs per customer relationship was relatively low at 1.5:1 as of December 31, 2011. In addition, our monthly ARPU per customer relationship is relatively low compared to cable ARPUs in other European markets. For 2011, the monthly ARPU per customer relationship for Unitymedia and KBW was €16.48 and €18.82, respectively. Our single and combined offering of digital television, broadband internet and telephony services, in connection with our established brand and the current general trend towards digitalization, provides us with the opportunity to sell additional services to our existing customers.

Our network provides us with a superior platform. We believe that the size and reach of our cable network positions us well in the converging German media and telecommunication markets. Our control over our cable network is, for the majority of our footprint, one of only two networks with extensive local loop infrastructure across Baden-Württemberg, North Rhine-Westphalia and Hesse. It is highly engineered and structured with high redundancy allowing network stability and low maintenance requirements. Our regional backbone and local loop network position us, we believe, as the only alternative end-to-end, infrastructure-based competitor to Deutsche Telekom across our entire footprint. We believe that control

over local loop last mile (local drop connecting the backbone backhaul and the private property) in the majority of our footprint provides us with high flexibility in product design and delivery of service, time-to-market advantages and certain cost advantages compared to other operators. As of December 31, 2011, approximately 96% of our network had been upgraded to a bi-directional hybrid fiber coaxial cable with 862 MHz capacity, offering the capacity to transmit analog and digital video services in parallel to broadband internet, telephony and interactive services. In addition, we have implemented EuroDOCSIS 3.0 across nearly all of our network coverage area, which allows us to deliver broadband speeds of 100 Mbps and beyond. We therefore believe we are well positioned to benefit from increasing broadband internet penetration and increasing bandwidth demand for broadband services from consumers in general and the migration of customers to premium digital cable services.

We benefit from an advantageous cost structure with inherent operating leverage and success-based capital expenditures. We believe our network ownership and large customer base allow us to operate on a lower cost base than many of our German peers, in particular those that lease access lines from or resell services of Deutsche Telekom. In addition, we benefit from an advantageous cost structure as a result of our secure, long-term access to the cable ducts of Deutsche Telekom and our stringent focus on cost control. As we have upgraded a substantial part of our network, we expect the majority of our future capital expenditures to be customer driven and directly linked to incremental RGU and revenue growth. In addition, the LGI/KBW Transaction and the KBW Fold-in will result in various synergies from the combination of Kabel BW's business with our business and as a result of our affiliation with UPC Holding. We believe that our increased scale and advanced infrastructure will enable us to reduce costs, limit capital expenditures, decrease reliance on suppliers, and open up new strategic opportunities in the German market.

We have a highly experienced management team. Our management team has significant experience in the German and international cable television and telecommunication industries, with a proven track record of increasing productivity, making strategic acquisitions and integrating them as well as developing and maintaining strong customer relationships. We have a management team whose members have held senior management positions at various domestic and international cable operators and telecommunication companies prior to joining Unitymedia and who have developed strong relationships with our market partners, including housing associations and broadcasters. Our top management is supported by a broad base of experienced second level managers.

Our Strategy

The key components of our growth strategy are as follows:

Drive growth from an integrated triple-play product strategy. We believe that our upgraded network provides us with a superior technological infrastructure for delivering triple-play services as a high value consumer proposition. We plan to continue to provide comprehensive, innovative multimedia and entertainment service bundles to existing and new customers, offering customers higher speeds and more value at competitive prices. We believe that the competitive price and quality of our bundled services allow us to differentiate ourselves from our competitors.

Increase our broadband internet and telephony penetration. We plan to grow our broadband internet subscriber base by emphasizing our bandwidth capabilities and compelling value proposition. We intend to acquire a substantial share of new broadband internet customers and win subscribers away from our competitors based on our competitive pricing and service quality as well as the superior speed of our offerings, especially vis-à-vis standard DSL. We see our telephony product, which is used as a first line service, as a potent way to disconnect customers from our competitors for current and future media and telecommunications products.

Drive growth with digital TV and other premium digital cable services. We plan to continue the digitalization of our basic cable video base and up-sell digital video services into the existing base. We regularly update our basic cable program offerings to reflect changes in viewer interest, and we have improved our TV product by introducing additional HD channels and premium subscription channels that we bundle into packages. A key growth driver to switch the analog base into digital is our HD DVR with time shifting and recording functionalities. As part of this strategy, we expect that a next generation set-top box platform, which we refer to as "Horizon", will be introduced in our markets in 2012. Horizon is a multimedia home gateway based on an internet protocol-based digital television-platform that is capable of distributing video, voice and data content throughout the home and to multiple devices, such as tablets and smart phones. As a result of these initiatives, we believe that we will further differentiate ourselves from

other TV distribution platforms and technologies which will allow us to attract new RGUs and increase our revenue and ARPU per customer.

Pursue additional growth from new lines of business such as mobile services and business customers. Enabled by our upgraded and stable network, which we believe is much better suited to data transmission than our competitors' networks, we regularly seek new business opportunities to expand our customers and increase our revenue. Recently we have introduced mobile services and business customer telecommunications services in each of our markets. Since November 2010 in Baden-Württemberg and December 2011 in North Rhine-Westphalia and Hesse, we have been marketing a full range of mobile phone and internet services, which allow us to offer comprehensive packages of telecommunication services to our customers. We believe that these services are complementary to our other services, will reduce churn and that the size and growth of the mobile internet market offers a significant revenue and margin opportunity. In the past year we have also entered the market for business customer telecommunication services. We believe there is a large potential of small offices/home offices together with small and medium sized enterprises in our network coverage area, and we intend to focus on penetrating this market with specified offerings.

Expand our network coverage area through acquisitions. We regularly evaluate potential value accretive acquisition targets and, subject to market conditions and the availability of suitable investment opportunities, intend to expand our network coverage area through acquisitions of related businesses in our existing regions or through organic growth of our existing operations. We are currently focused on efficiently integrating the Kabel BW business so that we can achieve the synergies we believe are available to us as a result of this combination. In selecting potential targets, we intend to focus on gaining access to new markets and product segments, minimizing overlap with our existing network and creating operational synergies. We believe that due to our experience with, and track record of, integrating past acquisitions, we will be able to successfully integrate companies and realize synergies, including the integration of the Kabel BW business.

Maintain focus on operational excellence. We continuously monitor our customers' perception of the quality of our services and aim to further improve our high levels of customer satisfaction. As an example, we have streamlined our operations, automated and integrated various customer care and billing platforms, established closer relationships with our sales agents and implemented earnings-based incentives. We closely monitor key performance indicators to assess our operational processes, sales and marketing efficiency and the reliability of our infrastructure. We are focused on the continued training and development of our sales force and call center agents, so that we can efficiently provide high quality service to our customers.

Focusing on cash flow growth. We are committed to exploiting the growth opportunities that we believe are available to our business and generating high incremental returns on our investments. We intend to leverage the scalability of our operations and our significant historical network investments to translate revenue growth into Adjusted EBITDA. For the year ended December 31, 2011, Unitymedia's Adjusted EBITDA margin increased 410 basis points to almost 60% as compared to the prior year, and Kabel BW's Adjusted EBITDA margin increased 130 basis points to 58% as compared to the prior year, in each case, showing the operational leverage in our business model. We are also committed to further invest into growth with advanced services as we believe that we get a strong return on investment over the life time of an average triple-play customer. Our plan is to improve our cash flow conversion over time as we benefit from operating and capital expenditure leverage as our business grows.

The Transactions

2011 Reorganization

As part of an internal reorganization contemplated at the time of the issuance of the KBW Notes, the 2011 Reorganization was completed as described here: (i) effective May 1, 2011, Kabel Baden-Württemberg GmbH & Co. KG ("**Kabel Partnership**"), which was an indirect wholly owned subsidiary of Kabel BW and was initially a co-issuer of the KBW Senior Secured Notes, was collapsed into KBW, and KBW assumed all of the obligations of Kabel Partnership under the KBW Senior Secured Notes and the KBW Revolving Credit Facility, (ii) effective August 31, 2011, KBW assumed the obligations of Kabel BW, as issuer of the KBW Senior Secured Notes, and Kabel BW was released from its obligations as an issuer of the KBW Senior Secured Notes, (iii) effective August 31, 2011, Kabel BW provided a guarantee of the KBW Senior Secured Notes pursuant to a supplemental indenture dated August 31, 2011 and (iv) effective

August 31, 2011, KBW assumed all rights and obligations of Kabel BW as lender of the KBW Musketeer Loan Facility. The foregoing transactions are referred to as the “**2011 Reorganization.**”

LGI/KBW Transaction

Pursuant to an acquisition agreement dated March 21, 2011, UPC Germany HC2, a wholly-owned indirect subsidiary of Liberty Global, purchased all of the outstanding shares of KBW Musketeer, the then parent company of the Kabel BW Group, from Oskar Rakso for €1,062.4 million in cash (the “**KBW Purchase Price**”). The KBW Purchase Price, together with Kabel BW’s consolidated net debt at December 15, 2011 (aggregate fair value of debt outstanding less cash and cash equivalents) of €2,152.3 million resulted in total consideration of €3,214.7 million before direct acquisition costs. Following regulatory approval, the acquisition was consummated on December 15, 2011 (such acquisition and related transactions, the “**LGI/KBW Transaction**”). The KBW Notes were issued and the KBW Revolving Credit Facility was entered into as part of the LGI/KBW Transaction on March 31, 2011. The LGI/KBW Transaction was completed in order to achieve certain financial, operational and strategic benefits through the integration of Kabel BW with Unitymedia, Liberty Global’s then-existing broadband communications operator in Germany, and, to a lesser extent, with Liberty Global’s other broadband communications operations in Europe. The German Federal Cartel Office (FCO) conditioned its approval of the LGI/KBW Transaction upon the agreement of Kabel BW and Unitymedia with several conditions primarily concerning certain agreements and relationships with housing associations and the encryption of digital free-to-air television services. For more information regarding these conditions, see “*Regulatory — LGI/KBW Transaction Imposed Conditions*”.

2012 Reorganization

As part of an internal reorganization (the “**2012 Reorganization**”) that was effected through a series of mergers and consolidations, (i) the obligations of KBW Musketeer under the KBW Senior Notes were assumed by UPC Germany HC1 on March 27, 2012 and (ii) Kabel BW and KBW Musketeer were merged into UPC Germany HC2 and UPC Germany HC2 was subsequently merged into KBW. The mergers were effective upon registration on March 29, 2012 and March 30, 2012. At December 31, 2011, KBW was the direct subsidiary of Kabel BW that owned all of the operating assets of the consolidated Kabel BW Group.

Exchange Offers, Special Optional Redemptions and KBW Fold-in

As part of the ongoing integration of the Kabel BW Group into Liberty Global’s operations following the LGI/KBW Transaction, we are pursuing the transactions described below and as further described elsewhere in these Listing Particulars. The Exchange Offers, the Special Optional Redemptions and the KBW Fold-in (each as defined below and, collectively, the “**Transactions**”) were undertaken in conjunction with each other and occurred simultaneously on the Issue Date. In addition, we may enter into the additional transactions described below.

The Exchange Offers and Special Optional Redemptions

The Exchange Offers were made in compliance with the required terms and conditions for a Unitymedia Exchange Transaction (as defined in each of the KBW Indentures), in order that the relevant Exchange Offer would constitute a Unitymedia Exchange Transaction under the relevant KBW Indentures, as applicable. A Unitymedia Exchange Transaction was defined in each KBW Indenture as an exchange offer in which the New Issuers may offer to exchange New Notes for the KBW Notes subject to certain required terms and conditions (in addition to compliance with applicable laws).

The KBW Notes exchanged in connection with the Exchange Offers were retired and cancelled and will not be reissued.

Upon the successful consummation of a Unitymedia Exchange Transaction (as described above), the KBW Indentures each allowed for a special optional redemption to be made (the “**Special Optional Redemptions**”), pursuant to which all (but not some) of the relevant remaining KBW Notes were redeemed at a redemption price of 101% of the principal amount thereof. The KBW Notes that were redeemed in the Special Optional Redemptions were subsequently cancelled and will not be reissued. The redemption price payable in connection with the Special Optional Redemptions was funded with the proceeds of borrowings under the 2012 Unitymedia Facilities Agreement (as defined below), borrowings under the Unitymedia Revolving Credit Facility and available cash of Unitymedia.

KBW Fold-in and Post-Settlement Reorganization

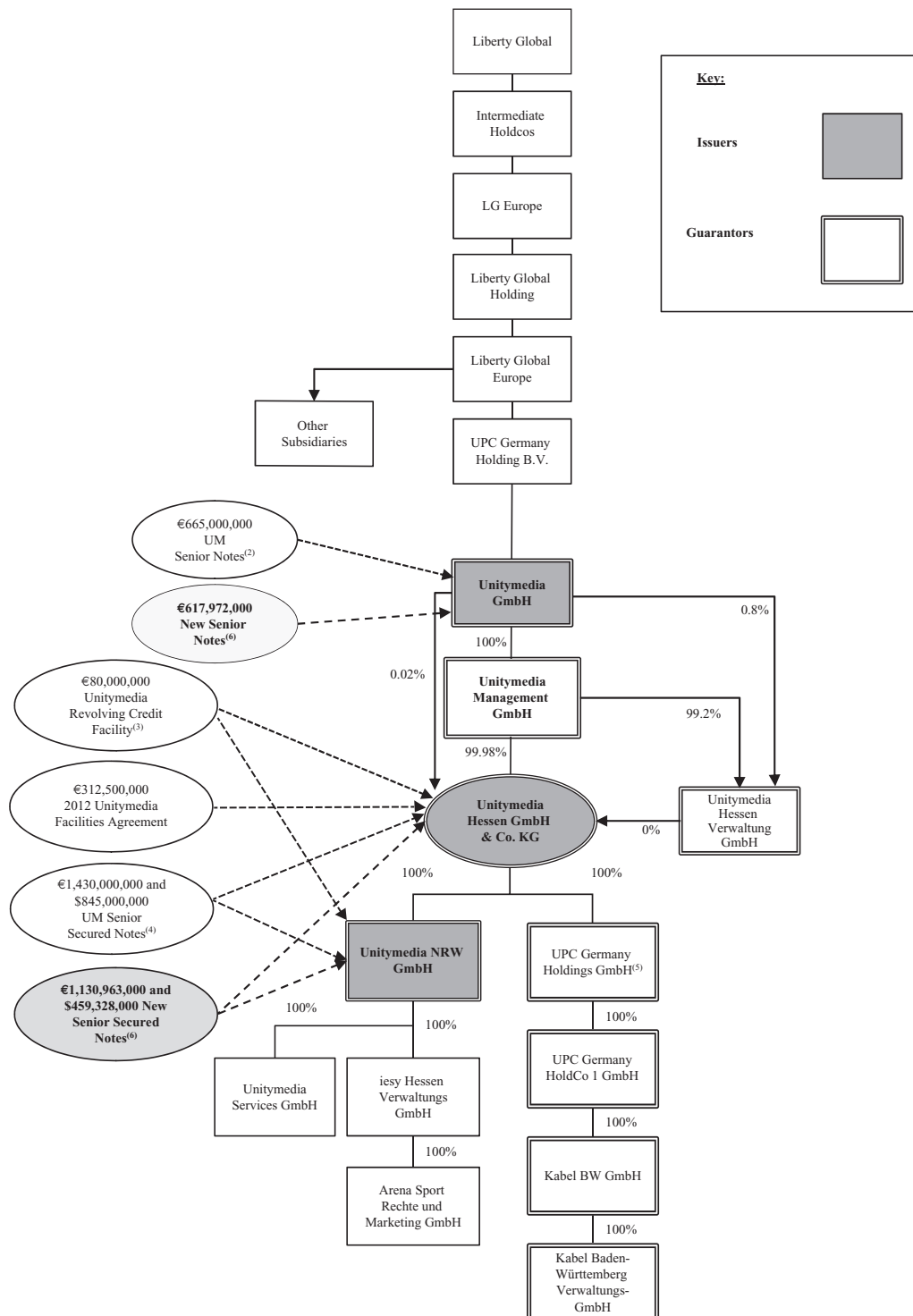
The Exchange Offers and the Special Optional Redemptions were consummated simultaneously with the KBW Fold-in (as defined below). As part of the KBW Fold-in, UPC Germany Holding B.V., the parent company of Unitymedia and of the Kabel BW Group, sold all the shares of UPC Germany Holdings (the parent company of the Kabel BW Group) to the New Senior Notes Issuer. The New Senior Notes Issuer then sold or contributed, directly or indirectly, all the shares of UPC Germany Holdings which it acquired from UPC Germany Holding B.V. to Unitymedia Hessen. The foregoing transactions are referred to collectively as the “**KBW Fold-in**”. As a result of the KBW Fold-in, UPC Germany Holdings is a direct subsidiary of Unitymedia Hessen (co-issuer of the New Senior Secured Notes) and an indirect subsidiary of the New Senior Notes Issuer. Following the consummation of the Exchange Offers and the KBW Fold-in and in order to streamline and optimize our corporate structure, we may further collapse and merge certain of the Kabel BW Group entities with each other and with other entities within the Unitymedia corporate structure (any such transactions are referred to herein as the “**Post-Settlement Reorganization**”).

2012 Unitymedia Facilities Agreement

On May 1, 2012, Unitymedia Hessen GmbH & Co. KG entered into a €312.5 million secured revolving credit facility agreement with certain lenders (the “**2012 Unitymedia Facilities Agreement**”). The interest rate for the 2012 Unitymedia Facilities Agreement is EURIBOR plus a margin of 3.25%. Borrowings under the 2012 Unitymedia Facilities Agreement, which matures on June 30, 2017, may be used for general corporate and working capital purposes. In addition to customary restrictive covenants and events of default, the 2012 Unitymedia Facilities Agreement requires compliance with a consolidated leverage ratio, as defined in the 2012 Unitymedia Facilities Agreement. The 2012 Unitymedia Facilities Agreement is secured by a pledge over the shares of Unitymedia and certain other asset security of certain subsidiaries of Unitymedia. The 2012 Unitymedia Facilities Agreement provides for an annual commitment fee of 1.25% on the unused portion.

Pro Forma Summary Corporate and Financing Structure

The following diagram sets forth certain aspects of our corporate and financing structure after giving effect to the Exchange Offers and the KBW Fold-in. Please refer to “*The Transactions*”, “*Description of Other Indebtedness*”, “*Description of the New Senior Secured Notes*” and “*Description of the New Senior Notes*” for more information.⁽¹⁾



(1) This diagram does not reflect the Post-Settlement Reorganization that we may effect through the means as described in “*The Transactions*” or through alternative means. See “*The Transactions — KBW Fold-in and Post-Settlement Reorganization*”.

(2) The 9.625% Unitymedia Senior Notes due December 1, 2019 were issued on November 20, 2009. See “*Description of Other Indebtedness — UM Senior Notes*”.

- (3) The Unitymedia Revolving Credit Facility is a senior secured revolving credit facility as described further herein. For a description of the Unitymedia Revolving Credit Facility, see “*Description of Other Indebtedness — Unitymedia Revolving Credit Facility*”.
- (4) The 8.125% Unitymedia Senior Secured Notes due December 1, 2017 were issued on November 20, 2009. See “*Description of Other Indebtedness — UM Senior Secured Notes*”.
- (5) Upon consummation of the Exchange Offers and the KBW Fold-in, UPC Germany Holdings will become a wholly-owned direct subsidiary of Unitymedia Hessen. See “*The Transactions*”.
- (6) The New Issuers and Guarantors of the New Notes represent more than 95% of the consolidated total assets as of December 31, 2011 and more than 95% of the consolidated EBITDA of the Unitymedia Group for the year ended December 31, 2011 on a pro forma basis after giving effect to the KBW Fold-in.

UNITYMEDIA SUMMARY UNAUDITED PRO FORMA COMBINED FINANCIAL AND OPERATING DATA

The tables below set out certain summary unaudited pro forma combined financial and operating data of Unitymedia as of and for the year ended December 31, 2011. The following summary unaudited condensed pro forma combined balance sheet data as of December 31, 2011 for Unitymedia gives effect to (1) the KBW Fold-in, (2) the Exchange Offers, and (3) the Special Optional Redemptions, as applicable, as if such transactions occurred on December 31, 2011. The effect of the Exchange Offers assumes a range of results based on the exchange of 100% (the “Maximum Exchange”) and, to approximate an outcome satisfying the Minimum Tender Condition, 51% (the “Minimum Exchange”) of the KBW Notes for New Notes, and in the case of the Minimum Exchange, further assumes the impact of the Special Optional Redemptions for the remaining 49% of the KBW Notes. The Maximum Exchange and the Minimum Exchange represent the range of possible results that could occur with respect to the Exchange Offers and the Special Optional Redemptions. The actual results of these transactions may fall anywhere within this range. The following summary unaudited pro forma combined statement of operations data gives effect to (1) the LGI/KBW Transaction, (2) the March 2011 Debt Refinancing, (3) the KBW Fold-in, (4) the Exchange Offers and (5) the Special Optional Redemptions, as applicable, as if such transactions occurred on January 1, 2011. This pro forma information has been derived from, and should be read in conjunction with, the Unitymedia Consolidated Financial Statements, the Kabel BW 2011 Consolidated Financial Statements, and the “Unaudited Pro Forma Condensed Combined Financial Information of Unitymedia”, included elsewhere herein.

	Year ended December 31, 2011	
	Maximum Exchange	Minimum Exchange and Special Optional Redemptions
	in millions	
Unitymedia Summary Unaudited Pro Forma Combined Statement of Operations Data:		
Revenue	€ 1,630.4	€ 1,630.4
Operating, selling, general and administrative expenses (including stock-based compensation)	666.7	666.7
Impairments and other operating charges, net	38.9	38.9
Total operating costs and expenses	705.6	705.6
Depreciation and amortization	619.0	619.0
EBIT	305.8	305.8
Net financial and other expense	(556.9)	(555.1)
Income tax benefit	40.7	40.2
Net loss	€ (210.4)	€ (209.1)
	December 31, 2011	
	Maximum Exchange	Minimum Exchange and Special Optional Redemptions
	in millions	
Unitymedia Summary Unaudited Pro Forma Combined Balance Sheet Data:		
Cash and cash equivalents	€ 46.6	€ 23.0
Total assets	€ 7,949.8	€ 7,926.2
Total current liabilities	€ 461.1	€ 461.1
Total debt and finance lease obligations:		
Third party	€ 5,085.6	€ 5,069.1
Related party	€ 193.1	€ 193.1
Total liabilities	€ 6,255.7	€ 6,237.1
Total shareholder's equity	€ 1,694.1	€ 1,689.1

Summary Combined Statistical and Operating Data of Unitymedia and the Kabel BW Group^(a)

	December 31, 2011
Footprint	
Homes passed	12,445,300
Two-way homes passed	12,034,500
Subscribers (RGUs)	
Digital cable	1,983,800
Analog cable	4,768,600
Total video	6,752,400
Internet	1,799,500
Telephony	1,831,700
Total RGUs	10,383,600
Penetration	
Digital cable as a % of total video subscribers	29.4%
Internet as a % of two-way homes passed	15.0%
Telephony as a % of two-way homes passed	15.2%
Customer Relationships	
Customer relationships	6,932,300
RGUs per customer relationship	1.50

(a) For information concerning how Unitymedia and Kabel BW define and calculate their operating statistics, see “*Business of Unitymedia—Introduction*” and “*Business of Kabel BW—Introduction*”, respectively.

Unitymedia Summary Unaudited Pro Forma Combined Operating Data

	Year ended December 31, 2011		
		Maximum Exchange	Minimum Exchange and Special Optional Redemptions
		in millions	
Revenue	€	1,630.4	€ 1,630.4
Adjusted EBITDA ^(b)	€	963.7	€ 963.7
Adjusted EBITDA Margin		59.1%	59.1%
Capital expenditures (“CapEx”)	€	436.2	€ 436.2
CapEx as % of revenue		26.8%	26.8%

(b) Adjusted EBITDA is the primary measure used by our management to evaluate the company’s performance. Adjusted EBITDA is also a key factor that is used by our internal decision makers to evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. We define EBITDA as earnings before net finance expense, income taxes, depreciation and amortization. As we use the term, Adjusted EBITDA is defined as EBITDA before stock-based compensation, impairment, restructuring and other operating charges or credits and related-party fees and allocations, net. Other operating charges or credits include (i) gains and losses on the disposition of long-lived assets, (ii) direct acquisition costs, such as third-party due diligence, legal and advisory costs, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Our internal decision makers believe Adjusted EBITDA is a meaningful measure and is superior to other available EU-IFRS measures because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to readily view operating trends and identify strategies to improve operating performance. We believe our Adjusted EBITDA 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 EBITDA should be viewed as a measure of operating performance that is a

supplement to, and not a substitute for EBIT, net earnings (loss), cash flow from operating activities and other EU-IFRS measures of income or cash flows. A reconciliation of pro forma combined Adjusted EBITDA to net loss is as follows:

	Year ended December 31, 2011	
	Maximum Exchange	Minimum Exchange and Special Optional Redemptions
	in millions	
Adjusted EBITDA	€ 963.7	€ 963.7
Depreciation and amortization	(619.0)	(619.0)
Impairments and other operating charges, net	(38.9)	(38.9)
EBIT	305.8	305.8
Net financial and other expense	(556.9)	(555.1)
Income tax benefit	40.7	40.2
Net loss	€ (210.4)	€ (209.1)

Certain As Adjusted Combined Covenant Information:

	As of and for the year ended December 31, 2011
	in millions
Combined annualized EBITDA ^(c)	€975.0
As adjusted combined annualized EBITDA ^(d)	€1,015.0
Total combined covenant senior debt ^(e)	€3,659.9
Total combined covenant total debt ^(e)	€5,004.9
Ratio of combined covenant senior debt to as adjusted combined annualized EBITDA ^{(d)(e)}	3.61x
Ratio of combined covenant total debt to as adjusted combined annualized EBITDA ^{(d)(e)}	4.93x

(c) Combined annualized EBITDA of Unitymedia and the Kabel BW Group is calculated by multiplying EBITDA (as defined in the underlying indentures) for the six months ended December 31, 2011 (€487.5 million) by two. Annualized EBITDA and EBITDA may differ from the Adjusted EBITDA amounts reported for corresponding periods.

(d) As adjusted combined annualized EBITDA of Unitymedia and the Kabel BW Group is calculated by adjusting combined annualized EBITDA of Unitymedia and the Kabel BW Group to include a portion of the synergies that are currently expected to be achieved upon the completion of the integration of Unitymedia and the Kabel BW Group.

(e) Total combined covenant senior debt and total combined covenant total debt are calculated in accordance with the underlying indentures. The amounts shown for total combined covenant senior debt of Unitymedia and the Kabel BW Group and total combined debt of Unitymedia and the Kabel BW Group take into account currency swaps and do not include deferred financing fees, accrued interest, premiums or discounts, and accordingly, may differ from the combined debt figures that are reported under “*Capitalization of Unitymedia*” and “*Unaudited Pro Forma Condensed Combined Financial Information of Unitymedia*”. Assuming 100% of the KBW Notes are exchanged in the Exchange Offers, there would be no change to these amounts. Assuming 51% of the KBW Notes are exchanged in the Exchange Offers (to approximate an outcome satisfying the Minimum Tender Condition), each of the total combined covenant senior debt and total combined covenant total debt would increase by approximately €11.2 million and the ratio of combined covenant total debt to as adjusted combined annualized EBITDA would increase to 4.94x.

SUMMARY FINANCIAL AND OPERATING DATA OF UNITYMEDIA

The table below sets out summary financial and operating data of Unitymedia for the indicated periods. As further described in note 1 to the Unitymedia Consolidated Financial Statements included elsewhere in these Listing Particulars, Unitymedia was formed in October 2009 in contemplation of the issuance of debt financing in connection with the acquisition of Old Unitymedia. The acquisition of Old Unitymedia by Unitymedia, which we refer to as the “LGI/Unitymedia Transaction”, was completed on January 28, 2010. Accordingly, Old Unitymedia is not included in Unitymedia’s historical consolidated financial statements prior to January 28, 2010. In order to provide meaningful comparisons, the following discussion and analysis of our results of operations is based on pro forma statement of operations and statistical data that gives effect to the formation of Unitymedia, the Unitymedia Merger, the LGI/Unitymedia Transaction and the refinancing of Old Unitymedia’s debt as of January 1, 2010. As a result, (i) the historical operating results of Old Unitymedia’s continuing operations are included in the statement of operations and statistical data for all periods presented and discussed below, unless otherwise indicated, and (ii) the pro forma statement of operations amounts for the year ended December 31, 2010 include adjustments to (a) reflect the new basis of accounting resulting from the LGI/Unitymedia Transaction and (b) eliminate the impacts of the refinanced debt of Old Unitymedia. The pro forma amounts related to Old Unitymedia are derived from the historical financial statements of Old Unitymedia for the relevant period. The pro forma financial information is not necessarily indicative of the results of operations that would have occurred if these transactions had occurred on such dates. The Unitymedia Consolidated Financial Statements included in these Listing Particulars have been prepared in accordance with EU-IFRS. The following information should be read in conjunction with the Unitymedia Consolidated Financial Statements, and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Unitymedia*”. Unitymedia’s results do not necessarily indicate results that may be expected for any future period.

	Year ended December 31,	
	2011	2010
	pro forma	
	in millions	
Unitymedia Consolidated Statement of Operations Data:		
Revenue	€ 1,025.2	€ 935.2
Operating (other than depreciation and amortization)	271.9	273.6
Selling, general and administrative (other than depreciation and amortization) (including stock-based compensation)	140.6	140.7
Restructuring and other operating charges	0.5	26.7
Related-party fees and allocations, net	35.8	23.8
Total operating costs and expenses	448.8	464.8
Depreciation and amortization	388.3	351.8
EBIT	188.1	118.6
Net financial and other expense	(337.9)	(319.6)
Income tax benefit	16.1	33.1
Loss from continuing operations	€ (133.7)	€ (167.9)
	December 31,	
	2011	2010
	in millions	
Unitymedia Historical Consolidated Balance Sheet Data:		
Cash and cash equivalents	€ 20.1	€ 58.7
Total assets	€ 4,329.5	€ 4,300.1
Total current liabilities	€ 279.6	€ 309.7
Total debt and finance lease obligations:		
Third party	€ 2,745.1	€ 2,711.6
Related party	€ 193.1	€ 1,167.0
Total liabilities	€ 3,519.1	€ 4,517.5
Total shareholder's equity (deficit)	€ 810.4	€ (217.4)

	Year ended December 31,	
	2011	2010 ^(a)
	in millions	
Unitymedia Historical Consolidated Cash Flow Data:		
Cash provided by operating activities	€ 314.5	€ 215.8
Cash used by investing activities	€ (413.4)	€ (2,123.2)
Cash provided by financing activities	€ 60.3	€ 1,966.1

(a) The 2010 cash flow data includes the cash flows of Old Unitymedia from the January 28, 2010 acquisition date through December 31, 2010.

Unitymedia Summary Statistical and Operating Data^(b)

	As of and for the year ended December 31,	
	2011	2010
Footprint		
Homes passed	8,674,200	8,718,900
Two-way homes passed	8,304,900	8,183,600
Subscribers (RGUs)		
Digital cable	1,735,800	1,533,800
Analog cable	2,692,400	2,954,200
Total video	4,428,200	4,488,000
Internet	1,032,500	780,300
Telephony	1,028,400	779,300
Total RGUs	6,489,100	6,047,600
Penetration		
Digital cable as a % of total video subscribers	39.2%	34.2%
Internet as a % of two-way homes passed	12.4%	9.5%
Telephony as a % of two-way homes passed	12.4%	9.5%
Customer Relationships		
Customer relationships	4,534,900	4,555,100
RGUs per customer relationship	1.43	1.33
ARPU		
ARPU per customer relationship	€ 16.48	€ 15.07

(b) For information concerning how Unitymedia defines and calculates its operating statistics, see “*Business of Unitymedia — Introduction*”.

Unitymedia Summary Operating Data

	Year ended December 31,	
	2011	2010
	pro forma	
	in millions	
Revenue	€ 1,025.2	€ 935.2
Adjusted EBITDA ^(c)	€ 613.2	€ 520.9
Adjusted EBITDA margin	59.8%	55.7%
CapEx	€ 298.6	€ 261.3
CapEx as % of revenue	29.1%	27.9%

(c) Adjusted EBITDA is the primary measure used by our management to evaluate the company’s performance. Adjusted EBITDA is also a key factor that is used by our internal decision makers to evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. We define EBITDA as earnings before net finance expense, income taxes,

depreciation and amortization. As we use the term, Adjusted EBITDA is defined as EBITDA before stock-based compensation, impairment, restructuring and other operating charges or credits and related-party fees and allocations, net. Other operating charges or credits include (i) gains and losses on the disposition of long-lived assets, (ii) direct acquisition costs, such as third-party due diligence, legal and advisory costs, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Our internal decision makers believe Adjusted EBITDA is a meaningful measure and is superior to other available EU-IFRS measures because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to readily view operating trends and identify strategies to improve operating performance. We believe our Adjusted EBITDA 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 EBITDA should be viewed as a measure of operating performance that is a supplement to, and not a substitute for EBIT, net earnings (loss), cash flow from operating activities and other EU-IFRS measures of income or cash flows. A reconciliation of Adjusted EBITDA to loss from continuing operations is as follows:

	Year ended December 31,	
	2011	2010
	pro forma	
	in millions	
Adjusted EBITDA	€ 613.2	€ 520.9
Depreciation and amortization	(388.3)	(351.8)
Restructuring and other operating charges	(0.5)	(26.7)
Stock-based compensation	(0.5)	—
Related-party fees and allocations, net	(35.8)	(23.8)
EBIT	188.1	118.6
Net financial and other expense	(337.9)	(319.6)
Income tax benefit	16.1	33.1
Loss from continuing operations	€ (133.7)	€ (167.9)

SUMMARY FINANCIAL AND OPERATING DATA OF KABEL BW

The table below sets out summary financial and operating data of Kabel BW for the indicated periods. The summary consolidated statement of operations and balance sheet data is derived from the Kabel BW 2011 Consolidated Financial Statements. The Kabel BW 2011 Consolidated Financial Statements included in these Listing Particulars have been prepared in accordance with EU-IFRS. The following information should be read in conjunction with the Kabel BW 2011 Consolidated Financial Statements and “*Supplemental Discussion and Analysis of Certain Historical Financial Information and Results of Operations of Kabel BW*”. Kabel BW’s results do not necessarily indicate results that may be expected for any future period.

	Year ended December 31,					
	2011		2010		2009	
	in millions					
Kabel BW Consolidated Statement of Operations Data:						
Revenue	€	606.6	€	551.5	€	485.0
Operating (other than depreciation and amortization)		188.0		173.5		169.2
Selling, general and administrative expenses (other than depreciation and amortization)		66.0		64.8		58.5
Impairments and other operating charges, net		3.3		9.6		3.5
Total operating costs and expenses		257.3		247.9		231.2
Depreciation and amortization		147.2		136.4		125.0
EBIT		202.1		167.2		128.8
Net financial and other expense		(128.4)		(74.4)		(80.2)
Income tax benefit (expense)		(2.7)		44.7		(9.3)
Net earnings	€	71.0	€	137.5	€	39.3

	December 31,			
	2011		2010	
	in millions			
Kabel BW Consolidated Balance Sheet Data:				
Cash and cash equivalents	€	26.2	€	101.0
Total assets	€	2,488.1	€	1,991.8
Total current liabilities	€	164.3	€	259.7
Total debt	€	1,590.5	€	1,163.3
Total liabilities	€	1,771.6	€	1,356.7
Total shareholder's equity	€	716.5	€	635.1

	Year ended December 31,			
	2011	2010		2009
	in millions			
Kabel BW Cash Flow Data:				
Cash provided by operating activities	€ 216.8	€ 252.2	€ 164.5	
Cash used by investing activities	€ (675.8)	€ (157.8)	€ (145.9)	
Cash provided (used) by financing activities	€ 384.2	€ (47.9)	€ (31.4)	

Kabel BW Summary Statistical and Operating Data^(a)

	As of and for the year ended December 31,	
	2011	2010
Footprint		
Homes passed	3,771,100	3,736,500
Two-way homes passed	3,729,600	3,695,400
Subscribers (RGUs)		
Digital cable	248,000	214,800
Analog cable	2,076,200	2,100,800
Total video	2,324,200	2,315,600
Internet	767,000	627,100
Telephony	803,300	656,300
Total RGUs	3,894,500	3,599,000
Penetration		
Digital cable as a % of total video subscribers	10.7%	9.3%
Internet as a % of two-way homes passed	20.6%	17.0%
Telephony as a % of two-way homes passed	21.5%	17.8%
Customer Relationships		
Customer relationships	2,397,400	2,352,700
RGUs per customer relationship	1.62	1.53
ARPU		
ARPU per customer relationship	€ 18.82	€ 17.44

(a) For information concerning how Kabel BW defines and calculates its operating statistics, see “*Business of Kabel BW — Introduction*”.

Kabel BW Summary Operating Data

	Year ended December 31,		
	2011	2010	2009
	in millions		
Revenue	€ 606.6	€ 551.5	€ 485.0
Adjusted EBITDA ^(b)	€ 352.6	€ 313.2	€ 257.3
Adjusted EBITDA Margin	58.1%	56.8%	53.1%
CapEx	€ 137.6	€ 142.8	€ 146.1
CapEx as % of revenue	22.7%	25.9%	30.1%

(b) Adjusted EBITDA is the primary measure used by Kabel BW’s management to evaluate the company’s performance. Adjusted EBITDA is also a key factor that is used by Kabel BW’s internal decision makers to evaluate the effectiveness of Kabel BW’s management for purposes of annual and other incentive compensation plans. Kabel BW defines EBITDA as earnings before net finance expense, income taxes, depreciation and amortization. As Kabel BW uses the term, Adjusted EBITDA is defined as EBITDA before stock-based compensation, impairment, restructuring and other operating charges or credits and, related-party fees and allocations, net. Other operating charges or credits include (i) gains and losses on the disposition of long-lived assets, (ii) direct acquisition costs, such as third-party due diligence, legal and advisory costs, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Kabel BW’s internal decision makers believe Adjusted EBITDA is a meaningful measure and is superior to other available EU-IFRS measures because it represents a transparent view of Kabel BW’s recurring operating performance that is unaffected by Kabel BW’s capital structure and allows management to readily view operating trends and identify strategies to improve operating performance. Kabel BW believes its Adjusted EBITDA measure is useful to investors because it is one of the bases for comparing Kabel BW’s performance with the performance of other companies in the same or similar

industries, although Kabel BW's measure may not be directly comparable to similar measures used by other companies. Adjusted EBITDA should be viewed as a measure of operating performance that is a supplement to, and not a substitute for EBIT, net earnings (loss), cash flow from operating activities and other EU-IFRS measures of income or cash flows. A reconciliation of Adjusted EBITDA to net earnings is as follows:

	Year ended December 31,		
	2011	2010	2009
	in millions		
Adjusted EBITDA	€ 352.6	€ 313.2	€ 257.3
Depreciation and amortization	(147.2)	(136.4)	(125.0)
Impairments and other operating charges, net	(3.3)	(9.6)	(3.5)
EBIT	202.1	167.2	128.8
Net financial and other expense	(128.4)	(74.4)	(80.2)
Income tax benefit (expense)	(2.7)	44.7	(9.3)
Net earnings	€ 71.0	€ 137.5	€ 39.3

SUMMARY OF THE NEW NOTES

The summary below describes the principal terms of the New Notes. It may not contain all the information that is important to you. Certain of the terms and conditions described below are subject to important limitations and exceptions. The “*Description of the New Senior Secured Notes*” and the “*Description of the New Senior Notes*” sections of these Listing Particulars contain a more detailed description of the terms and conditions of the New Notes, including the definitions of certain terms used in this summary.

Issuers

New Senior Secured Notes	Unitymedia Hessen GmbH & Co. KG and Unitymedia NRW GmbH (the “ New Senior Secured Notes Issuers ”) as co-issuers.
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New Senior Notes	Unitymedia GmbH (the “ New Senior Notes Issuer ” and, together with the New Senior Secured Notes Issuers, the “ New Issuers ”).
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New Notes

New Senior Secured Notes	€ 735,096,000 aggregate principal amount of 7½% Senior Secured Notes due 2019 (the “ New Euro SSNs ”).
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\$459,328,000 aggregate principal amount of 7½% Senior Secured Notes due 2019 (the “**New Dollar SSNs**” and, together with the New Euro SSNs, the “**Senior Secured Fixed Rate Notes**”).

€ 395,867,000 aggregate principal amount of Senior Secured Floating Rate Notes due 2018 (the “**New FRNs**”, and, together with the Senior Secured Fixed Rate Notes, the “**New Senior Secured Notes**”).

New Senior Notes	€ 617,972,000 aggregate principal amount of 9½% Senior Notes due 2021 (the “ New Senior Notes ” and together with the New Senior Secured Notes, the “ New Notes ”).
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Issue Date	May 4, 2012.
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Issue Price

New Euro SSNs	100.000%.
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New Dollar SSNs	100.000%.
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New FRNs	100.000%.
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New Senior Notes	100.000%.
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Maturity Date

New FRNs	March 15, 2018.
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Senior Secured Fixed Rate Notes	March 15, 2019.
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New Senior Notes	March 15, 2021.
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Interest Rate

New Euro SSNs	7.500%
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New Dollar SSNs	7.500%
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New FRNs	Three-month EURIBOR plus 4.25% per year, reset two days before the beginning of each quarterly interest period.
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New Senior Notes	9.500%.
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Interest Payment Dates

Senior Secured Fixed Rate Notes

Semi-annually in arrears on each March 15 and September 15, commencing September 15, 2012. Interest will be deemed to accrue from March 15, 2012, as if such Senior Secured Fixed Rate Notes had been issued on such date and, accordingly, on the next interest payment date for the New Notes following completion of the Exchange Offers, holders of New Notes will receive an interest payment representing (i) accrued and unpaid interest on the relevant KBW Notes being exchanged for such New Notes from the most recent interest payment date for such KBW Notes to, but excluding, the Issue Date plus (ii) interest accrued from the Issue Date to such interest payment date for the New Notes.

New FRNs

Quarterly in arrears on each March 15, June 15, September 15 and December 15, commencing June 15, 2012. Interest will be deemed to accrue from March 15, 2012, as if such New FRNs had been issued on such date.

New Senior Notes

Semi-annually in arrears on each March 15 and September 15, commencing September 15, 2012. Interest will be deemed to accrue from March 15, 2012, as if such New Senior Notes had been issued on such date.

Form of Denomination

New Euro Notes

Each New Euro SSN, New FRN and New Senior Note (collectively, the “**New Euro Notes**”) will have a minimum denomination of €100,000 and be in integral multiples of €1,000 in excess thereof. New Euro Notes in denominations of less than €100,000 will not be available.

New Dollar Notes

Each New Dollar SSN or, the “**New Dollar Notes**”, will have a minimum denomination of \$150,000 and be in integral multiples of \$1,000 in excess thereof. New Dollar Notes in denominations of less than \$150,000 will not be available.

Ranking of the New Notes

New Senior Secured Notes

The New Senior Secured Notes will:

- be general, senior obligations of the New Senior Secured Notes Issuers, secured as set forth below under “— *Security*”;
- rank *pari passu* in right of payment with any existing and future indebtedness of the New Senior Secured Notes Issuers that is not subordinated to the New Senior Secured Notes (including the UM Senior Secured Notes and the Unitymedia Revolving Credit Facility);
- rank senior in right of payment to any existing and future subordinated obligations of the New Senior Secured Notes Issuers (including the senior subordinated guarantee given by each New Senior Secured Notes Issuer in favor of the New Senior Notes and the UM Senior Notes);
- be guaranteed on a senior basis by Unitymedia GmbH, Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH, UPC Germany Holdings GmbH, UPC Germany Holdco 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH (the “**Senior Secured Note Guarantors**”);

- have the benefit of security over (i) the Unitymedia Collateral (as defined below under “— *Security*”) as at the Issue Date and (ii) in addition to the Unitymedia Collateral, the Kabel BW Collateral (as defined below under “— *Security*”) no later than 180 calendar days following the Issue Date; and
- be effectively subordinated to any existing and future secured indebtedness of the New Senior Secured Notes Issuers that is secured by liens senior to the liens securing the New Senior Secured Notes or secured by property and assets that do not secure the New Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness.

New Senior Notes

The New Senior Notes will:

- be general, senior obligations of the New Senior Notes Issuer, and have the benefit of security over the Senior Notes Collateral (as defined below under “— *Security*”);
- be guaranteed on a senior subordinated basis by Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH, Unitymedia Hessen, Unitymedia NRW GmbH, UPC Germany Holdings GmbH, UPC Germany Holdco 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH (the “**Senior Note Guarantors**” and together with the Senior Secured Note Guarantors, the “**Guarantors**”);
- be senior in right of payment to any existing and future subordinated obligations of the New Senior Notes Issuer;
- rank *pari passu* in right of payment with any existing and future indebtedness of the New Senior Notes Issuer that is not subordinated to the New Senior Notes; and
- be effectively subordinated to any existing and future secured indebtedness of the New Senior Notes Issuer (including the secured guarantee obligations of the New Senior Notes Issuer with respect to the New Senior Secured Notes, the UM Senior Secured Notes, the Unitymedia Revolving Credit Facility and certain hedging obligations) and its subsidiaries to the extent of the value of the assets securing such indebtedness (unless such assets also secure the New Senior Notes on an equal and ratable or prior basis).

Guarantees

New Senior Secured Notes

The New Senior Secured Notes will be guaranteed on a senior basis by the Senior Secured Note Guarantors (the “**Senior Secured Note Guarantees**”). The Senior Secured Note Guarantees may be released in certain circumstances, including upon the sale of a Senior Secured Note Guarantor, if certain conditions are met. The obligations of each Senior Secured Note Guarantor will be limited as described under the heading “*Description of the New Senior Secured Notes — Ranking of the Notes, Note Guarantees and Security*”.

New Senior Notes

The New Senior Notes will be guaranteed on a senior subordinated basis by the Senior Note Guarantors (the “**Senior Note Guarantees**” and together with the Senior Secured Note

Guarantees, the “**Note Guarantees**”). The Senior Note Guarantees may be released in certain circumstances, including upon the sale of a Senior Note Guarantor, if certain conditions are met. The obligations of each Senior Note Guarantor will be limited as described under the heading “*Description of the New Senior Notes — Ranking of the Notes, Subsidiary Guarantees and Security*”.

Ranking of the Guarantees

New Senior Secured Notes

Each Senior Secured Note Guarantee will be a general obligation of the relevant Senior Secured Note Guarantor and will:

- benefit from the security set forth below under “— *Security*”;
- rank *pari passu* in right of payment with any existing and future indebtedness of that Senior Secured Note Guarantor that is not subordinated to such Senior Secured Note Guarantor’s Senior Secured Note Guarantee, including such Senior Secured Note Guarantor’s guarantee of the UM Senior Secured Notes and the Unitymedia Revolving Credit Facility and certain hedging obligations and, if such guarantee is given by Unitymedia GmbH, *pari passu* to the obligations of Unitymedia GmbH under the UM Senior Notes and the New Senior Notes;
- rank senior in right of payment to any existing and future subordinated obligations of that Senior Secured Note Guarantor (including, if such Senior Secured Note Guarantee is given by a subsidiary of Unitymedia GmbH, senior to the senior subordinated guarantee given by that Senior Secured Note Guarantor in favor of the UM Senior Notes and the New Senior Notes);
- be effectively subordinated to any existing and future indebtedness of that Senior Secured Note Guarantor that is secured by liens senior to the liens securing that Senior Secured Note Guarantor’s Senior Secured Note Guarantee or secured with property or assets that do not secure that Senior Secured Note Guarantor’s Senior Secured Note Guarantee, to the extent of the value of the assets securing such indebtedness.

The Senior Secured Note Guarantees will be subject to the terms of the Intercreditor Agreement. See “*Description of Other Indebtedness — Intercreditor Agreement*”.

The Senior Secured Note Guarantees will be subject to release under certain circumstances. See “*Description of the New Senior Secured Notes — Ranking of the Notes, Note Guarantees and Security — Guarantees*”.

New Senior Notes

Each Senior Note Guarantee will be a general senior subordinated obligation of the relevant Senior Note Guarantor and will:

- benefit from the security set forth below under “— *Security*”;
- be subordinated in right of payment to all existing and future senior indebtedness of that Senior Note Guarantor (including such Senior Note Guarantor’s obligations under

the Unitymedia Revolving Credit Facility, the UM Senior Secured Notes, the New Senior Secured Notes and certain hedging obligations);

- rank *pari passu* in right of payment with all existing and future senior subordinated indebtedness of such Senior Note Guarantor;
- rank senior in right of payment to all existing and future indebtedness of such Senior Note Guarantor that is expressly subordinated to such Senior Note Guarantee; and
- be effectively subordinated to all existing and future indebtedness of that Senior Note Guarantor that is secured by liens senior to the liens securing that Senior Note Guarantor's Senior Note Guarantee or secured with property or assets that do not secure that Senior Note Guarantor's Senior Note Guarantee, to the extent of the value of the property or assets securing such indebtedness.

The Senior Note Guarantees will be subject to the terms of the Intercreditor Agreement, including payment blockage upon a senior default and standstills on enforcement. See “*Description of Other Indebtedness — Intercreditor Agreement*”.

The Senior Note Guarantees will be subject to release under certain circumstances. See “*Description of the New Senior Notes — Ranking of the Notes, Subsidiary Guarantees and Security*”.

As of December 31, 2011, on an as adjusted basis after giving effect to the KBW Fold-In and the issuance of the New Notes, the Senior Note Guarantors of the New Senior Notes would have had total indebtedness of €1,485.4 million (equivalent) (excluding the guarantees of the New Senior Secured Notes, the UM Senior Secured Notes and the Unitymedia Revolving Credit Facility and certain hedging obligations) to which each Senior Note Guarantee would have been contractually subordinated.

Security

New Senior Secured Notes

At the Issue Date, the New Senior Secured Notes were secured by (i) share pledges of all the capital stock of Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH and the New Senior Secured Notes Issuers, (ii) a pledge over claims under certain domination and/or profit and loss absorption agreements by Unitymedia GmbH, Unitymedia Hessen Verwaltung GmbH, Unitymedia Management GmbH and Unitymedia NRW GmbH, (iii) with respect to each of the New Senior Secured Notes Issuers, Unitymedia GmbH, Unitymedia Management GmbH and Unitymedia Hessen Verwaltung GmbH, (a) an account pledge covering certain cash accounts, (b) security assignments of receivables and insurance claims and (c) a pledge over claims under certain intercompany loans and (iv) security transfers of substantially all of the other material tangible assets of the New Senior Secured Notes Issuers (other than the SLAs) as specified in further detail in the security transfer agreement (collectively, the “**Unitymedia Collateral**”). No later than 180 calendar days following the Issue Date, the New Senior Secured Notes will also be secured by (i) share pledges of all the capital stock of UPC Germany Holdings GmbH; UPC Germany HoldCo 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg

Verwaltungs-GmbH; (ii) pledges over claims under certain intercompany loans by UPC Germany HoldCo 1 GmbH and, to the extent applicable, Kabel BW GmbH; (iii) account pledges covering certain cash accounts by each of UPC Germany Holdings GmbH, UPC Germany HoldCo 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH; (iv) security assignments of receivables and insurance claims by Kabel BW GmbH; and (v) security transfers of substantially all of the other material tangible assets of Kabel BW GmbH (other than the SLAs) as specified in further detail in a security transfer agreement in relation thereto (collectively, the “**KBW Collateral**” and together with, the Unitymedia Collateral, the “**Senior Secured Notes Collateral**”). See “*Description of the New Senior Secured Notes — Ranking of the Notes, Note Guarantees and Security*”.

As a matter of German law, the share pledges over the capital stock of Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH and the New Senior Secured Notes Issuers granted to secure the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to the New Senior Secured Notes will, because they are being granted at a later point in time, rank junior to (i) the first ranking share pledge over such capital stock granted to secure the obligations under the Unitymedia Revolving Credit Facility and certain hedging obligations and the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to the UM Senior Secured Notes and (ii) the second ranking share pledge over such capital stock granted to secure the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to the UM Senior Notes. Similarly, each of (i) the pledge over claims under certain domination and/or profit and loss absorption agreements by Unitymedia GmbH, Unitymedia Hessen Verwaltung GmbH, Unitymedia Management GmbH and Unitymedia NRW GmbH, (ii) the account pledge covering cash accounts of each of the New Senior Secured Notes Issuers, Unitymedia GmbH, Unitymedia Management GmbH and Unitymedia Hessen Verwaltung GmbH and (iii) the pledge over claims under certain intercompany loans held by each of the New Senior Secured Notes Issuers, Unitymedia GmbH, Unitymedia Management GmbH and Unitymedia Hessen Verwaltung GmbH granted to secure the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to the New Senior Secured Notes will, as a matter of German law, rank junior to (i) the pledge over such assets granted to secure the obligations under the Unitymedia Revolving Credit Facility and certain hedging obligations and the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to UM Senior Secured Notes and (ii) the pledge over the claims under certain domination and/or profit and loss absorption agreements granted to secure the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to the UM Senior Notes.

However, the terms of the Intercreditor Agreement (which is also applicable to the Unitymedia Revolving Credit Facility, the UM Senior Secured Notes and the UM Senior Notes) provides

that the benefit of the first and junior ranking pledges over the Unitymedia Collateral be (i) shared equally by the New Senior Secured Notes offered in the Senior Secured Exchange Offer, the UM Senior Secured Notes, the Unitymedia Revolving Credit Facility and certain hedging obligations and (ii) senior to the second ranking pledges in favor of the UM Senior Notes and the new junior ranking pledge in favor of the New Senior Notes. Please note that this contractual arrangement is subject to certain limitations under German law. Further, under the terms of the Intercreditor Agreement, the proceeds of any enforcement of the Senior Secured Notes Collateral will be applied to repayment of the Unitymedia Revolving Credit Facility and certain hedging obligations prior to being applied to repayment of the New Senior Secured Notes and the UM Senior Secured Notes. The Senior Secured Notes Collateral is subject to contractual limitations due to German capital maintenance laws and may be released in certain circumstances. See “*Risk Factors — Risks Relating to the New Notes*” and “*Description of the New Senior Secured Notes — Ranking of the Notes, Note Guarantees and Security*”.

New Senior Notes

The New Senior Notes are secured by a pledge of the shares of the New Senior Notes Issuer and a junior-ranking pledge of the shares of Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH and Unitymedia Hessen and a junior-ranking pledge over the claims under certain domination and/or profit and loss agreements (the “**Senior Notes Collateral**”, and together with the Senior Secured Notes Collateral, the “**Collateral**”). See “*Description of the New Senior Notes — Ranking of the Notes, Subsidiary Guarantees and Security*”.

As a matter of German law, (i) the share pledge over the capital stock of the Senior Notes Issuer granted to secure the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to the New Senior Notes will rank junior to the first ranking share pledge over such capital stock granted to secure the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to of the security trustee under the UM Senior Notes, (ii) the share pledges over the shares of Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH and Unitymedia Hessen will rank junior to the share pledges over such capital stock to secure the Unitymedia Revolving Credit Facility and certain hedging obligations and the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to each of the UM Senior Secured Notes, New Senior Secured Notes and the UM Senior Notes and (iii) the pledge over the claims under certain domination and/or profit and loss absorption agreements will rank junior to the pledges over such claims to secure the Unitymedia Revolving Credit Facility and certain hedging obligations and the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to the UM Senior Secured Notes, New Senior Secured Notes and the UM Senior Notes, in each case because they are being granted at a later point in time than the senior ranking pledges granted in favor of the Unitymedia Revolving Credit Facility and certain hedging obligations and the security trustee of the UM Senior Secured Notes, the New Senior Secured Notes and the UM Senior Notes, as applicable.

However, the terms of the Intercreditor Agreement (which is also applicable to the UM Senior Notes) provides that the benefit of (i) the first and junior ranking share pledges over the New Senior Notes Issuer (ii) certain junior ranking share pledges over the shares of Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH and Unitymedia Hessen and (iii) the second and junior ranking pledge over the claims under certain domination and/or profit and loss absorption agreements will, in each case, be shared equally by the New Senior Notes offered in the Senior Exchange Offer and the UM Senior Notes. Please note that this contractual arrangement is subject to certain limitations under German law. Further, under the terms of the Intercreditor Agreement, the proceeds of any enforcement of the Senior Notes Collateral will be applied to repayment of the Unitymedia Revolving Credit Facility, the New Senior Secured Notes and the UM Senior Secured Notes and certain hedging obligations prior to being applied to repayment of the New Senior Notes and the UM Senior Notes. The Senior Notes Collateral is subject to contractual limitations due to German capital maintenance laws and may be released in certain circumstances. See *“Description of the New Senior Notes—Ranking of the Notes, Subsidiary Guarantees and Security”*.

Additional Amounts; Tax Redemption

All payments in respect of the New Notes will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, the New Issuers will pay additional amounts so that the net amount you receive is no less than that which you would have received in the absence of such withholding or deduction. See *“Description of the New Senior Secured Notes — Withholding Taxes”* and *“Description of the New Senior Notes — Withholding Taxes”*. The New Senior Secured Notes Issuers or the New Senior Notes Issuer, as applicable, may redeem the New Notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on the New Notes, and, as a result, the New Senior Secured Notes Issuers or the New Senior Notes Issuer, as applicable, are required to pay additional amounts with respect to such withholding taxes. If the New Senior Secured Notes Issuers or the New Senior Notes Issuer, as applicable, decides to exercise such redemption right, they must pay you a price equal to the principal amount of the relevant New Notes plus interest and additional amounts, if any, to the date of redemption. See *“Description of the New Senior Secured Notes — Redemption for Taxation Reasons”* and *“Description of the New Senior Notes — Redemption for Taxation Reasons”*.

Optional Redemption

New Senior Secured Fixed Rate Notes

The New Senior Secured Notes Issuers may redeem all or part of the Senior Secured Fixed Rate Notes on or after March 15, 2015, at the redemption prices as described under *“Description of the New Senior Secured Notes — Optional Redemption — Fixed Rate Notes — Optional Redemption on or after March 15, 2015”*.

Prior to March 15, 2015, the New Senior Secured Notes Issuers may redeem all or part of the Senior Secured Fixed Rate Notes by paying a “make whole” premium as described under

“Description of the New Senior Secured Notes — Optional Redemption — Optional Redemption prior to March 15, 2015”.

Prior to March 15, 2014, the New Senior Secured Notes Issuers may on one or more occasions use the net proceeds of specified equity offerings to redeem up to 35% of the principal amount of the Senior Secured Fixed Rate Notes at the redemption prices as described under *“Description of the New Senior Secured Notes — Optional Redemption — Optional Redemption upon Equity Offerings”*.

New FRNs

The New Senior Secured Notes Issuers may redeem some or all of the New FRNs at the redemption prices set forth in these Listing Particulars.

New Senior Notes

The New Senior Notes Issuer may at any time redeem all or part of the New Senior Notes on or after March 15, 2016 at the redemption prices as described under *“Description of the New Senior Notes — Optional Redemption — Optional Redemption on or after March 15, 2016”*.

Prior to March 15, 2016, the New Senior Notes Issuer may redeem all or part of the New Senior Notes by paying a “make whole” premium as described under *“Description of the New Senior Notes — Optional Redemption — Optional Redemption prior to March 15, 2016”*.

Prior to March 15, 2014, the New Senior Notes Issuer may on one or more occasions use the net proceeds of specified equity offerings to redeem up to 35% of the principal amount of the New Senior Notes at the redemption prices as described under *“Description of the New Senior Notes — Optional Redemption — Optional Redemption upon Equity Offerings”*.

Change of Control

If the New Senior Secured Notes Issuers or the New Senior Notes Issuer experience a change of control (as defined in the relevant New Indenture) at any time, they or it will be required to offer to repurchase the New Senior Secured Notes and the New Senior Notes, as applicable, at 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of the purchase. See *“Description of the New Senior Secured Notes — Certain Covenants — Change of Control”* and *“Description of the New Senior Notes — Certain Covenants — Change of Control”*.

Certain Covenants

The New Indentures will partially limit, among other things, the ability of the New Issuers and their respective Restricted Subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of subsidiaries to pay dividends or make other payments to the New Issuers;
- transfer, lease or sell certain assets including subsidiary stock;

- merge or consolidate with other entities;
- enter into certain transactions with affiliates;
- enter into unrelated businesses; and
- impair the security interests for the benefit of the holders of the New Notes.

Each of these covenants is subject to a number of significant exceptions and qualifications. See “*Description of the New Senior Secured Notes — Certain Covenants*” and the related definitions and “*Description of the New Senior Notes — Certain Covenants*” and the related definitions.

Transfer Restrictions

The New Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The New Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See “*Transfer Restrictions*”.

No Prior Market

The New Notes will be new securities for which there is currently no market. Accordingly, the New Issuers cannot assure you that an active trading market for the New Notes will develop or be maintained.

Listing

Application has been made for the New Notes to be admitted to listing and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. See “*Description of the New Senior Secured Notes — Certain Covenants — Listing*” and “*Description of the New Senior Notes — Certain Covenants — Listing*”.

Governing Law for the New Notes, the Note Guarantees and the New Indentures

New York law.

Governing Law for the Security Documents

German law.

Trustee

New Senior Secured Notes

The Bank of New York Mellon, London Branch.

New Senior Notes

The Bank of New York Mellon, London Branch.

Paying Agent and Transfer Agent

New Senior Secured Notes

The Bank of New York Mellon, London Branch.

New Senior Notes

The Bank of New York Mellon, London Branch.

New York Paying Agent, New York Transfer Agent and New York Registrar

New Senior Secured Notes

The Bank of New York Mellon.

Registrar

New Senior Secured Notes

The Bank of New York Mellon (Luxembourg) S.A.

New Senior Notes

The Bank of New York Mellon (Luxembourg) S.A.

Security Trustee

Credit Suisse, London Branch.

Use of proceeds

The New Issuers did not receive any cash proceeds in the Exchange Offers. See “*Use of Proceeds*”.

Risk factors

Please see the “*Risk Factors*” section for a description of certain of the risks you should carefully consider before considering investing in the New Notes.

RISK FACTORS

Acquiring the New Notes involves risks. Prospective investors should consider carefully the specific risk factors set forth below, as well as the other information contained in these Listing Particulars. If any of the events described below, individually or in combination, were to occur, this could have a material adverse impact on our business, prospects, results of operations and financial condition and could therefore have a negative effect on the trading price of the New Notes and our ability to pay all or part of the interest on the New Notes. Although described below and elsewhere in this document are the risks considered to be the most material, there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our results of operations, financial condition, business or operations in the future. In addition, our past financial performance may not be a reliable indicator of our future performance and historical trends should not be used to anticipate results or trends in future periods.

These Listing Particulars also contain forward looking statements that involve risks and uncertainties. Actual results may differ materially from those anticipated in these forward looking statements as a result of various factors, including the risks described below and elsewhere in these Listing Particulars. In the following text, the terms “we”, “us”, “our”, and “our Company” refers, unless otherwise provided, to Unitymedia or collectively Unitymedia and its collective subsidiaries following consummation of the KBW Fold-in.

Risks Relating to Our Financial Profile

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

We are highly leveraged. As of December 31, 2011, on a pro forma basis, our total consolidated third-party debt and finance lease obligations would have been approximately €5.1 billion. Of this pro forma indebtedness, (i) €2,082.0 million (equivalent) represents the outstanding principal amount of the UM Senior Secured Notes and €665.0 million represents the outstanding principal amount of the UM Senior Notes and (ii) €2,103.4 million (equivalent) represents the outstanding principal amount of the New Notes issued pursuant to the Offering Memorandum. In addition, this pro forma indebtedness includes an aggregate of €265.0 million outstanding under the Unitymedia Revolving Credit Facility and the 2012 Unitymedia Facilities Agreement.

We may incur substantial additional debt in the future. Any debt that we incur at a subsidiary to the New Issuers would be structurally senior to the New Notes, and other debt could be secured or could mature prior to the New Notes. Although the Unitymedia Revolving Credit Facility and the indentures governing the New Notes and the Unitymedia Notes will and/or do contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, the aforementioned indentures and the Unitymedia Revolving Credit Facility will not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

Further, the indentures governing the Unitymedia Notes and the New Notes, and the Unitymedia Revolving Credit Facility each allow us, in certain circumstances, to make dividend payments and to make other distributions under the applicable covenants thereunder limiting restricted payments or make minority investments or investments in joint ventures. See the discussions under the heading “*Description of Other Indebtedness*” for further information about our substantial debt.

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

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

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

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

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

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

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

We seek to maintain our debt at levels that provide for attractive returns without assuming undue risk. In this regard, we strive to maintain our debt at levels that result in a consolidated debt balance that is between four and five times our Adjusted EBITDA (as defined in note (a) to the Unitymedia Summary Unaudited Pro Forma Combined Financial and Operating Data included in these Listing Particulars (see “*Summary — Unitymedia Summary Unaudited Pro Forma Combined Financial and Operating Data — Unitymedia Summary Unaudited Pro Forma Combined Operating Data*”)). At December 31, 2011, on a pro forma basis, our total third-party consolidated outstanding debt and finance lease obligations were approximately €5.1 billion. We believe that we have sufficient resources to repay or refinance the current portion of our debt and finance lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our debt maturities grow in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to refinance or otherwise extend our debt maturities in light of current market conditions. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position.

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

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

The indentures, including the indentures governing the Unitymedia Notes and the New Notes, and other agreements governing our indebtedness contain covenants that significantly restrict our ability to, among other things:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;

- create or permit to exist certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- transfer, lease or sell certain assets including subsidiary stock;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates;
- enter into unrelated businesses; and
- impair the security interests for the benefit of the holders of the New Notes.

All of these limitations will be subject to significant exceptions and qualifications, including the ability to pay dividends, make investments or to make significant prepayments of shareholder debt. However, these covenants could limit our ability to finance our future operations and capital needs and pursue acquisitions and other business activities that may be in our interest.

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

The New FRNs and borrowings under the Unitymedia Revolving Credit Facility bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

A portion of our current debt (after giving effect to the Transactions), including the New FRNs and borrowings under the Unitymedia Revolving Credit Facility, which was fully-drawn as of December 31, 2011, bears interest at a floating rate of interest per annum equal to EURIBOR, as adjusted periodically, plus a spread. In addition, the 2012 Unitymedia Facilities Agreement, if entered into, will bear interest at a floating rate. These interest rates could rise significantly in the future. Although we enter into various derivative transactions to manage exposure to movements in interest rates, there can be no assurance that we will be able to continue to do so at a reasonable cost or at all. If we are unable to effectively manage our interest rate exposure through derivative transactions, any increase in market interest rates would increase our interest rate exposure and debt service obligations, which would exacerbate the risks associated with our leveraged capital structure.

We are exposed to various foreign currency exchange rate risks.

The functional currency of our operations is the euro. Accordingly, we are exposed to foreign currency exchange risk with respect to our dollar denominated debt, which includes, after giving effect to the Transactions, the New Dollar SSNs and the UM Dollar Senior Secured Notes. Although we generally seek to match the denomination of our borrowings, and the borrowings of our subsidiaries, with the euro, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in the euro. With respect to the UM Dollar Senior Secured Notes we have entered into, and with respect to the New Dollar SSNs we expect to enter into, cross-currency swaps to synthetically convert the interest and principal payments due under such notes into euros throughout the term of such notes.

We may be unable to fully deduct interest on our financial liabilities.

We have entered and will enter into numerous debt financing arrangements with third parties as well as with group companies and/or affiliated companies. These debt financings require us to pay principal and interest. Interest expense is generally subject to the interest barrier rules (*Zinsschranke*) in Germany. These rules limit the deductibility of the net interest expense of a business to an amount equal to 30% of the tax-adjusted “EBITDA” (as defined under applicable tax law) of the business, unless certain exceptions apply. For purposes of the interest barrier rules, all businesses belonging to the same German fiscal unity (*Organschaft*) for corporate income and trade tax purposes are treated as one single business. Any net interest expense which is non-deductible under the interest barrier rules can be carried forward and, subject to various restrictions, might be deductible in future years. There are certain exceptions from the limitations of the interest barrier rules, in particular the so called escape clause, which we believe is to

some extent applicable to the relevant businesses of our group for 2012. It cannot be predicted whether the tax authorities share this view and whether we can rely upon the application of the escape clause in 2012. Rather, the effect of the interest barrier rules on our businesses is uncertain. The deductibility of our net interest expenses depends in particular on our ability to generate future tax EBITDA to allow for interest deductibility and on the application of the escape clause.

In some cases the extent to which the limitations of the interest barrier rules apply to net interest expense may depend on whether the underlying debt funding can be allocated to the special business assets (*Sonderbetriebsvermögen*) of Unitymedia Hessen to thus benefit from the EBITDA volume generated by Unitymedia Hessen and those of its subsidiaries belonging to a fiscal unity for corporate income and trade tax purposes with Unitymedia Hessen. If in these instances the debt funding is not allocated to the special business assets (*Sonderbetriebsvermögen*) of Unitymedia Hessen the tax effective deduction of the net interest expense may be disallowed under the interest barrier rules.

Irrespective of the interest barrier rules, interest may not be deductible for tax purposes if and to the extent (i) proceeds from the underlying financial liabilities would be deemed by tax authorities to be used for the cash funding of profit withdrawals or capital withdrawals made by Unitymedia Hessen to its partners or (ii) there are or have been withdrawals or deemed withdrawals exceeding the amount of the profits of Unitymedia Hessen in the respective business year plus any contributions (so-called excessive withdrawals or *Überentnahmen*), as calculated in accordance with specific provisions in the German Income Tax Act (*Einkommensteuergesetz*). We do not intend to use the proceeds for the cash funding of profit or capital withdrawals. However, tax authorities may tend to deem any profit or capital withdrawals as being funded by such proceeds. Moreover, we cannot rule out that tax authorities may try to assume excessive withdrawals at some point in time.

Also, under the general add-back rules for trade tax purposes, 25% of interest expense deductible for corporate income tax purposes is added back for trade tax purposes. For instance, if debt funding is obtained by and passed on to other German companies of our group, this results in trade tax leakages.

Any limitation of the deductibility of interest expenses may result in a higher tax burden for future periods as well as past periods which could have a material adverse effect on our cash flows, financial condition and results of operations.

We may be unable to fully set off taxable losses against taxable profits within our group.

We may incur corporate income tax and trade tax on different levels of our group, notwithstanding the fact that we may suffer losses on a consolidated basis. Different fiscal unities (*Organschaften*) have been established in our group. Taxable profits and losses of separate fiscal unities cannot be set off against each other. Additionally, tax loss carry forwards incurred in periods before a company joins a fiscal unity as a dominated company (*Organgesellschaft*) cannot be used to shelter group profits. Also, German tax law only allows us to shelter 60 percent of positive current income by the use of tax loss carryforwards (to the extent that such positive income exceeds the amount of €1 million). The existence of separate fiscal unities also results in certain interest on our group's external and internal debt instruments being subject to different rules and limitations with respect to corporate income tax purposes, and the amount of cash needed by our group for paying income tax may increase due to these limitations.

Tax loss carryforwards, current losses and interest carryforwards of Unitymedia or Kabel BW may not survive, which would result in significantly higher tax liabilities, which could adversely affect our business.

We have tax loss carryforwards and interest carryforwards for German tax purposes ("Carryforward Losses"). As of December 31, 2011, tax loss carryforwards for corporate income tax and trade tax purposes amounted to approximately €157.0 million and €876.8 million, respectively, for Unitymedia and €710.0 million and €419.2 million, respectively, for Kabel BW, and interest carryforwards amounted to approximately €403.4 million for Unitymedia and €95.0 million for Kabel BW. These Carryforward Losses can, subject to certain restrictions and limitations as to use and realizability, reduce future taxable income. A tax loss carryforward is the sum of the tax losses that Unitymedia or Kabel BW, as applicable, incurred during a prior tax assessment period and that Unitymedia or Kabel BW, as applicable, was unable to set off against positive income. An interest carryforward represents the total tax net interest expenses that Unitymedia or Kabel BW, as applicable, was unable to deduct for tax purposes in prior years under the interest barrier rules (*Zinsschranke*).

These Carryforward Losses as well as current tax losses could be forfeited in the future due to the transfer of the shares or voting rights (either directly or indirectly, through purchase or subscription) to a

single acquirer, persons related to such acquirer, or a group of acquirers whose interests are aligned (“Single Purchaser”) or due to a comparable change of ownership in Unitymedia or Kabel BW, as applicable. In more detail, the following applies: If within five years more than 25%, but not more than 50% of the shares or voting rights were transferred to a Single Purchaser, or if a comparable change of ownership occurred, the Carryforward Losses as well as current tax losses incurred until the transfer takes place would be lost in proportion to the percentage of shares or voting rights transferred. If more than 50% of the shares or voting rights were transferred in the above sense, all existing Carryforward Losses and current tax losses incurred until the transfer takes place would be lost. With effect as of January 1, 2010, certain exemptions to such loss cancellation rules have been introduced, namely for certain group transactions (*Konzernklausel*) as well as to the extent (taxable) built-in gains (*Verschonungsregelung*) exist in the respective company’s assets.

Notwithstanding the existence of built-in gains and the group transaction exemption there is a risk that Carryforward Losses and current tax losses, in whole or in part, will forfeit upon the LGI/Unitymedia Transaction and the LGI/KBW Transaction and the further reorganization measures implemented or initiated in our group (such as the past mergers in the Unitymedia Group or the 2012 Reorganization). Further, reorganization measures that may be implemented in our group in the future, such as mergers, could jeopardize the application of the above exemptions and thus risk the survival of Carryforward Losses and current tax losses of Unitymedia and Kabel BW. Such reorganization measures could also result in the forfeiture of trade tax losses, as their survival depends on a certain level of identity of the taxpayer and the business (*Unternehmer- und Unternehmensidentität*) who have incurred the trade tax losses and who intend to use them.

Any reduction or cancellation of our Carryforward Losses and current tax losses may result in a higher tax burden for future periods as well as past periods which could have a material adverse effect on our cash flows, financial condition and results of operations. In addition, any forfeiture of tax loss carry forwards might require a write-down of our deferred tax assets.

Our tax liabilities may change due to tax audits.

We are subject to tax audits on a regular basis. The most recent completed tax audits at Unitymedia Group related to corporate income tax, trade tax and value-added-tax (“VAT”) and covered the financial years 2000–2004 with respect to Unitymedia, Unitymedia Management, Unitymedia Hessen and Unitymedia NRW and the financial years 2001–2004 with respect to Unitymedia Services. The tax assessment notices regarding these tax audits have been issued and the respective back taxes have been paid. Tax audits relating to corporate income tax, trade tax and VAT and covering the financial years 2005–2007 commenced in 2010 and are currently ongoing. A court appeal is currently pending relating to the tax assessment of Unitymedia Hessen for the tax assessment period 2007.

The Kabel BW Group’s most recent completed tax audits relate to corporate income tax, trade tax, wage tax and VAT for the financial years up to and including 2006 for the tax authorities in Heidelberg and 2004 for the tax authorities in Hannover and Mannheim. These tax audits were finalized in 2009 and 2010, respectively. The Heidelberg tax authorities have issued tax assessment notices and the respective back taxes have been paid. Hannover and Mannheim have not yet assessed additional taxes following the finalized tax audits.

As a result of the ongoing tax audits or future tax audits and of the ongoing court proceedings regarding 2007 additional taxes could be assessed on us or any of our subsidiaries. For instance, additional taxes could result from specific structures implemented, or the multi-tier holding structures, from the financings and financing-related measures, from inter-company charges as well as from the reorganizations within our group. Further, additional taxes and/or social insurance contributions could be triggered to the extent external service providers would be regarded as employees of our group for tax purposes.

Provisions and liabilities for taxes are included in the consolidated balance sheet of our group which cover existing tax exposures including those of the ongoing tax audits. It cannot be ruled out that tax payment obligations arising from a current or future tax audit will exceed the amount (then) accounted for as a tax provision or liability. Any additional taxes and other duties could have a significant adverse effect on our cash flows, financial condition and results of operations.

Risks Relating to Our Industry and Our Business

We operate in competitive industries, and competitive pressures could have a material adverse effect on our business.

The video, broadband internet and telephony services markets in Germany are highly competitive and rapidly evolving. We face significant competition from established and new competitors. In some instances, we compete against companies with greater scale, easier access to financing, more comprehensive product offerings, greater personnel resources, greater brand name recognition and experience or longer-established relationships with regulatory authorities and customers. These companies may in some cases have fewer regulatory burdens with which they are required to comply, because, among other reasons, they use different technologies to provide their services, do not own their direct access network or are not subject to obligations applicable to operators with significant market power. Such obligations may include pricing restrictions or the obligation to provide access to the network.

The nature and level of the competition we face vary for each of the products and services we offer. Our video cable service competes directly with traditional over-the-air broadcast television services, direct to home (“DTH”) satellite providers, digital terrestrial video broadcast (“DVB-T”), and telecommunications carriers such as Deutsche Telekom AG (“Deutsche Telekom”), that use digital subscriber line (“DSL”) technologies. Over-the-top (“OTT”) video content providers, which deliver television signals as a video stream on top of third parties’ broadband internet access services, also compete with our video cable service, in particular our pay-per-view and VoD services. Digital and analog video reception via satellite is common in the German television market and satellite companies such as Sky Deutschland AG (“Sky Deutschland”), SES S.A. Astra (“SES Astra”) and Eutelsat Communications S.A. are increasing their services and offerings to compete with our video services. Satellite has certain competitive advantages over cable television, including the ability to offer a wider range of programs to a wider geographic area, especially in rural areas. Deutsche Telekom and other telecommunications carriers are upgrading DSL with very high bit rate DSL (“VDSL”) and fiber-to-the-home (“FTTH”). The increased bandwidth and download speeds offered by these technologies allows the internet to serve as a platform for the distribution of Internet Protocol television (“IPTV”) and VoD services.

We also face competition for MDU contracts from housing associations, municipal carriers and Professional Operators (also referred to as Level 4 Operators). Professional Operators typically enter into long-term contracts with housing associations and may have greater flexibility in their pricing strategies. Moreover, in 2011 Deutsche Telekom re-entered the cable video market by marketing its service to MDUs. In December 2011, Deutsche Telekom announced that it had contracted with a large housing association to connect 171,000 units throughout Germany to its fiber-based network. The impact of Deutsche Telekom’s operations on the MDU market segment is uncertain, but it could affect our ability to win new contracts or renew existing contracts. In addition, in connection with the LGI/KBW Transaction, we granted early termination rights on certain agreements we have with the largest housing associations and which have a remaining term of more than three years. We cannot assure you that we will be able to negotiate new agreements with such housing associations on terms that are as favorable to us as the existing contracts, or at all. Accordingly, the termination of these bulk agreements could have a material adverse effect on our business, financial condition and results of operations. See “— *We have made certain commitments to address the competition concerns of the FCO that could have an adverse impact on our future operating results and cash flows*” below.

In the provision of broadband internet and telephony services, we experience competition from incumbent telephone providers, resellers, alternative carriers and mobile network operators. In Germany, DSL is currently the dominant technology and Deutsche Telekom is the largest service provider with 12.3 million subscribers as of December 31, 2011. Deutsche Telekom has the advantage of a nationwide network and greater resources. In addition, mobile broadband services have been launched by mobile network operators, which will compete with our broadband internet service. The mobile services business in Germany is highly competitive, with four major network operators, each with their own mobile access network. We expect to continue to face significant competition in prices and service offerings in our broadband internet and telephony markets.

We expect the level of competition to continue to increase as a result of changes in the regulatory framework of the businesses in which we operate, advances in technology, the influx of new market entrants and strategic alliances and cooperative relationships among industry participants. Competition can make it difficult to attract new customers and retain existing customers, thereby increasing churn levels, and may lead to increased price pressure. Prices for products and services offered to customers in

the telecommunications and broadband services markets in Germany have decreased sharply in recent years, especially in the telephony market, and may continue to decrease in the future. Increasing competitive pressure and technological progress may cause prices for telecommunications and broadband services to continue to decline sharply. There can be no assurance that we will be able to compete successfully against our current or future competitors in any of our markets. Our failure to do so could have a material adverse effect on our business, financial condition and results of operations.

We have a history of losses and may report losses in the future.

On a pro forma basis after giving effect to the KBW Fold-in, and assuming that the Exchange Offers are fully subscribed and no Unitymedia Cash Notes are issued, we would have reported a net loss of €210.4 million for the year ended December 31, 2011. In addition, Unitymedia reported losses from continuing operations of €133.7 million and €173.1 million for the years ended December 31, 2011 and 2010, respectively. We may incur losses in the future due to, among other things, interest expenses and depreciation. While a portion of any future losses may consist of depreciation and amortization expenses, which do not directly impact our cash flow, future losses may adversely affect our business and limit our ability to engage in equity or debt financings.

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

While our operations attempt to increase our subscription rates to offset increases in operating costs, there is no assurance that we will be able to do so. We expect our operating expenses to grow in the near future as we plan to increase spending on marketing and advertising to aggressively market our advanced services. Programming costs are also expected to increase. Our revenue sources are mainly from “evergreen” contracts (which provide for automatic renewal) with our customers. A recent decision of the German Federal Supreme Court (*Bundesgerichtshof*) determined that under such contracts, prices may only be raised under certain circumstances, and KBW was prohibited by a regional court from relying on its general terms and conditions authorizing KBW to increase prices. We are also impacted by inflationary increases in salaries, wages, benefits and other administrative costs. As a result, our operating costs may increase faster than associated revenues, resulting in a material negative impact on our cash flows and profitability.

We may not be able to successfully introduce new or modified services or respond to technological developments.

To remain competitive, we must continue to increase and improve the functionality, availability and features of our network, in particular, to upgrade our bandwidth capacity to keep up with increasing demand for bandwidth intensive services and to launch premium digital cable services, broadband internet, telephony and mobile services. In general, the cable television, broadband internet and mobile services industries face challenges including the following:

- rapid and significant technological change;
- changes in usage patterns and customer needs and priorities;
- frequent introduction of new products and services or upgrading of existing products and services in connection with new technologies; and
- introduction of new industry standards and practices that render current company technologies and systems obsolete.

It is difficult to predict the effect of technical innovations on our business. We may be unable to successfully integrate new technologies or adapt to new or existing technologies to meet customer needs within an appropriate timeframe. Any such inability could have a material adverse effect on our business, financial condition and results of operations.

We have made certain commitments to address the competition concerns of the German Federal Cartel Office (the FCO) that could have an adverse impact on our future operating results and cash flows.

The FCO conditioned its approval of the LGI/KBW Transaction upon the agreement of our company with several conditions primarily concerning certain agreements and relationships our company has with housing associations and the encryption of digital free-to-air television services. For more information regarding the conditions we agreed to in connection with the LGI/KBW Transaction, see “Regulatory — LGI/KBW Transaction Imposed Conditions”. We expect to expend significant time and resources complying

with these conditions, which could adversely impact our business, financial condition and results of operations.

In particular, we agreed to grant an early termination right with respect to certain of our larger MDU agreements, and such MDU agreements accounted for a significant portion of our 2011 revenue associated with (i) MDUs in general and (ii) the largest MDU agreement accounts. If the housing associations that are a party to these MDU agreements elect to exercise this early termination right our business will be disrupted, we will in any event be subject to further increased competitive pressures and we will be required to assert significant time and resources to renegotiate such agreements. There can be no assurance that we will be able to negotiate new agreements with such housing associations on terms that are as favorable to us as the current agreements, or at all. Accordingly, the termination of these bulk agreements could have a material adverse effect on our business, financial condition and results of operations.

In addition, in January 2012, two of our competitors, including Deutsche Telekom, each filed an appeal against the FCO regarding its decision to approve the LGI/KBW Transaction. We believe the decision will ultimately be upheld and currently intend to support the FCO in defending the decision. However, we can provide no assurances as to the ultimate outcome of these proceedings, which are expected to take up to four years to complete, including the appeals process. An adverse ruling on this appeal, which could ultimately result in a requirement to unwind the LGI/KBW Transaction, would have a material adverse effect on our cash flows, business, financial condition and results of operations. In addition, we may be required to expend significant time and resources in defending the FCO's decision.

Failure to control customer churn, including a decline in the number of our cable subscribers, may adversely affect our business and financial results.

Customer churn refers to those subscribers who cease subscribing for one or more of our products or services. In the ordinary course of our business, we experience a loss of customers due to their choice to obtain services via an alternative platform, relocation of our customers to areas not covered by our network and dunning of customers who, after several reminders, do not pay our invoices. Factors impacting churn in our consumer subscriber base include price increases and dissatisfaction with our prices or service or preference for a competing provider such as satellite for video services or Deutsche Telekom in relation to broadband internet and telephony services. For example, any interruption of our services, the removal or unavailability of programming, which may not be under our control, or other customer service problems could contribute to increased subscriber churn or cause us to fail in our goal of reducing the level of churn of our video services, premium digital cable services, and broadband internet and telephony services. Any increase in customer churn may lead to reduced revenues and RGUs or increased costs to retain these customers, which could have a material adverse effect on our business, financial condition and results of operations.

We rely on Deutsche Telekom and certain of its affiliates for access to and the operation of a significant part of our network.

While we compete with Deutsche Telekom in a number of markets, each of Unitymedia and KBW rely on long-term services and assets under framework service agreements and other agreements Unitymedia and KBW each have with Deutsche Telekom and certain of its affiliates. These agreements are significant to our business, including for the lease of cable duct space used for each of Unitymedia's and KBW's cable network as well as for the lease of facility space (colocation). Generally, the term of the services relating to cable duct and colocation is unlimited, but the term sheets, which specify the services and assets provided by Deutsche Telekom and its affiliates, are subject to certain termination rights and, according to German law, lease agreements are subject to a termination right of either party after a term of 30 years. Our ability to offer our services to our customers depends on the performance of Deutsche Telekom and its affiliates of their respective obligations under these arrangements. In particular, Unitymedia and KBW rely on Deutsche Telekom to provide them with timely access to shared facilities, especially for the purposes of maintaining and repairing their networks and avoiding or rectifying network outages. Deutsche Telekom has the right to terminate the services under the agreements in certain circumstances and under certain conditions, some of which circumstances or conditions are outside of our control. The termination of any material portion or all of the framework service agreement or of the other agreements by Deutsche Telekom would require us to find alternative solutions. It may be difficult to establish an alternative at a reasonable price, which would adversely affect the value of our business. Continuing our business upon such termination would, if possible at all, require a sizeable payment to purchase the relevant facilities

from Deutsche Telekom or a sizeable investment to replicate the lost facilities or services and could have a material adverse effect on our business, financial condition or results of operations. In many cases, we would not be able to find suitable alternative service providers at comparable cost or within a reasonable timeframe.

We do not have guaranteed access to programs and are dependent on our relationships and cooperation with program providers and broadcasters.

The success of our business depends on, among other things, the quality and variety of the programming delivered to our subscribers. If we fail to obtain sufficient high-quality programming for our digital cable services, including our premium subscription and HD packages, on satisfactory terms or at all, our ability to migrate customers from analog services to digital services maybe limited. The loss of programs could have a material adverse effect on our business, financial condition and results of operations. In addition, we have entered into carriage agreements with public broadcasters and most private broadcasters for a significant portion of our programming. Under these contracts, we derive revenues from carriage fees in exchange for distributing the TV channels to our subscriber base. Most of these contracts may be terminated by the end of 2014 and we may not be able to renew them on favorable terms or at all or enter into new contracts for additional content (including content in HD format). Public broadcasters have indicated that they are no longer willing to pay carriage fees beyond January 1, 2013. In addition, some private broadcasters are seeking to change the distribution model and require that cable operators pay license fees to the broadcasters. Any lowering of the carriage fees that we receive from program providers, or change in the distribution model, may adversely affect our business, financial condition and results of operations.

We have no direct billing relationship for basic cable television services with approximately 64% of our subscribers and may not be able to maintain or renew existing or procure new concession agreements with housing associations, landlords or Professional Operators.

We typically serve our basic cable television customers through concession agreements with housing associations in charge of large apartment blocks and, to a lesser extent, Professional Operators. We have framework agreements with some of the largest housing associations in the regions in which we operate. For these subscribers, our contractual relationship is with a landlord or local housing association, many of which own or represent multiple buildings that house a large number of subscribers. Professional Operators may procure the basic video signals from us at volume-based discounts and generally resell them to housing associations with whom the operator maintains the customer relationship. Accordingly, we have no direct billing relationship for basic cable television services with approximately 64% of our subscribers. The lack of a direct billing relationship with the subscribers for our cable services causes us to depend on the landlords, housing associations and Professional Operators for access to our subscribers to the extent we have not already established a direct billing relationship with such subscribers for our premium digital cable, broadband internet or telephony services.

In addition, although our contracts with the housing associations are, to a significant extent, medium and long-term contracts (current terms of the most important agreements will expire between 2012 and 2020), housing associations may terminate such agreements prematurely if, for example, the agreements are deemed to violate antitrust laws or laws governing general terms and conditions. In connection with the LGI/KBW Transaction, we agreed with the FCO to grant early termination rights on certain agreements we have with the largest housing associations and which have a remaining term of more than three years. The total number of dwelling units covered by the affected agreements is approximately 340,000. See “— *We have made certain commitments to address the competition concerns of the FCO that could have an adverse impact on our future operating results and cash flows*”.

There can be no assurance that we will be able to retain any of these customers or renew the contracts on commercially favorable terms, if at all. Our inability to maintain or renew our existing housing association concession agreements or enter into new contracts on commercially favorable terms would lead to reduced sales, lower margins and a decrease in our customer base, any of which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to public actions such as forced switch off of parts of the cable spectrum or digitization of channels; these and other frequency regulations may adversely affect our business.

Frequency regulation and interference issues affect our ability to manage our network. We may be forced to switch off parts of the cable spectrum or change them from analog to digital use in case the

frequencies used are in frequency ranges within which security related radio services, such as traffic control, police and intelligence services, are operated or electromagnetic interferences exceed a specified threshold. These or other actions may result in increased costs and reduce our bandwidth available for other profitable uses. Restrictions on analog channel availability may have various effects on our business, including a reduction of carriage fees, the need to provide the users of our analog service with set-top boxes and customer churn. Furthermore, the future use by mobile broadband internet applications of certain high frequency ranges of terrestrial spectrum, such as long-term evolution (“LTE”), formerly devoted to broadcasting services, could adversely affect our business, as it could limit our ability to use the same frequencies in our networks or cause disturbances in our cable network or the end devices of our customers, such as television sets and set-top boxes.

The operation of our conditional access systems is dependent on licensed technology and subject to illegal piracy risks.

Unitymedia currently operates conditional access systems to transmit all of its encrypted digital programs. As a result of the conditions imposed by the FCO on Unitymedia in connection with the LGI/KBW Transaction, beginning in 2013, Unitymedia will no longer encrypt its basic digital service. KBW currently has no basic encryption for basic digital TV. Both companies use, and expect to continue to use in the foreseeable future, conditional access systems to encrypt their respective and third parties' premium subscription channels. Effective July 1, 2010, UPC Holding and NagraVision S.A. (“NagraVision”) entered into a European wide contract for the lease of a conditional access system (headend, smartcards, support & maintenance, security and software license grant). UPC Holding then passes the respective cost to us. Under this contract, NagraVision has agreed to sell and install parts of our conditional access system for our cable distribution, including hardware equipment, to grant licenses for the respective intellectual property rights for the conditional access system and to provide maintenance, support and security services. Billing and revenue generation for our services rely on the proper functioning of our conditional access systems.

Our business operations and revenues could be adversely affected if (i) NagraVision ceases to license, supply or maintain our conditional access system and we are unable to replace the existing conditional access system with another conditional access system; (ii) NagraVision's conditional access systems are compromised by illegal piracy and access of non-subscribers to the system; or (iii) NagraVision's conditional access systems are incompatible with future broadband cable technologies or products we intend to use.

Sensitive customer data is an important part of our daily business and leakage of such data may violate laws and regulations which could result in fines, loss of reputation and customer churn and adversely affect our business.

We accumulate, store and use in our operating business data which is protected by data protection laws. German data protection agencies have the right to audit us and impose fines if they find we have not complied with the applicable laws and adequately protected customer data. Although we take precautions to protect customer data in accordance with the applicable German privacy requirements, there may be leakages in the future. We cooperate with third-party service providers, such as for the provision of call center services and independent sales agents, and although our contracts with them restrict the usage of customer data, there is no certainty that they will abide by the contractual terms. Violation of data protection laws may result in fines, loss of reputation and customer churn and may have an adverse effect on our business, financial condition and results of operations.

New information technology systems and new software systems may result in higher costs than expected or higher customer churn.

We are currently planning to replace some of the customer relationship management (CRM) systems and customer monitoring systems for each of Unitymedia and KBW. We may expect higher expenses than anticipated if our expectations regarding timing, data migration, factual change, adaptation of business processes and training related to these systems are not met or if we experience any difficulties related to the new systems. This could result in budget overruns or impediments to billing and collection of revenue for our services. Our customer service may be adversely affected, which may lead to higher costs or higher customer churn.

We depend on hardware, software and service suppliers, which may discontinue their products or services, seek to charge us prices that are not competitive or choose not to renew contracts with us.

We rely on third-party vendors for the equipment, software and services that we require in order to provide services to our customers. In many cases, we have made substantial investments in the equipment or software of a particular supplier, making it difficult for us to quickly change supply and maintenance relationships in the event that our initial supplier refuses to offer us favorable prices or ceases to produce equipment or provide the support that we require. In the event that hardware or software products or related services are defective, it may be difficult or impossible to enforce recourse claims against suppliers or to recover under warranties included in contracts. In addition, suppliers often conduct business worldwide and their ability to meet our needs are subject to various risks, including political and economic instability, natural calamities, interruptions in transportation systems, terrorism and labor issues. There can be no assurances that we will be able to obtain the hardware, software and services we need for the operation of our business, in a timely manner, at competitive terms and in adequate amounts. The occurrence of any of these risks may create technical problems, damage our reputation, result in the loss of customers and have a material adverse effect on our business, financial condition and results of operations. Although we actively monitor the creditworthiness of our key third-party suppliers and licensors, the financial failure of a key third-party supplier or licensor could disrupt our operations and have an adverse impact on our revenue and cash flows.

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

Our success depends, in part, on the continued and uninterrupted performance of our information technology and network systems as well as our customer service centers. The hardware supporting a large number of critical systems for our cable networks is housed in a relatively small number of locations. If any part of our network is subject to a flood, fire or other natural disaster, terrorism, a power loss or other catastrophe, our operations and customer relations could be materially adversely affected. Our network may be susceptible to increased network disturbances and technological problems, and such difficulties may increase over time. Moreover, despite security measures, our servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Despite the precautions we take, including by purchasing insurance coverage for a portion of our network and equipment, unanticipated problems affecting our systems could cause failures in our information technology systems or disruption in the transmission of signals over our networks. Sustained or repeated system failures that interrupt our ability to provide service to our customers or otherwise meet our business obligations in a timely manner would adversely affect our reputation and result in a loss of customers and net revenue.

Strikes and other industrial actions, as well as the negotiation of a new collective bargaining agreement, could disrupt our operations or make it more costly to operate our facilities.

We are exposed to the risk of strikes and other industrial actions. We have negotiated various collective bargaining agreements directly with labor unions. These collective bargaining agreements cover, among other things, the general labor conditions of our employees (other than managing directors, executive employees (*leitende Angestellte*) and above tariff employees (*außertarifliche Angestellte*)), such as working hours, holidays, termination, provisions and general payment schemes for wages. Strikes and other industrial actions, as well as the negotiation of new collective bargaining agreements or salary increases in the future, could disrupt our operations and make it more costly to operate our facilities, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may make acquisitions or enter into transactions that could result in operating difficulties, dilution and other adverse consequences.

We have evaluated, and expect to continue to evaluate, potential strategic or other acquisitions and transactions. Our ability to acquire new businesses may be limited by many factors, including availability of financing, debt covenants, the prevalence of complex ownership structures among potential targets and government regulation and competition from other potential acquirers. Even if we are successful in acquiring new businesses, integration of new businesses may create unforeseen operating difficulties and expenditures, including: realizing economies of scale in interconnection, programming and network operations; eliminating duplicative overheads; and integrating personnel, networks, financial systems and operational systems. There can be no assurance that we will be successful in acquiring new businesses or realizing the anticipated benefits of any completed acquisition. The LGI/KBW Transaction closed at the

end of 2011, and we are working to effectively integrate the KBW business with the Unitymedia business and Liberty Global's other European operations. There can be no assurance that we will be successful in doing so or be able to realize the anticipated synergies of the transaction. See "*— Risks Related to the KBW Fold-in — Anticipated synergies from LGI/KBW Transaction and the KBW Fold-in may not materialize*".

Our growth prospects depend on a continued increase in demand for cable and telecommunications products and services as well as economic developments in Germany.

Our growth and profitability depend, in part, on a continued increase in demand for our cable television, broadband internet and telephony services in Germany in the coming years and the addition of customers as a result of churn experienced from our competitors. If demand for our products in general does not increase either by gaining new customers or maximizing revenues through cross-selling and up-selling our premium and advanced services with our existing customers, our business, financial condition and results of operations could be materially and adversely affected.

While the global financial crisis has had only a limited impact on our business, the current macroeconomic environment is highly volatile, and continuing instability in global markets, including the ongoing turmoil in Europe related to sovereign debt issues and the stability of the euro, has contributed to a global economic downturn. Future developments are dependent upon a number of political and economic factors, including the effectiveness of measures by the European Commission to address debt burdens of certain countries in Europe and the overall stability of the euro zone. As a result, we cannot predict how long these challenging conditions will exist or the extent to which the markets in Germany may be affected. Additional risks arising from the ongoing turmoil in Europe are described below under "*— We are exposed to sovereign debt and currency instability risks in Europe that could have an adverse impact on our liquidity, financial condition and cash flows*". In addition, although we seek to manage the credit risks associated with our derivative and other financial instruments, cash investments and undrawn debt facilities, disruptions in credit and equity markets could increase the risk that our counterparties could default on their obligations to us. Even though we regularly review our credit exposure, defaults may arise from events or circumstances that are difficult to detect or foresee.

Moreover, we operate exclusively in the German market and predominantly in the federal states of Baden-Württemberg, North Rhine-Westphalia and Hesse. Our success is therefore closely tied to the market environment and general economic developments in Germany in general and Baden-Württemberg, North Rhine-Westphalia and Hesse in particular and cannot be offset by developments in other markets. While the global financial crisis has had only a limited impact on our business, there is no assurance that an adverse economic development in the future could not have an adverse effect on our business, financial condition and results of operations. Our triple-play strategy is based on increased broadband penetration in Germany and on our ability to up- and cross-sell our products and services, especially our premium digital cable, broadband internet and telephony services, to existing and new customers, a strategy that has been successfully implemented by a number of other cable operators in other Western European countries and in the United States. As the cable network market environment varies from country to country due to a number of reasons, we may not be able to achieve a comparable growth of our penetration rates, RGUs and ARPU in the mid- to long-term or at all.

Negative developments in, or a general weakness of, the German economy, and especially economies in the federal states in which we operate, including increasing levels of unemployment, may have a direct negative impact on the spending patterns of retail consumers, both in terms of the products they subscribe for and usage levels. Therefore, it may be more difficult to attract new subscribers and there is a risk that certain of our subscribers will downgrade or disconnect their services, making it more difficult to maintain ARPUs at existing levels. In addition, a deterioration of the German economy may lead to a higher number of non-paying subscribers or generally result in service disconnections. Thus, a weak economy and negative economic development may have a material adverse effect on our business, financial condition and results of operations.

We are exposed to sovereign debt and currency instability risks in Europe that could have an adverse impact on our liquidity, financial condition and cash flows.

Our operations are subject to macro-economic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S. and certain European countries, combined with weak growth and high unemployment, could lead to fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility, and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely

impact our company. With regard to currency instability issues, concerns exist in the euro zone with respect to individual macro-fundamentals on a country-by-country basis, as well as with respect to the overall stability of the European Union and the suitability of a single currency to appropriately deal with specific fiscal management and sovereign debt issues in individual euro zone countries. The realization of these concerns could lead to the exit of one or more countries from the European Union and the re-introduction of individual currencies in these countries or, in more extreme circumstances, the possible dissolution of the euro entirely, which could result in the redenomination of a portion or, in the extreme case, all of our euro denominated assets, liabilities and cash flows to the new currency of in which they originated. In addition, the capital market disruption that would likely accompany any such redenomination event could have a material adverse impact on our liquidity and financial condition. Furthermore, any redenomination event would likely be accompanied by significant economic dislocation, particularly within the euro zone countries, which in turn could have an adverse impact on demand for our services, and accordingly, on our revenue and cash flows. Moreover, any changes from euro to non-euro currencies within the countries in which we operate would require us to modify our billing and other financial systems. No assurance can be given that any required modifications could be made within a timeframe that would allow us to timely bill our customers or prepare and file required financial reports. In light of the significant exposure that we have to the euro through our euro-denominated borrowings, derivative instruments, cash balances and cash flows, a redenomination event could have a material adverse impact on our company.

Risks Relating to Legislative and Regulatory Matters

We are subject to significant government regulation, which may increase our costs and otherwise adversely affect our business.

Our existing and planned activities in the cable television, broadband internet and telephony industries are subject to significant regulation and supervision by various regulatory bodies, including state authorities in the jurisdictions in which we operate, and German and European Union authorities. Such governmental regulation and supervision, as well as future changes in laws or regulations or in their interpretation or enforcement that affect us, our competitors or our industry, strongly influence how we operate our business. Complying with existing and future laws and regulations may increase our operational and administrative expenses, restrict our ability or make it more difficult to implement price increases and/or otherwise limit our revenue. Also, any acquisition, merger or corporate restructuring may increase the level of regulation and supervision by regulatory bodies. In particular, we are or may be subject to:

- regulation of contractual terms and fees for certain services that we provide, in particular with respect to subscriber, signal delivery, carriage and termination fees;
- rules regarding the fair, reasonable and non-discriminatory treatment of broadcasters, network operators, subscribers and other customers;
- restrictions on the ability of cable operators to use channels (“must carry”), to package channels into premium cable television offerings and to further digitize the cable network;
- rules relating to data protection and sales activities;
- rules regarding the allocation of frequencies;
- restrictions in the operation of digital platforms or obligations regarding certain platform standards, the imposition of rules regarding the interconnection of our telecommunications network with those of other telecommunications network operators and of access obligations vis-à-vis other providers; and
- requirements covering a variety of operational areas, such as environmental protection, technical standards (*i.e.*, standards relating to the cable and the subscriber equipment), conditional access obligations, rights of way, digital platforms, subscriber service, billing requirements, compliance with statutory requirements regarding the German Electromagnetic Interference Act (*Gesetz über die elektromagnetische Verträglichkeit von Betriebsmitteln*) and youth protection issues.

Changes in laws and regulations may significantly increase costs or lead to other disadvantages.

We may be subject to adverse changes in laws or regulations (or in their interpretation or enforcement thereof) regarding, for example, the imposition of fees, taxes, access, re-sale, “must carry”, data protection, marketing activities, frequency allocation, interconnection, or any change in policy allowing more favorable conditions for other operators, broadcasters and subscribers. For example, the current amendment of the

German Telecommunications Act includes access rights to in-house infrastructures which could improve our competitors' ability to compete for contracts with housing associations. In addition, the regulator could expand regulations on markets which are currently not subject to regulation or impose additional remedies on us or regulated markets. For example, while our internet broadband services are not the subject of any specific regulation, we could be deemed to have significant market power with respect to such services and be subject to regulations that would require us to provide access to our network to third-party providers. The impact of any new laws or regulations affecting our services, as well as any amendments to, or new interpretations of, the existing laws and regulations covering related activities is difficult to predict. The same applies to new tax laws or tax regulations (or a change in the interpretation of existing tax laws and regulations through the tax authorities and tax courts). All such changes could increase our costs of regulatory compliance or our tax burden, affect our ability to introduce premium and advanced services and/or force us to change our marketing and other business practices, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We do not have complete control over the contractual terms and fees that we charge to broadcasters, Professional Operators, subscribers and other customers.

The fees we charge for the termination of inbound calls to our telephony customers, are currently subject to regulation by the Federal Network Agency. The Federal Network Agency may initiate an ex-post regulation procedure and may declare (potentially with retroactive effect) our fees void if it finds that our fees are abusive and may either direct us to adjust our fees or provide for fees that are not abusive, thus reducing our revenue.

Further, under the applicable state laws implementing the State Broadcasting Treaty (*Rundfunkstaatsvertrag*), our carriage fees could also be subject to regulatory review by the state media authorities to determine whether our fees are restrictive or discriminatory with respect to certain broadcasters and other content providers which could restrict our flexibility to agree on pricing models with broadcasters. As a result, we may not be able to enforce current or future changes to such fees, which may have a material adverse impact on our revenue, profitability of premium services and ability to respond to market changes.

In the case of an ex-post review of our carriage or feed-in or signal delivery fees, the Federal Cartel Office (*Bundeskartellamt*), the regional state cartel office or courts may order us to adjust our fees or provide for fees that they determine are not abusive. Therefore, we may not be able to enforce future changes in price with respect to our carriage or feed-in and signal delivery fees. In addition, the public broadcasters (ARD and ZDF) have announced that they do not intend to pay any feed-in fees after January 1, 2013. This may have an adverse impact on our revenue, profitability of new products and services and ability to respond to changes in the cable television market. In addition, we are prohibited from charging carriage fees to certain legally privileged radio and television channels operated by non-profit organizations.

We presently use a range of rebate or volume-related pricing mechanisms for wholesale contracts with Level 4 network operators and contracts with housing associations. Due to regulatory constraints, we may be restricted from enforcing certain of these pricing mechanisms. Moreover, the Ministry of Economy of Baden-Württemberg as competent regional state cartel office opened an administrative cartel proceeding against Kabel BW on February 3, 2011 and is currently investigating allegations by a Level 4 network operator that Kabel BW's tariffs offered to the Level 4 operator are higher than tariffs offered by Kabel BW to housing associations. We cannot rule out that, if such pricing mechanisms were considered unlawful, these mechanisms would be found unenforceable. In such cases, we would, under certain circumstances, be found liable for fines or damages or we might have to offer to enter into commitments which are capable of dispelling the anticompetitive concerns raised against us. We also might be forced to raise our retail prices or lower our wholesale prices. This would adversely affect our competitiveness, financial condition and results of operations.

We are subject to consumer protection laws.

We may infringe laws prohibiting aggressive phone marketing methods, known as "cold calling" and other direct marketing methods. Within the EU, the Privacy and Electronic Communications (EC Directive) Regulations 2003 and within Germany, the Act against Unfair Competition (*Gesetz gegen den unlauteren Wettbewerb*) and the Telecommunications Act (*Telekommunikationsgesetz*) make it unlawful for us to approach prospective subscribers for direct marketing purposes via phone without the express prior consent of the subscriber. There can be no assurances that consumer protection associations or entities

monitoring the conditions we impose on, and our interactions with, our subscribers will not file claims against us seeking, among other things, the disgorgement of profits allegedly made through the breach of these laws.

We are required to carry certain programs on our network (“must carry”).

We are required to carry certain programs on our cable network that we would not necessarily volunteer to carry and we may be required to carry additional programs in the future. Increasing the number of programs that we must carry on our network would use valuable network capacity that we would otherwise devote to alternative programs or services that may be more attractive or profitable. In addition, we may be at a competitive disadvantage compared to certain of our competitors that are not subject to such extensive “must carry” obligations, as they may be able to provide programs that are more appealing to end-users.

Analog television and radio distribution may be phased out, which may adversely affect our competitive position and could result in increased costs or the loss of revenue.

The German federal government and state governments aim to have a general switchover from analog to digital distribution for all television distribution platforms. In accordance with the German Telecommunications Act, the Federal Network Agency is entitled to revoke all allocations of frequencies for terrestrial analog television transmission, and for analog frequency-modulated transmission of radio channels by the end of 2015. Even though it is questionable whether the relevant provisions of the German Telecommunications Act are directly applicable to us, as the operation of cable television networks, in principle, did not require frequency allocations, we may at least be required to further invest in the exchange of some of our headend equipment. In addition, future legislation or orders of the Federal Network Agency, the state media authorities or the needs of the market may require us to digitize our entire cable network. The phase-out of analog distribution could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to our Legal Structure, Management, Principal Shareholders and Related Parties

The loss of certain key personnel could harm our business.

We have experienced employees at both the corporate and operational levels who possess substantial knowledge of our business and operations. There can be no assurance that we will be successful in retaining the services of these employees or that we would be successful in hiring and training suitable replacements without undue costs or delays. Our ability to retain our key employees may be impacted further by the KBW Fold-in. As a result, the loss of any of these key employees could cause significant disruptions in our business operations, which could materially adversely affect our results of operations.

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

Liberty Global, our indirect parent, indirectly owned 99.6% of the voting interests in our company as of December 31, 2011. When business opportunities, or risks and risk allocation arise, the interests of Liberty Global (or other Liberty Global controlled entities) may be different from, or in conflict with, our interests on a standalone basis. Because we are indirectly controlled by the parent entity, Liberty Global may allocate certain or all of its risks to us and there can be no assurance that Liberty Global will permit us to pursue certain business opportunities.

The 2012 Reorganization and other past or future reorganizations of the Kabel BW Group or the Unitymedia Group may result in adverse tax effects.

The 2012 Reorganization as well as the past upstream mergers within the Unitymedia Group, such as the upstream merger of the former Unitymedia GmbH into UPC Germany GmbH (now renamed Unitymedia GmbH), are expected to be tax-neutral. It cannot be excluded with certainty that the tax authorities may take a different view. To the extent these initiated or past reorganizations as well as future reorganizations result in taxable income for our group, this could have a material adverse effect on our cash flows, financial condition and results of operations.

Risks Related to the KBW Fold-in

Anticipated synergies from LGI/KBW Transaction and the KBW Fold-in may not materialize.

On December 15, 2011 Liberty Global completed the LGI/KBW Transaction. Following consummation of the KBW Fold-in, the companies in the Kabel BW Group will become consolidated subsidiaries of Unitymedia. We may not realize any or all of the benefits of the KBW Fold-in that we currently anticipate. Among the synergies that we currently expect are increased scale, decreased reliance on suppliers, more efficient employment of capital, and harmonization of best practices. In particular there is a risk that overlapping product offerings relating to on-demand programming may continue to be separately maintained and supported, resulting in duplicative costs. Further, the FCO has imposed certain conditions on our company as a result of the acquisition that could materially affect our results of operations. See “— *Risks Related to Our Industry and Our Business — We have made certain commitments to address the competition concerns of the FCO that could have an adverse impact on our future operating results and cash flows.*”

The integration of the Kabel BW Group with our business could result in operating difficulties and other adverse consequences.

The consummation of the KBW Fold-in and the integration of the Kabel BW Group into our business and corporate structure may create unforeseen operating difficulties and expenditures and pose significant management, administrative and financial challenges to our business. These challenges include:

- integration of the Kabel BW Group into our business in a cost-effective manner, including network infrastructure, management information and financial control systems, marketing, customer service and product offerings;
- outstanding or unforeseen legal, regulatory, contractual, labor or other issues arising from the KBW Fold-in;
- additional capital expenditure requirements;
- retention of customers;
- integration of different company and management cultures; and
- retention, hiring and training of key personnel.

In such circumstances, our failure to effectively integrate the Kabel BW Group could have a material adverse effect on our financial condition and results of operations.

Risks Relating to the New Notes

The New FRNs will bear interest at a floating rate that could rise significantly, increasing our interest cost and debt.

The New FRNs will bear interest at floating rates of interest per annum equal to EURIBOR, adjusted quarterly, plus a spread. EURIBOR could rise significantly in the future. Although we intend to maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurances that hedging will continue to be available on commercially reasonable terms. To the extent interest rates were to rise significantly our interest expense associated with the New FRNs, and thus the carrying cost of our debt load, would correspondingly increase.

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

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

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

The payment of dividends and the making, or repayment, of loans and advances to us by the New Senior Notes Issuer's direct subsidiaries and such payments by its indirect subsidiaries to their respective parent entity are subject to various restrictions. Existing and future debt of certain of these

subsidiaries may prohibit the payment of dividends or the making, or repayment, of loans or advances to the New Senior Notes Issuer or their respective parent entities. In addition, the ability of any of the New Senior Notes Issuer's direct or indirect subsidiaries to make certain distributions may be limited by the laws of the relevant jurisdiction in which the subsidiaries are organized or located, including financial assistance rules, corporate benefit laws and other legal restrictions which, if violated, might require the recipient to refund unlawful payments. In particular, under applicable German law, subsidiaries that are German limited liability companies or, in certain circumstances, limited partnerships, are prohibited from making payments (or granting other financial advantages) to their direct and indirect shareholders unless such payments are made out of the company's "free" net assets, *i.e.* such payments must not cause the company's net assets (assets minus liabilities) to fall short of an amount equal to the company's registered share capital. If applicable, this would mean that the New Senior Notes Issuer or a subsidiary guarantor, as applicable, would be unable to use the earnings of these subsidiaries to the extent they face restrictions in such jurisdictions on distributing funds to the New Senior Notes Issuer or such subsidiary guarantor.

In addition, existing and future debt of certain of these subsidiaries may prohibit the payment of dividends or the making of loans or advances to the New Senior Notes Issuer or a subsidiary guarantor, as applicable.

According to case law of the German Federal Supreme Court, the ability of a limited liability company to make payments to its direct or indirect shareholders is also limited where the granting of benefits to shareholders would deprive the company of the liquidity necessary to properly meet its obligations towards third parties (so-called "destructive interference"). If any of the New Senior Notes Issuer's direct or indirect subsidiaries are unable to make distributions or other payments to it or their respective parent entities, the New Senior Notes Issuer does not expect to have any other sources of funds that would allow the New Senior Notes Issuer to make payments to you.

Certain of the German subsidiaries of the New Senior Notes Issuer have entered or will enter into profit and loss absorption agreements with the New Senior Notes Issuer or other subsidiaries thereof pursuant to which the dominated company must transfer to the dominating company its annual profits to the extent not otherwise retained as voluntary reserves. In the event the dominated company incurs a net loss, the dominating company must compensate it for such net loss. Instead of a cash payment by the dominating company to the dominated company for the compensation of any such loss, a set-off of such compensation claims of the dominated company against the dominating company against any loans, notes or other instruments or agreements (whether or not in writing) may be permitted. The compensation claim of direct subsidiaries of the New Senior Notes Issuer as dominated companies against the New Senior Notes Issuer as dominating company in the event of a loss of the dominated company will rank *pari passu* with the rights of holders of the New Senior Notes.

To the extent that German direct subsidiaries of German direct or indirect subsidiaries of the New Senior Notes Issuer have not entered into profit and loss absorption agreements with their respective German parent company, any dividend distributions to their respective parent company as well as capital gains from the disposal of shares of any such German direct subsidiary may be subject to tax at the level of the respective parent company. The same applies to German direct subsidiaries of the New Senior Notes Issuer that have not entered into a profit and loss absorption agreement with the New Senior Notes Issuer.

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

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

The New Note Guarantees granted by our subsidiaries may be significantly limited by applicable German law or subject to certain limitations or defenses.

The obligations of each subsidiary guarantor under a New Note Guarantee will be contractually limited under German law to the extent that the granting of such New Note Guarantee would result in the breach of capital maintenance rules or any other general statutory laws or would cause the directors of such subsidiary guarantor to contravene their fiduciary duties to incur civil or criminal liability or to contravene any legal prohibition.

Our subsidiary guarantors are organized in the form of German limited liability companies (*GmbH*) or limited partnerships with a limited liability company as general partner (*GmbH & Co KG*). The enforcement of such subsidiary guarantees is limited under German corporate law if and to the extent payments under any such guarantees would cause the relevant subsidiary guarantor's (or, in the case of a limited partnership, its general partner's) net assets to fall below the amount of its registered share capital (*Stammkapital*). Accordingly, the terms of each New Note Guarantee granted by one of our subsidiaries limits the enforcement of that New Note Guarantee if and to the extent payment under such New Note Guarantee would cause its (or, in the case of a limited partnership, its general partner's) net assets to fall below its registered share capital (*Stammkapital*).

To the extent that agreed limitations on the subsidiary guarantee obligation apply, the applicable New Notes would be effectively subordinated to all liabilities of the applicable subsidiary guarantor including trade payables of such subsidiary guarantor, as a result of the structural subordination principle discussed below.

Future subsidiary guarantees in Germany or other jurisdictions may be subject to similar limitations.

Your right to receive payments under the New Notes will be structurally or effectively subordinated to claims of certain existing and future creditors of the New Issuers and their subsidiaries.

The New Notes will be structurally subordinated to the obligations of the New Issuers' subsidiaries that are not guarantors. Generally, claims of creditors of the New Issuers' subsidiaries that are not guarantors, including trade creditors and claims of preference shareholders (if any) of each such subsidiary, will have priority with respect to the assets and earnings of such subsidiary over claims of creditors of its parent entity. In the event of an insolvency, liquidation or other reorganization of any of the New Issuers' subsidiaries that are not guarantors, holders of their debt and their trade creditors will typically be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the New Issuers and their holding company subsidiaries as equity holders.

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

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

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

We cannot assure you as to:

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

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

Although the New Issuers will use their reasonable best efforts to have the New Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF within a reasonable period after the issue date of the New Notes and to maintain such listing as long as the

New Notes are outstanding, the New Issuers cannot assure you that the New Notes will become or remain listed. If the New Issuers can no longer maintain the listing on the Official List of the Luxembourg Stock Exchange and the admission to trading on the Euro MTF or it becomes unduly burdensome to make or maintain such listing, the New Issuers may cease to make or maintain such listing on the Official List of the Luxembourg Stock Exchange, provided that they will use reasonable best efforts to obtain and maintain the listing of the New Notes on another stock exchange although there can be no assurance that the New Issuers will be able to do so. Although no assurance is made as to the liquidity of the New Notes as a result of listing on the Official List of the Luxembourg Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the New Indentures, failure to be approved for listing or the delisting of the New Notes from the Official List of the Luxembourg Stock Exchange or another listing exchange in accordance with the New Indentures may have a material adverse effect on a holder's ability to resell New Notes in the secondary market.

Fraudulent conveyance laws may adversely affect the validity and enforceability of the New Note Guarantees or the Collateral.

The granting of the New Note Guarantees (and the granting of the Collateral securing such guarantees) may be subject to legal challenge and review under fraudulent transfer and conveyance laws or other laws that have been enacted for the protection of creditors in Germany and the United States. These laws, among other things, could limit the ability of an entity to guarantee and secure the debt of a related entity. Although laws differ among various jurisdictions, in general, under fraudulent conveyance laws, a court could subordinate or a court or a creditor could void a guarantee or the security interests in respect thereof if it found that the guarantor granting such guarantee:

- knew or should have known that the transaction was to the detriment of the creditors;
- intended to hinder, delay or defraud creditors; or
- did not receive fair consideration or reasonably equivalent value for incurring such indebtedness and such guarantor (i) was insolvent or rendered insolvent because it incurred such indebtedness, (ii) was engaged or about to engage in a business or transaction for which its remaining assets constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay them as they mature.

The measure of insolvency for purposes of fraudulent transfer laws varies, depending on the law applied. Generally, however, an entity would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair value of all of its assets;
- the present fair value of its assets was less than the amount that would be required to pay its probable liability on its existing debts and liabilities, including contingent liabilities, as they become absolute and mature; or
- it could not or would not pay its debts as they become due.

If a court or a creditor were to find that the granting of a New Note Guarantee (and the granting of the security interests associated therewith, if any) was a fraudulent conveyance, the court or a creditor could void or declare unenforceable the payment obligations under such New Note Guarantee or invalidate the security interests, or subordinate such guarantee or security interest to presently existing and future indebtedness of such guarantor or require the holders of the relevant New Notes to repay any amounts received with respect to such New Note Guarantee or security interest. See “— *The insolvency laws of Germany and other local insolvency laws may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the New Notes from recovering payments due on the New Notes*”.

The insolvency laws of Germany and other local insolvency laws may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the New Notes from recovering payments due on the New Notes.

We and our subsidiaries, including our subsidiary guarantors, are organized under the laws of Germany. Consequently, in the event of an insolvency of either of the New Issuers or any of these subsidiaries, insolvency proceedings may be initiated in Germany. As long as the “centre of main interests” (as this term is used in Council Regulation (EC) no. 1346/2000 on insolvency proceedings) is located in Germany, German courts would have jurisdiction over and German law would generally govern most aspects of such proceedings. In addition, secondary insolvency proceedings may be applied for by the

insolvent company or any of its creditors where the insolvent company has an establishment in another jurisdiction. Where secondary insolvency proceedings are initiated, the insolvency law of the state of the secondary insolvency proceedings would be applicable to the assets located in such state. The insolvency laws of Germany and any other applicable local insolvency laws may not be as favorable to your interests as creditors as the bankruptcy laws of the United States, including in respect of priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings. Thus, your ability to recover payments due on the New Notes may be more limited than would be the case under U.S. bankruptcy laws.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, insolvency proceedings typically must be initiated by the debtor, but may be initiated by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor (for example, where its liabilities exceed the value of its assets, even if the debtor has sufficient liquidity to meet its current obligations) or in the event of illiquidity (*Zahlungsunfähigkeit*) of the debtor (for example, where it is unable to pay its debts as and when they fall due). However, in the case of over-indebtedness (*Überschuldung*) even if a debtor's liabilities exceed the value of its assets, such debtor is not deemed over-indebted if, given the circumstances, there is a high likelihood that the debtor will be strong enough financially to stay in business not only for the short term (such exception is only applicable until December 31, 2013). In addition, the debtor can file for insolvency proceedings if its illiquidity is impending, i.e., it is imminently at risk of being unable to pay its debts as and when they fall due (*drohende Zahlungsunfähigkeit*). Under applicable German insolvency law, directors of a company must file a petition for the opening of an insolvency proceeding without undue delay but no later than three weeks after such company has become illiquid or over-indebted. The management of a debtor can be the subject of criminal proceedings in the event that filings for insolvency are delayed. The insolvency proceedings are court-controlled, and upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the property of the debtor and appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) to control the management of the debtor. The court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. The court orders the opening of insolvency proceedings (*Eröffnungsbeschluss*) if certain formal requirements are met (e.g., the debtor is (imminently) illiquid ((*drohend*) *zahlungsunfähig*) or — unless there is a sufficient going concern perspective (applicable until December 31, 2013) — over-indebted (*überschuldet*)), and if there are sufficient assets to cover at least the cost of the insolvency proceedings. Also, the court appoints an insolvency administrator (*Insolvenzverwalter*) who has full administrative and disposal authority over the debtor's assets.

For holders of the New Notes, the most important consequences of such opening of formal insolvency proceedings against the New Issuers or any such subsidiary, including the subsidiary guarantors subject to the German insolvency regime would be the following:

- the right to administer and dispose of assets of the New Issuers or such subsidiary, including the subsidiary guarantors, would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate;
- assuming that the insolvent is not granted debtor-in-possession status (*Eigenverwaltung*), disposals effected by management of the New Issuers or such subsidiary, including the subsidiary guarantors, after the opening of formal insolvency proceedings are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings or thereafter, a creditor in the insolvency proceedings acquires through execution (e.g., attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon opening of formal insolvency proceedings; and
- claims against the New Issuers or such subsidiary, including the subsidiary guarantors, may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*).

All creditors, whether secured or unsecured, wishing to assert claims against the debtor need to participate in the insolvency proceedings. With exceptions for certain secured creditors, an individual enforcement action brought against the debtor by any of its creditors is subject to an automatic stay once the insolvency proceedings have been opened. Secured creditors have certain preferential rights regarding

the enforcement of their security interests. However, German insolvency law imposes certain restrictions on their ability to enforce security interests once proceedings have been commenced. In many cases, the insolvency administrator will have the sole right to enforce the security. The insolvency administrator generally has the sole right (i) to realize any moveable assets which are subject to preferential rights (*Absonderungsrechte*) (e.g., pledges over movable assets and rights (*Mobiliarpfandrechte*), transfer by way of security (*Sicherungsübereignung*)) as well as (ii) to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). The enforcement proceeds minus certain contributory charges of generally nine percent of the enforcement proceeds (plus VAT, if any) for (i) assessing the value of the secured assets and (ii) realizing the secured assets are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Contributory charges deducted from the enforcement proceeds and any realization surplus that remains after satisfaction of any party holding a preferential right will be allocated to the insolvency's estate and would, after deduction of the costs of the insolvency proceedings (e.g., comprising fees for and expenses of the insolvency administrator and the insolvency court as well as the members of the creditors' committee), finally be distributed among the unsecured creditors, including, to the extent not secured by the realized assets, the holders of the New Notes. An alternative distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and which requires, in principle, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules. Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency.

As a general principle, the claims arising from a New Note Guarantee granted by one of our subsidiaries may be enforced against that subsidiary guarantor outside of the insolvency proceedings over the assets of the New Issuers. Any insolvency proceeding over the assets of the New Issuers would, however, be a rather strong indication that the overall financial situation of the entire group of affiliated companies has significantly deteriorated, which may cause a subsidiary guarantor to subsequently file for insolvency.

The position of secured creditors depends on the type of collateral granted to them (see also above). Creditors secured by pledges over shares in subsidiaries of the debtor are entitled to preferential satisfaction with regard to the proceeds realized in an enforcement process which has to be effected by means of a public auction outside the insolvency process. However, in the absence of authoritative case law, it is uncertain whether the secured creditors are entitled to initiate the enforcement process in respect of the pledged shares on their own or, as far as the pledged assets are part of any insolvency estate, whether the insolvency administrator has standing to realize the pledges on behalf of and for the benefit of the secured creditors. In the latter case, the administrator would be entitled to a handling fee of generally nine percent of the enforcement proceeds (plus VAT, if any) for the benefit of the insolvent estate which would be deducted from the enforcement proceeds.

The insolvency administrator may also challenge transactions that are deemed detrimental to insolvency creditors and which were effected prior to the commencement of the insolvency proceedings. It is possible that payment of any amounts to the holders of the New Notes could be considered to constitute such transactions. The insolvency administrator's rights to challenge transactions can, depending on the specific circumstances, extend to transactions occurring during the last ten years prior to the commencement of insolvency proceedings. In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which terms also include the provision of security or the payment of indebtedness) may be voided in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction if such act was taken (i) during the last three months prior to the filing of the petition for the commencement of the insolvency proceedings, provided that the insolvent was illiquid at the time when such act was taken and the creditor knew of such illiquidity at such time, or (ii) after the filing of the petition for the commencement of the insolvency proceedings, provided that the creditor knew of the illiquidity of the insolvent or the filing of such petition;
- any act granting an insolvency creditor, or enabling an insolvency creditor, to obtain security or satisfaction to which such creditor was not entitled, or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, provided that (i) such act was taken during the last month prior to the filing of the petition for the commencement of the insolvency proceedings or after such filing, (ii) such act was taken during the second or third month prior to the filing of the petition and the insolvent was illiquid at such time, or (iii) such act was taken during the second or third month prior to the filing of the petition

for the commencement of the insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors;

- a transaction by the insolvent that is directly detrimental to the insolvency creditors, provided it was entered into (i) during the three months prior to the filing of the petition for the commencement of the insolvency proceedings and the insolvent was illiquid at the time of such transaction and the counter party to such transaction knew of the illiquidity at such time, or (ii) after the filing of the petition for the commencement of insolvency proceedings and the counterparty to such transaction knew of either the insolvent's illiquidity or such filing at the time of the transaction;
- any act by the insolvent during the ten years prior to the filing of the petition for the commencement of insolvency proceedings, provided that the insolvent acted with the intent to prejudice its insolvency creditors and the other party knew of such intention at the time of such act;
- any act by the insolvent during the four years prior to the filing of the petition for the commencement of insolvency proceedings that constitutes a gratuitous benefit (*Unentgeltliche Leistung*); and
- any act that provides security or satisfaction for a shareholder loan of the insolvent or a similar claim if (i) in the case of security, the act took place during the ten years prior to the filing of the petition for the commencement of the insolvency proceedings or after the filing of such petition, or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the commencement of the insolvency proceedings or after the filing of such petition.

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the insolvent (e.g., one of the New Issuers or a subsidiary, including the subsidiary guarantors, subject to the German insolvency laws) was unable to pay its debts generally as they fell due, that a petition for the commencement of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the insolvent's intention to prejudice the insolvency creditors if it knew of the insolvent's impending illiquidity and that the transaction prejudiced the insolvent's creditors. With respect to a "related party", there is a general statutory presumption that such party had "knowledge". The term "related party" includes, subject to certain limitations, in the case of insolvents that are corporate persons, members of the management or supervisory board, shareholders owning more than 25 percent of the insolvent's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the insolvent, and persons that are spouses, relatives or members of the household of any of the foregoing persons. "Gratuitous benefit" includes any payment made or security granted by the insolvent on account of liabilities of a third party provided the insolvent was not obliged to such payment or granting of security and the claim settled/secured by such payment/granting of security was worthless (*nicht werthaltig*) at the time when the payment/granting of security was effected.

If the New Notes, the New Note Guarantees or the security were voided, holders of the New Notes would only have a general unsecured claim in insolvency proceedings in the amount of their original investment. Any amounts received from a transaction that has been avoided would have to be repaid to the insolvent estate.

Future subsidiaries of the New Issuers may be incorporated in jurisdictions other than Germany and are or may be subject to the insolvency laws of such jurisdictions. The insolvency laws of these jurisdictions may not be as favorable to your interests as creditors as the bankruptcy laws of Germany, the United States or certain other jurisdictions. In addition, there can be no assurance as to how the insolvency laws of these jurisdictions will be applied in relation to one another.

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

While the New Senior Notes will be secured by a share pledge over the New Senior Notes Issuer and junior priority share pledges over the shares of Unitymedia Management GmbH, Unitymedia Hessen and Unitymedia Hessen Verwaltung GmbH and a junior ranking pledge over claims under certain domination and/or profit and loss absorption agreements, the New Senior Notes will not be secured by any other assets of the New Senior Notes Issuer or the New Senior Notes Issuer's subsidiaries. The Unitymedia Revolving

Credit Facility, the New Senior Secured Notes and the UM Senior Secured Notes will be secured by the Senior Secured Notes Collateral, as described in “*Summary — Summary of the New Notes — Security.*”

The indentures governing the New Senior Notes will provide for a negative pledge and will allow us and our restricted subsidiaries to incur a limited amount of secured indebtedness which will be effectively senior to the New Senior Notes. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization, or other insolvency or bankruptcy proceeding, holders of such secured indebtedness will have prior claim to those of our assets that constitute their collateral. In these circumstances, we cannot assure you that there will be sufficient assets to pay amounts due on the New Senior Notes. As a result, holders of New Senior Notes may receive less, rateably, than holders of other secured indebtedness.

The New Senior Note Guarantees will be subordinated to certain of our existing and future senior debt.

The New Senior Note Guarantees will each be a general senior subordinated obligation of the relevant guarantor. In addition, no enforcement action with respect to the New Senior Note Guarantees (or any future guarantee of the New Senior Notes, if any) may be taken unless (subject to certain limited exceptions): (i) an acceleration of the Unitymedia Revolving Credit Facility, the UM Senior Secured Notes, the New Senior Secured Notes or any of our other senior secured debt, (ii) there is a default on the New Senior Notes outstanding after a period of 179 days from that date the Unitymedia Revolving Facility Agent (as defined under “*Description of Other Indebtedness — Intercreditor Agreement*”), the New Senior Secured Notes Trustee or the creditor representative for holders of other senior secured debt delivers written notice of such default; (iii) an enforcement action has been taken with respect to certain secured liabilities; provided that the New Senior Notes Trustee and holders of the New Senior Notes will be limited to taking the same action; or (iv) with respect to any enforcement action in relation to a particular guarantor of the New Senior Notes, an insolvency event has occurred with respect to such guarantor. Please see “*Description of Other Indebtedness — Intercreditor Agreement.*”

The New Note Guarantees and the Collateral may be limited by applicable laws or subject to certain limitations or defenses that may adversely affect their validity and enforceability.

Our obligations under the New Notes will be guaranteed by the guarantors (as described under “*Summary — Summary of the New Notes — Guarantees*” and “*Summary — Summary of the New Notes — Ranking of the Guarantees*”) and will be secured by certain of our assets and assets of the guarantors (as described under “*Summary — Summary of the New Notes — Security*”). The New Notes, the New Note Guarantees or the Collateral may be subject to claims that they should be limited or subordinated under German, United States or other applicable law. The enforcement of the New Note Guarantees and the Collateral will be limited to the extent that the granting of such New Note Guarantee or the Collateral is not in the relevant guarantor’s corporate interests, would be in breach of capital maintenance or thin capitalization rules or any other general statutory laws or that the burden of such New Note Guarantee or the Collateral securing such New Note Guarantee exceed the benefit to the relevant guarantor. In particular, as the guarantors are organized under the laws of Germany, each of their respective New Note Guarantees or Collateral will be contractually limited under German law to the extent the granting of such New Note Guarantee or Collateral would result in a breach of capital maintenance rules or other statutory laws or would cause the directors of such guarantor to contravene their fiduciary duties to incur civil or criminal liability or to contravene any legal prohibition. The grant of the Collateral in favor of the Security Trustee and the New Note Guarantees may also be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may be otherwise set aside by a court, if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified “clawback” period following the grant. See “— *The insolvency laws of Germany and other local insolvency laws may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the New Notes from recovering payments due on the New Notes*”. Accordingly, enforcement of any such New Note Guarantee or the Collateral would be subject to certain defenses available to the grantor thereof generally or, in some cases, to limitations contained in the New Indentures or the documents governing the Collateral designed to ensure compliance with capital maintenance rules and other statutory requirements applicable to the relevant guarantors. As a result, a guarantor’s liability under its New Note Guarantee, or the Collateral, could be materially reduced or eliminated.

In addition, the granting of new security interests and guarantees in connection with the issuance of the New Notes may trigger hardening periods for such security interests or guarantees in Germany. The applicable hardening period for these new security interests will run from the moment each new security interest or guarantee has been granted or perfected. At each time, if the guarantee or security interest granted or recreated were to be enforced and a petition for the opening of insolvency proceedings were to be filed before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective or it may not be possible to enforce it. See “— *The insolvency laws of Germany and other local insolvency laws may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the New Notes from recovering payments due on the New Notes*”.

It is possible that a guarantor, a creditor of a guarantor, the grantor of the Collateral or a creditor thereof, or the insolvency administrator in the case of the insolvency of a guarantor, may contest the validity and enforceability of the guarantor’s New Note Guarantee or the Collateral on any of the above grounds and that the applicable court may determine that the New Note Guarantee or the Collateral should be limited or voided. To the extent that agreed limitations on the New Note Guarantees or the Collateral obligations apply, the New Notes would be to that extent effectively subordinated to all liabilities of the applicable guarantor or the grantor of the Collateral, including trade payables of such guarantor. Future guarantees or collateral to be granted may be subject to similar limitations.

The value of the Collateral securing the New Notes may not be sufficient to satisfy our obligations under the New Notes and the Collateral may be reduced or diluted under certain circumstances. Before any amounts are available to repay the New Senior Secured Notes, lenders under our Unitymedia Revolving Credit Facility and certain hedge-counterparties will have a right to be repaid with the proceeds from enforcement of the Collateral, from the proceeds received from any sale of assets pursuant to an insolvency event of the New Issuers or a guarantor, or with respect to any proceeds received from any judicial supervised or sanctioned reorganization or administrative work-out or restructuring.

The obligations of the New Senior Secured Issuers with respect to the New Senior Secured Notes will be secured by the Senior Secured Notes Collateral, which will also secure the obligations under the Unitymedia Revolving Credit Facility and certain hedging obligations on a priority basis and the UM Senior Secured Notes. The obligations of the New Senior Notes Issuers with respect to the New Senior Notes will be secured by the Senior Notes Collateral. Such assets may also be pledged to secure other senior debt under certain circumstances. See “*Summary — Summary of the New Notes — Security*”.

In the event of an enforcement of the pledges in respect of the New Notes, the proceeds from the sale of the assets underlying the pledges may not be sufficient to satisfy the New Issuers’ obligations with respect to the New Notes. The value of the assets underlying the pledges will depend on many factors including, among other things, whether or not the business is sold as a going concern, the ability to sell the assets in an orderly sale, the availability of buyers and whether approvals required to purchase the business would be available to a buyer of the assets. In addition, the Intercreditor Agreement will provide that, in the event of any distribution of the proceeds from the sale of any shared Collateral in effect securing the New Senior Notes, the lenders under the Unitymedia Revolving Credit Facility and the lenders in respect of certain hedging obligations and holders of the UM Senior Secured Notes and the New Senior Secured Notes will be entitled to receive from such distribution payment in full in cash before the holders of the pledges securing the New Senior Notes will be entitled to receive any payment from such distribution with respect to the New Senior Notes.

In order to secure the obligations under the Unitymedia Revolving Credit Facility and the UM Senior Secured Notes and our hedging obligations, the New Issuers and the guarantors have granted security interests over the share capital of certain of our subsidiaries. The Collateral that is pledged or assigned for the benefit of the holders of the New Senior Secured Notes may provide for only limited repayment of the New Senior Secured Notes, in part because most of these shares or other assets may not be liquid and their value to other parties may be less than their value to us. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in the liquidation thereof. Not all of our assets will secure the New Senior Secured Notes and it is possible that the value of the Collateral will not be sufficient to cover the amount of indebtedness secured by the Collateral. With respect to any shares of our subsidiaries pledged to secure the New Senior Secured Notes and the New Note Guarantees, such shares may also have limited value in the event of a bankruptcy, insolvency or other similar proceedings in relation to the entity’s shares that have been pledged because all of the obligations of the entity whose shares have been pledged must first be satisfied, leaving little or no remaining assets in the pledged entity.

As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. In addition, the value of the Collateral may decline over time.

The obligations under the New Senior Secured Notes and the New Note Guarantees are secured by security interests over collateral granted to secure obligations under the Unitymedia Revolving Credit Facility, certain of our hedging obligations and the UM Senior Secured Notes. Pursuant to the Intercreditor Agreement, the lenders under the Unitymedia Revolving Credit Facility and certain hedge-counterparties will have priority over the holders of the New Senior Secured Notes with respect to the proceeds from this collateral. In addition, the creditors under the Unitymedia Revolving Credit Facility will have priority over any amounts received from the sale of any assets of the New Senior Secured Issuers or guarantors pursuant to an insolvency event or from any judicial supervised or sanctioned reorganization or administrative work-out or restructuring. As such, you may not be able to recover on the Collateral if the claims of the lenders under the Unitymedia Revolving Credit Facility and our hedging obligations are greater than the proceeds realized from any enforcement of the share pledges. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under the Unitymedia Revolving Credit Facility and hedging obligations in relation thereto have been paid from such recoveries, be applied pro rata in repayment of the New Senior Secured Notes, the UM Senior Secured Notes, our hedging obligations, certain hedging relationships and any other such senior secured obligations. Subject to certain conditions, any security interest in the Collateral will be automatically released at the time of an enforcement sale of the pledged entity or of the assets or shares of any direct or indirect parent entity of such subsidiary. Following such a sale, the trustee and the holders of the New Senior Secured Notes will have no claims in relation to such entity and its direct and indirect subsidiaries under the New Senior Secured Notes or any New Note Guarantee.

The New Indentures will permit the granting of certain liens other than those in favor of the holders of the New Notes on the Collateral securing the New Notes. To the extent that holders of other secured indebtedness or third parties enjoy liens, including statutory liens, whether or not permitted by the New Indentures or the security documents, such holders or third parties may have rights and remedies with respect to the New Issuers' shares or other assets that, if exercised, could reduce the proceeds available to satisfy the New Issuers' obligations under the New Notes. Moreover, if the New Issuers' issue additional New Notes under the New Indentures, holders of such additional New Notes would benefit from the same collateral as the holders of the New Notes issued pursuant to the Offering Memorandum, thereby diluting your ability to benefit from the Collateral.

All of the providers of security and guarantors are incorporated or established in the form of a German GmbH (Limited Liability Company) or a German GmbH & Co. KG (Limited Partnership with a Limited Liability Company as General Partner). Consequently, the grant of collateral by these companies is subject to certain provisions of the GmbH Gesetz (Limited Liability Company Act).

As a general rule, sections 30 and 31 of the GmbH Gesetz ("Sections 30 and 31") prohibit a GmbH from repaying funds required to maintain its stated share capital to its shareholders and prohibit a GmbH & Co. KG from repaying funds required to maintain the stated share capital of its general partner to the general partner's shareholders. Guarantees, share pledges and any other collateral granted by a GmbH (and under certain conditions by a GmbH & Co. KG) in order to guarantee or secure liabilities of a direct or indirect parent or sister company are considered, subject to certain exceptions, repayments under Sections 30 and 31. As a consequence, to the extent that the amount of the GmbH's or of the GmbH & Co. KG's general partner's net assets (i.e., assets minus liabilities and liability reserves) is or would fall below the amount of its stated share capital, payments under a guarantee or the enforcement of a security interest will be limited. Therefore, in order to enable a German GmbH or GmbH & Co. KG to issue guarantees or create security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so called "limitation language" in relation to companies in the legal form of a GmbH or a GmbH & Co. KG incorporated or established in Germany. Pursuant to such limitation language, the New Note Guarantees or the Collateral, subject to certain exceptions, will only be enforceable against the German subsidiary to the extent that such enforcement does not result in the subsidiary's net assets falling below its stated share capital or, in the case of a GmbH & Co. KG, the stated share capital of its general partner or, as the case may be, if the net assets are already below the amount of the stated share capital to cause such amount to be further reduced. Accordingly, the New Indentures, the New Note Guarantees and the security documents in relation to the Collateral will contain such limitation language and the relevant New Note Guarantees and the Collateral will be so limited.

For purposes of Sections 30 and 31, the net assets are calculated pursuant to German GAAP (as set out in the German Commercial Code (HGB)). However, the so-called “limitation language” in the New Indentures and the security documents in relation to the Collateral provides for certain adjustments to this calculation that deviate from German GAAP. As a result of these adjustments, the net assets available for enforcement may be increased beyond the amount as calculated for purposes of Sections 30 and 31. There can be no assurance that such contractual adjustments will be upheld by the German courts.

The rights of holders of the New Senior Secured Notes to enforce remedies with respect to the Collateral are subject to collateral sharing arrangements.

The security interest in our assets serving the Collateral for the repayment of the New Senior Secured Notes and the guarantee thereof have also been granted as collateral in favor of the lenders under the Unitymedia Revolving Credit Facility, our hedging counterparties and the holders of the UM Senior Secured Notes. The Intercreditor Agreement, the Unitymedia Revolving Credit Facility, the UM Senior Secured Indentures and the New Senior Secured Indenture also permit a security interest in the Collateral to be granted to lenders of additional indebtedness and to hedging counterparties under certain of our hedging obligations. The Intercreditor Agreement provides that a common security agent, who also serves as the security agent for the lenders under the Unitymedia Revolving Credit Facility, our hedging obligations and any additional secured debt, may act only as provided for in the Intercreditor Agreement. In general, the lenders and the agent under the Unitymedia Revolving Credit Facility and the representatives of our hedging counterparties and any agent with respect to any future secured debt will have, subject to prior notification of and consultation with the trustee, the right to enforce the shared collateral. In addition, holders of the New Senior Secured Notes will not be able to force a sale of the Collateral securing the New Senior Secured Notes or otherwise independently pursue the remedies of a secured creditor under the security documents without consulting with the lenders under the Unitymedia Revolving Credit Facility, the holders of UM Senior Secured Notes, our hedge-counterparties and holders of any such other secured debt for so long as any amounts under the Unitymedia Revolving Credit Facility, the UM Senior Secured Notes, our hedging obligation or such other secured debt remain outstanding. The Intercreditor Agreement provides that the enforcement sale of any collateral will be subject to, as a condition to the release of any claims of any other indebtedness secured by such collateral under the Intercreditor Agreement, certain protections intended to maximize the cash recovery from an enforcement sale. Prior to enforcement of the Collateral by another class of creditors, the New Senior Secured Notes Trustee will be provided with notice and the right to consult. Neither the New Senior Secured Notes Trustee nor the holders of the New Senior Secured Notes will have the ability to prevent or delay enforcement after the consultation period. The lenders under the Unitymedia Revolving Credit Facility, the holders of the UM Senior Secured Notes our hedge-counterparties or any other future class of debt secured by the Collateral may have interests that are different from the interests of holders of the New Senior Secured Notes and they may elect to pursue their remedies under the security documents at a time when it would not be advantageous for the holders of the New Senior Secured Notes to do so.

In addition, if the lenders or the agent under the Unitymedia Revolving Credit Facility or our hedging obligations sell either some or all of our subsidiaries or any direct or indirect parent entity of such subsidiary or other assets through an enforcement of their security interests in accordance with the terms of the Intercreditor Agreement, the guarantees of the New Senior Secured Notes from any such guarantor that is sold and any guarantee of the New Senior Secured Notes issued by any of its subsidiaries and the security over any such assets securing the New Senior Secured Notes and any guarantee thereof will be automatically released. See “*Description of Other Indebtedness — Intercreditor Agreement*”.

You may not be able to enforce the share pledges due to procedural requirements and to restrictions on enforcement contained in German corporate law.

The enforcement of the share pledges will be limited by the prerequisites of the formalized statutory enforcement proceedings of mandatory German law which, in principle, provide for a sale of the pledged shares in public auction rather than in a private sale.

To the extent the pledgors are subsidiary guarantors, the enforcement of the share pledges will be subject to contractual restrictions relating to German corporate law requirements, in particular capital maintenance rules. If, at the time of the enforcement of the share pledges, the reimbursement claim of the pledgor against the beneficiary of the relevant security (i.e., the direct or indirect shareholder) is not fully realizable and, as a consequence, the net assets of the pledgor fall short of an amount equal to the pledgor’s registered share capital, the granting of upstream collateral would violate German capital

maintenance rules. Accordingly, the terms of each of the share pledges granted by a subsidiary guarantor in the form of a German limited liability company (GmbH) limit enforcement of the share pledges, if and to the extent enforcement of the share pledges would cause such subsidiary guarantor's net assets to fall below its registered share capital (*Stammkapital*).

Also, it cannot be ruled out that the case law of the German Federal Supreme Court regarding so-called “destructive interference” (i.e., the situation where a shareholder deprives a limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of the share pledges granted by subsidiary guarantors to the extent such enforcement would deprive the relevant pledgor of the liquidity necessary to meet their respective payment obligations. In such case, the amount of proceeds to be realized in an enforcement process may be reduced. According to a decision of the Federal Supreme Court, a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the stressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that courts may apply this case law with respect to the granting of the share pledges.

Any pledge of the Collateral might be avoidable in insolvency.

Any pledge of the Collateral in favor of the Trustees or Security Agent, including pursuant to security documents delivered after the date of the New Indentures, might be avoidable by the custodian (*Sachwalter*) of the pledgor (as debtor in possession) or by the appointed insolvency administrator if certain events or circumstances exist or occur, including, among others, if (i) the pledgor is unable to pay its debts due at the time of the pledge, (ii) the pledge permits the holders of the notes to receive a greater recovery than if the pledge had not been given, and (iii) insolvency proceedings in respect of the pledgor are applied for or are commenced within three months following the pledge, or, in certain circumstances, a longer period.

The New Issuers and their subsidiaries are organized under the laws of Germany and most of their assets are located in and activities are conducted in Germany. Consequently, in the event of an insolvency of the New Issuers or any of these subsidiaries, insolvency proceedings may be initiated in Germany. German law would generally govern most aspects of such proceedings. For a description of German insolvency laws and its risks see the respective risk factor “— *The insolvency laws of Germany and other local insolvency laws may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the New Notes from recovering payments due on the New Notes*”.

The ability of the Security Agent to enforce the Collateral is subject to uncertainties under German law.

There is uncertainty under German law as to whether obligations to beneficial owners of the New Notes that are not identified as registered holders in a security document will be validly secured by accessory security such as pledges over shares, partnership interests or receivables, including bank accounts. Therefore, there are risks regarding the enforceability of such pledges. In this connection, the Intercreditor Agreement contains a provision pursuant to which the New Issuers and the guarantors will be obliged to pay to the Security Agent as joint and several creditor any amount owed by them under the New Notes and the New Indentures. Further, the New Indentures contain an abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the Security Agent in relation to which the New Issuers and the guarantors will be obliged to pay the Security Agent as several creditor any amount owed by them under the New Notes and the New Indentures. Each of the joint and several obligations pursuant to the Intercreditor Agreement and the several obligations pursuant to the New Indentures create a so-called parallel debt which is secured by the Collateral. However, German courts have not yet ruled in respect of such a parallel debt structure. As a result, we cannot assure holders of the New Notes that such structure will eliminate or mitigate the risk of unenforceability of such pledges posed by German law. If any challenge to the validity of such pledges or the parallel debt structure was successful, holders of the New Notes may not be able to recover any amounts under such pledges.

The New Senior Secured Notes Issuers and the guarantors of the New Senior Secured Notes will have control over the Collateral securing the New Senior Secured Notes, and the sale of particular assets could reduce the pool of assets securing the New Senior Secured Notes.

The security documents will allow the New Senior Secured Notes Issuers and the guarantors of the New Senior Secured Notes to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral. So long as no default or event of default

under the New Senior Secured Notes Indenture would result therefrom, the New Senior Secured Notes Issuers and the guarantors of the New Senior Secured Notes may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of the Collateral and making ordinary course cash payments, including repayments of indebtedness.

It may be difficult to realize the value of the Collateral securing the New Notes.

The Collateral securing the New Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Unitymedia Revolving Credit Facility, the New Indentures and/or the Intercreditor Agreement and accepted by other creditors that have the benefit of prior ranking security interests in the Collateral securing the New Notes from time to time, whether on or after the date the New Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on the Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions.

The security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests over real and personal property such as the Collateral. For example, the Security Agent may need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consents. We also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the grantor of the security. The liens on the Collateral securing the New Notes may not be perfected with respect to the claims of the New Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these liens. In addition, applicable law may require that certain property and rights acquired after the grant of a general security interest, such as equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and identified.

There are circumstances other than repayment or discharge of the New Notes under which the New Note Guarantees and the Collateral will be released automatically.

The Intercreditor Agreement provides that the transaction security and guarantees relating to the liabilities owed to the lenders of the Unitymedia Revolving Credit Facility, the hedge counterparties and the holders of the New Notes and the UM Notes will be released in certain circumstances. See “*Description of the New Senior Secured Notes*”, “*Description of the New Senior Notes*” and “*Description of Other Indebtedness — Intercreditor Agreement*”. Moreover, certain proceeds received by the lenders under the Unitymedia Revolving Credit Facility, hedge counterparties and the holders of the New Notes and the UM Notes must be turned over to the Security Agent pursuant to the Intercreditor Agreement for application in accordance with the Intercreditor Agreement.

The value of the Collateral may decrease because of obsolescence, impairment or certain casualty events.

The value of our cable network assets and other properties that the New Issuers and the guarantors of the New Notes own that serve as collateral may be adversely affected by depreciation and normal wear and tear or because of certain events that may cause damage to these properties. Although the various finance documents to which the New Issuers and the guarantors are a party may contain certain covenants in relation to the maintenance and preservation of assets, the New Issuers and the guarantors of the New Notes will not be required to improve the Collateral. The New Issuers will be obliged under the various finance documents to which the New Issuers and the guarantors are a party to maintain insurance with respect to the Collateral, but the proceeds of such insurance may not be sufficient to rebuild or restore such properties to their original condition prior to the occurrence of the events that caused the insured damages. Those insurance policies will most certainly not cover all the events that may conceivably result in damage to the Collateral.

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

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

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

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

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the New Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the New Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the relevant New Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of such New Notes.

You may face foreign exchange risks by investing in the New Notes.

The New Euro Notes will be denominated and payable in euro and the New Dollar SSNs will be denominated and payable in U.S. dollars. If you measure your investment returns by reference to a currency other than the euro or the U.S. dollar, as the case may be, an investment in either the New Euro Notes or the New Dollar SSNs entails foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro or the U.S. dollar relative to the currency by reference to which you measure your investment returns because of economic, political and other factors over which we have no control. Depreciation of the euro or the U.S. dollar against the currency by reference to which you measure your investment returns could cause a decrease in the effective yield of the New Notes below their stated coupon rates and could result in a loss to you when the return on the New Notes is translated into the currency by reference to which you measure your investment returns. There may be tax consequences for you as a result of any foreign currency gains or losses from any investment in the New Notes. Please see “*Certain Tax Considerations — Certain U.S. Federal Income Tax Considerations*”.

Market perceptions concerning the instability of the euro, the potential re-introduction of individual currencies within the euro zone, or the potential dissolution of the euro entirely, could adversely affect the value of the New Euro Notes.

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility (the “EFSF”) and the European Financial Stability Mechanism (the “EFSM”) to provide funding to euro zone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for euro zone countries to establish a permanent stability mechanism, the European Stability Mechanism (“ESM”), to assume the role of the EFSF and the EFSM in providing external financial assistance to euro zone countries after June 2013. In December 2011, the European Council and each euro zone Head of State or Government agreed a package of measures to restore confidence and address the continued tensions in financial markets, including (i) bringing-forward implementation of the ESM from June 2013 to as soon as Member States representing 90% of the capital commitments to the ESM had ratified the ECM Treaty, which is expected in July 2012, and (ii) a new fiscal compact between all 17 euro zone Member States and, subject to parliamentary vote, all other non-euro zone countries (except the United Kingdom) to put deficit restrictions on Member State budgets, with associated sanctions for those Member States who violate the specified limits. Despite these measures, concerns persist regarding the debt burden of certain euro zone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Member States. These and other concerns could lead to the re-introduction of individual currencies in one or more Member States, or, in more extreme circumstances, the possible dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the New Euro Notes.

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

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

The New Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

Unless and until New Notes in definitive registered form, or definitive registered notes, are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or holders of the New Notes. The common depositary for Euroclear and Clearstream (or its nominee) will be the sole holder of the global notes representing the New Euro Notes and the custodian for DTC (or its nominee) will be the sole holder of the global notes representing the New Dollar SSNs. After payment to the

common depositary or the custodian (as the case may be), the New Issuers will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of DTC, Euroclear or Clearstream, as applicable, and if you are not a participant in DTC, Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights of a holder of the relevant New Notes under the relevant New Indenture. See “*Book Entry, Delivery and Form of New Notes.*”

Unlike the holders of the New Notes themselves, owners of book-entry interests will not have the direct right to act upon the New Issuers’ solicitations for consents, requests for waivers or other actions from holders of the New Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC, Euroclear or Clearstream. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any request actions on a timely basis.

Similarly, upon the occurrence of an event of default under a New Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC, Euroclear or Clearstream. The New Issuers cannot assure you that the procedures to be implemented through DTC, Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the New Notes. See “*Book Entry, Delivery and Form of New Notes.*”

The U.S. federal income tax consequences of the 2011 Reorganization and the 2012 Reorganization are not clear and could impact the U.S. federal income tax consequences of owning the New Notes, including potential application of the original issue discount rules.

It is not clear how the 2011 Reorganization or the 2012 Reorganization (including the assumption of obligations under the KBW Senior Secured Notes by Kabel BW GmbH or the KBW Senior Notes by UPC Germany HC1) (together, the “Pre-Exchange Reorganizations”) should be treated for U.S. federal income tax purposes. It is possible that one or more of the Pre-Exchange Reorganizations may have involved a taxable or tax-free exchange of the KBW Notes for U.S. federal income tax purposes, giving rise to gain or loss (some of which may be treated as ordinary income or loss), original issue discount and/or premium, and a new holding period and tax basis, for U.S. federal income tax purposes. If the Pre-Exchange Reorganizations caused a deemed re-issuance of any of the KBW Notes and the deemed re-issued KBW Notes were treated as issued with original issue discount, such original issue discount may carry over to the New Notes issued in the Exchange Offers, and a U.S. Holder of the New Notes would be required to include such original issue discount in income as it accrues on the New Notes.

If any such reorganization resulted in a taxable or tax-free exchange of the KBW Notes, the tax consequences of the Exchange Offers, the Special Optional Redemptions and the ownership of the New Notes would need to take into account the tax consequences of any of the prior reorganizations (see “*Certain Tax Considerations — Certain U.S. Federal Income Tax Considerations*”).

The U.S. federal income tax consequences of the Post-Settlement Reorganization are not clear and could impact the U.S. federal income tax consequences of owning the New Notes, including potential application of the original issue discount rules.

It is not clear how the Post-Settlement Reorganization as generally described in these Listing Particulars should be treated for U.S. federal income tax purposes. If we elect to implement the Post-Settlement Reorganization, it is possible that the Post-Settlement Reorganization may involve a taxable or tax-free exchange of the New Notes (or any remaining KBW Notes) for U.S. federal income tax purposes, giving rise to gain or loss (some of which may be treated as ordinary income or loss), original issue discount and/or premium, and a new holding period and tax basis, for U.S. federal income tax purposes.

If any such reorganization results in a taxable or tax-free exchange of the New Notes, the tax consequences thereof would need to take into account the tax consequences of any of the prior reorganizations (see “*Certain Tax Considerations — Certain U.S. Federal Income Tax Considerations*”).

Employee Benefit Plan Considerations.

Each acquirer and each transferee of a New Note or any interest therein will be deemed to have represented, warranted and agreed at the time of its acquisition and throughout the period that it holds such New Note or any interest therein that (1) either (a) it is not, and is not acting on behalf of (and for so long as such acquirer or transferee holds such New Note or any interest therein will not be, and will not be

acting on behalf of), a Benefit Plan Investor (as defined under “*Transfer Restrictions*”) or a governmental, church or non-U.S. plan which is subject to any Similar Laws (as defined under “*Transfer Restrictions*”), and no part of the assets used by it to acquire or hold any New Note or any interest therein constitutes the assets of any Benefit Plan Investor or any such governmental, church or non-U.S. plan, or (b) its acquisition, holding and disposition of such New Note does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and/or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws); (2) neither the New Issuers nor any of their affiliates is a Fiduciary (as defined under “*Transfer Restrictions*”) with respect to the purchaser or holder in connection with any purchase or holding of the New Notes, or as a result of any exercise by the New Issuers or any of their affiliates of any rights in connection with the New Notes, and no advice provided by the New Issuers or any of their affiliates has formed a primary basis for any investment decision by or on behalf of the purchaser or holder in connection with the New Notes and the transactions contemplated with respect to the New Notes; and (3) it will not sell or otherwise transfer any New Note or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of any such New Note. See “*Certain Employee Benefit Plan Considerations*” herein for a more detailed discussion of certain ERISA and related considerations with respect to participating in the Exchange Offers and acquiring the New Notes.

USE OF PROCEEDS

The New Issuers did not receive any cash proceeds in the Exchange Offers. The KBW Notes exchanged in connection with the Exchange Offers were retired and cancelled and will not be reissued.

CAPITALIZATION OF UNITYMEDIA

The following table sets forth, in each case as of December 31, 2011, (i) the actual consolidated cash and cash equivalents and capitalization of Unitymedia and the Kabel BW Group and (ii) the consolidated cash and cash equivalents and capitalization of Unitymedia on an as adjusted basis after giving effect to the KBW Fold-in and (a) the completion of the Exchange Offers assuming 100% of the KBW Notes are exchanged (“Maximum Exchange”) and (b) the completion of the Exchange Offers assuming (1) 51% of the KBW Notes are exchanged (to approximate an outcome satisfying the Minimum Tender Condition) and (2) the Unitymedia Cash Notes are issued and the proceeds therefrom are used to fund the Special Optional Redemptions (“Minimum Exchange”).

This table should be read in conjunction with “Use of Proceeds”, “Unaudited Pro Forma Condensed Combined Financial Information of Unitymedia”, “Selected Consolidated Financial and Operating Data of Unitymedia”, “Selected Financial and Operating Data of Kabel BW”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations of Unitymedia”, “Supplemental Discussion and Analysis of Certain Historical Financial Information and Results of Operations of Kabel BW”, “Description of Other Indebtedness”, “Description of the New Senior Secured Notes”, “Description of the New Senior Notes” and the Unitymedia Consolidated Financial Statements and Kabel BW 2011 Consolidated Financial Statements included elsewhere in these Listing Particulars.

The impact of any derivative instruments that Unitymedia may enter into to manage foreign currency or interest rate risk associated with the New Notes and the Unitymedia Cash Notes has not been reflected in the as adjusted data presented in this table. Except as set forth in the footnotes to this table, there have been no material changes to Unitymedia’s cash and cash equivalents and third-party capitalization since December 31, 2011.

	December 31, 2011			
	Actual		As Adjusted	
CASH AND CASH EQUIVALENTS AND CAPITALIZATION OF UNITYMEDIA	Unitymedia	Kabel BW Group combined	Maximum Exchange ⁽¹⁾	Minimum Exchange and Special Optional Redemptions ⁽²⁾
	in millions			
Total cash and cash equivalents ⁽³⁾	€ 20.1	€ 28.0	€ 46.6	€ 23.0
Third-party debt:				
UM Senior Notes	€ 651.5	€ —	€ 651.5	€ 651.5
KBW Senior Notes ⁽⁴⁾	—	678.2	—	—
New Senior Notes ⁽⁴⁾	—	—	678.2	345.9
Unitymedia Cash Senior Notes ⁽⁵⁾	—	—	—	336.5
UM Senior Secured Notes	2,046.7	—	2,046.7	2,046.7
KBW Senior Secured Notes ⁽⁴⁾	—	1,616.2	—	—
New Senior Secured Notes ⁽⁴⁾	—	—	1,616.2	824.4
Unitymedia Cash Senior Secured Notes ⁽⁵⁾	—	—	—	794.7
Unitymedia Revolving Credit Facility ⁽⁶⁾	80.0	—	80.0	80.0
Transaction costs, accrued interest and finance lease obligations ⁽⁷⁾	(33.1)	46.1	13.0	(10.6)
Total third-party debt	2,745.1	2,340.5	5,085.6	5,069.1
Unitymedia Shareholder Loans, including accrued interest thereon ⁽⁸⁾	193.1	—	193.1	193.1
Shareholder's equity ⁽⁹⁾	810.4	884.8	1,694.1	1,689.1
Total capitalization	€ 3,748.6	3,225.3	€ 6,972.8	€ 6,951.3

(1) Assumes that 100% of the KBW Notes are exchanged through the completion of the Exchange Offers.

(2) Assumes that (a) 51% of the KBW Notes are exchanged through the completion of the Exchange Offers and (b) all of the proceeds from the issuance of the Unitymedia Cash Notes are used to fund the Special Optional Redemptions. Notwithstanding these assumptions, the New Issuers may elect to fund the Special Optional Redemptions with all or a portion of the proceeds of the Unitymedia Cash Notes, borrowings under the Unitymedia Revolving Credit Facility or the 2012 Unitymedia Facilities Agreement (to the extent entered into), and/or cash and cash equivalents of Unitymedia.

(3) The amount of cash and cash equivalents presented in the “As Adjusted — Maximum Exchange” column assumes that the €1.5 million of expenses associated with the completion of the Exchange Offers are paid out of the existing cash and cash

equivalents of Unitymedia. The amount of cash and cash equivalents presented in the “*As Adjusted — Minimum Exchange*” column assumes that (i) the €1.5 million of expenses associated with the completion of the Exchange Offers and (ii) €23.6 million of commissions and expenses associated with the issuance of the Unitymedia Cash Notes are paid out of the cash and cash equivalents of Unitymedia.

- (4) The “*As Adjusted — Maximum Exchange*” amounts reflect the exchange of 100% of (a) the KBW Senior Notes for New Senior Notes, (b) the KBW Euro Senior Secured Notes for New Euro SSNs, (c) the KBW Dollar Senior Secured Notes for New Dollar SSNs and (d) the KBW Senior Secured Floating Rate Notes for New FRNs through the completion of the Exchange Offers. The “*As Adjusted — Minimum Exchange*” amounts reflect (a) the exchange of 51% of (i) the KBW Senior Notes for New Senior Notes, (ii) the KBW Euro Senior Secured Notes for New Euro SSNs, (iii) the KBW Dollar Senior Secured Notes for New Dollar SSNs and (iv) the KBW Senior Secured Floating Rate Notes for New FRNs through the completion of the Exchange Offers and (b) the completion of the Special Optional Redemptions.
- (5) The “*As Adjusted — Minimum Exchange*” amounts reflect the issuance of the Unitymedia Cash Notes and the use of the proceeds therefrom to fund the Special Optional Redemptions, including the payment of the redemption premium of €11.2 million. Notwithstanding these assumptions, the aggregate principal amount of the Unitymedia Cash Notes may be less than or greater than the amount required to fund the Special Optional Redemptions (including the redemption premium), and any excess amount of proceeds may be used for general corporate purposes of the New Issuers, including the refinancing of indebtedness. In addition, the New Issuers may elect to fund the Special Optional Redemptions with all or a portion of the proceeds of the Unitymedia Cash Notes, borrowings under the Unitymedia Revolving Credit Facility or the 2012 Unitymedia Facilities Agreement (to the extent entered into), and/or cash and cash equivalents of Unitymedia.
- (6) The Unitymedia Revolving Credit Facility is an €80.0 million senior secured revolving credit facility entered into on December 21, 2009. As described under “*Summary—The Transactions—Potential 2012 Additional Transactions*”, Unitymedia Hessen may enter into a new 2012 Unitymedia Facilities Agreement, which is expected to include a senior secured revolving facility, but the terms of any such additional facility have not been agreed. In addition, the KBW Revolving Credit Facility, which was undrawn at December 31, 2011, will be terminated in connection with the KBW Fold-in.
- (7) The “*Actual — Unitymedia*” amount includes deferred financing costs and accrued interest with respect to indebtedness of Unitymedia, and the “*Actual — Kabel BW Group combined*” amount includes accrued interest with respect to indebtedness of the Kabel BW Group. The “*As Adjusted — Minimum Exchange*” amount includes €23.6 million of estimated deferred financing costs (including €1.0 million of third-party transaction costs) assumed to be paid in connection with the issuance of the Unitymedia Cash Notes in connection with the Special Optional Redemptions.
- (8) Represents loans payable to Unitymedia’s shareholder, UPC Germany Holding, resulting primarily from (i) transactions that were completed in connection with the LGI/Unitymedia Transaction and (ii) fees and allocations charged from UPC Holding and other Liberty Global subsidiaries. All principal (€179.2 million at December 31, 2011) and accrued interest (€13.9 million at December 31, 2011) outstanding under these loans is due and payable on January 1, 2030. The amounts outstanding under these loans bear interest at 8.58% per annum. See “*Certain Relationships and Related-Party Transactions of Unitymedia*”.
- (9) Shareholder’s equity represents the excess of Unitymedia’s and the Kabel BW Group’s assets over their respective liabilities. For additional information, see the Unitymedia Consolidated Financial Statements, Kabel BW 2011 Consolidated Financial Statements and “*Unaudited Pro Forma Condensed Combined Financial Information of Unitymedia*”. Both “*As Adjusted*” amounts reflect a €1.5 million loss related to third-party transaction costs incurred in connection with the Exchange Offer, net of an assumed tax impact of €0.4 million. The “*As Adjusted — Minimum Exchange*” amount also reflects (a) an €11.2 million loss on extinguishment of debt related to the payment of the redemption premium in connection with the Special Optional Redemptions, net of an assumed tax impact of €3.3 million, and (b) a €4.1 million gain on extinguishment of debt related to the write-off of 49% of the net premium on the KBW Notes in connection with the Special Optional Redemptions, net of an assumed tax impact of €1.2 million.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION OF UNITYMEDIA

General

The following unaudited pro forma condensed combined balance sheet as of December 31, 2011 for Unitymedia gives effect to (1) the KBW Fold-in, (2) the Exchange Offers and (3) the Special Optional Redemptions, as applicable, as if such transactions occurred on December 31, 2011. The effect of the Exchange Offers assumes a range of results based on the exchange of 100% (the “Maximum Exchange”) and, to approximate an outcome satisfying the Minimum Tender Condition, 51% (the “Minimum Exchange”) of the KBW Notes for New Notes, and in the case of the Minimum Exchange, further assumes the impact of the Special Optional Redemptions for the remaining 49% of the KBW Notes. The Maximum Exchange and the Minimum Exchange represent the range of possible results that could occur with respect to the Exchange Offers and the Special Optional Redemptions. The actual results of these transactions may fall anywhere within this range. The following unaudited pro forma condensed combined statements of operations give effect to (1) the LGI/KBW Transaction (as further described below), (2) the March 2011 Debt Refinancing (as further described below), (3) the KBW Fold-in, (4) the Exchange Offers and (5) the Special Optional Redemptions, as applicable, as if such transactions occurred on January 1, 2011. The LGI/KBW Transaction and the March 2011 Debt Refinancing are collectively referred to as the “Consummated Transactions”, and the KBW Fold-in, the Exchange Offers and the Special Optional Redemptions are collectively referred to as the “Proposed Transactions”. For details regarding the Proposed Transactions see “*Summary*” and “*The Transactions*”. The Consummated Transactions are discussed further below.

The unaudited pro forma results do not purport to be indicative of the financial position and results of operations that Unitymedia will obtain in the future, or that Unitymedia would have obtained if the Proposed Transactions and Consummated Transactions were effective as of the dates indicated above. The pro forma adjustments are based upon currently available information and upon certain assumptions that Unitymedia believes are reasonable. These unaudited pro forma condensed combined financial statements of Unitymedia include historical consolidated financial statement information prepared in accordance with EU-IFRS that has been derived from, and should be read in conjunction with, the Unitymedia Consolidated Financial Statements and the Kabel BW 2011 Consolidated Financial Statements, included elsewhere herein.

Although we use derivative instruments to manage our interest rate and foreign currency exposures, no pro forma adjustments have been reflected in these unaudited pro forma condensed combined financial statements with respect to new derivative instruments that we may enter into in connection with the Exchange Offers or the Special Optional Redemptions.

Consummated Transactions

LGI/KBW Transaction

On December 15, 2011, UPC Germany HC2, an indirect subsidiary of Liberty Global, purchased all of the outstanding shares of KBW Musketeer from Oskar Rakso (the “LGI/KBW Transaction”). During the time that Oskar Rakso directly or indirectly owned Kabel BW, Oskar Rakso was directly owned by Wire Holding Guernsey Ltd., and indirectly held by the EQT funds IV and V.

At closing, Oskar Rakso transferred its shares in KBW Musketeer and assigned the balance of a loan receivable from KBW Musketeer to UPC Germany HC2 in consideration of UPC Germany HC2’s payment of €1,062.4 million in cash (the “**KBW Purchase Price**”). The KBW Purchase Price, together with Kabel BW’s consolidated net debt at December 15, 2011 (aggregate fair value of debt outstanding less cash and cash equivalents) of €2,152.3 million resulted in total consideration of €3,214.7 million. The KBW Purchase Price included €50.0 million that was deposited into escrow, which, subject to any claims timely made under the KBW Purchase Agreement, will be released to Oskar Rakso on December 31, 2012.

UPC Germany HC2 accounted for its acquisition of KBW Musketeer using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. The purchase price allocation is preliminary and subject to adjustment based on our final assessment of the fair values of the acquired identifiable assets and liabilities. Although most items in the valuation process remain open, the items with the highest likelihood of changing upon finalization of the valuation process include long-lived assets, goodwill and income taxes.

March 2011 Debt Refinancing

On March 31, 2011, Kabel BW and Kabel Baden-Wuerttemberg GmbH and Co. KG issued the KBW Euro Senior Secured Notes, the KBW Dollar Senior Secured Notes and the KBW Senior Secured Floating Rate Notes. The net proceeds from the issuance of the KBW Senior Secured Notes of €1,529.8 million, after deducting issuance costs of €45.6 million, were primarily used to repay bank loans of €1,176.3 million (including €47.0 million of accrued interest related to a Mezzanine Facility Agreement, of which €45.1 million was accrued in periods prior to January 1, 2011) and to fund a loan by Kabel BW to KBW Musketeer (the “**KBW Musketeer Loan Facility**”). In connection with the refinancing of our bank debt, (i) we recognized a loss on extinguishment of debt of €12.5 million, representing the write-off of deferred financing costs, and (ii) we paid €16.3 million to settle the interest rate swap contracts associated with the bank loans.

On March 31, 2011, concurrent with the issuance of the KBW Senior Secured Notes, KBW Musketeer issued the KBW Senior Notes. KBW Musketeer used the combined net proceeds of €1.0 billion from the issuance of the KBW Senior Notes and from the KBW Musketeer Loan Facility to fund the partial repayment of its €1.1 billion note payable to Oskar Rakso.

Unitymedia GmbH
Unaudited Pro Forma Condensed Combined Balance Sheet
December 31, 2011

					Maximum Exchange		Minimum Exchange and Special Optional Redemptions	
	Unitymedia historical	Kabel BW Group combined(1)	Unitymedia as adjusted for Kabel BW Group Fold-in	Pro forma adjustments	Unitymedia as adjusted for Kabel BW Group Fold-in and Maximum Exchange	Pro forma adjustments	Unitymedia as adjusted for Kabel BW Group Fold-in, Minimum Exchange and Special Optional Redemptions	
	in millions							
Assets:								
Cash and cash equivalents	€ 20.1	€ 28.0	€ 48.1	€ (1.5)(2)	€ 46.6	€ (25.1)(3)	€ 23.0	
Receivables and other current assets	112.5	35.8	148.3	—	148.3	—	148.3	
Investment in associate . .	61.0	—	61.0	—	61.0	—	61.0	
Property and equipment, net	2,041.2	1,418.3	3,459.5	—	3,459.5	—	3,459.5	
Goodwill	1,436.1	1,406.9	2,843.0	—	2,843.0	—	2,843.0	
Intangible assets, net . . .	562.3	692.1	1,254.4	—	1,254.4	—	1,254.4	
Other assets, net	96.3	40.7	137.0	—	137.0	—	137.0	
Total assets	<u>€ 4,329.5</u>	<u>€ 3,621.8</u>	<u>€ 7,951.3</u>	<u>€ (1.5)</u>	<u>€ 7,949.8</u>	<u>€ (25.1)</u>	<u>€ 7,926.2</u>	
Liabilities:								
Current liabilities	€ 279.6	€ 181.5	€ 461.1	€ —	€ 461.1	€ —	€ 461.1	
Long-term debt and finance lease obligations:								
Third party	2,722.4	2,294.4	5,016.8	—	5,016.8	(23.6)(3) 11.2 (4) (4.1)(5)	5,000.3	
Related party	193.1	—	193.1	—	193.1	—	193.1	
Other long-term liabilities	324.0	261.1	585.1	(0.4)(2)	584.7	(0.4)(3) (3.3)(4) 1.2 (5)	582.6	
Total liabilities	<u>3,519.1</u>	<u>2,737.0</u>	<u>6,256.1</u>	<u>(0.4)</u>	<u>6,255.7</u>	<u>(19.0)</u>	<u>6,237.1</u>	
Shareholder's equity:								
Share capital	—	—	—	—	—	—	—	
Additional paid-in capital	1,178.5	892.4	2,070.9	—	2,070.9	—	2,070.9	
Accumulated deficit	(368.1)	(7.6)	(375.7)	(1.1)(2)	(376.8)	(1.1)(3) (7.9)(4) 2.9 (5)	(381.8)	
Total shareholder's equity	<u>810.4</u>	<u>884.8</u>	<u>1,695.2</u>	<u>(1.1)</u>	<u>1,694.1</u>	<u>(6.1)</u>	<u>1,689.1</u>	
Total liabilities and shareholder's equity	<u>€ 4,329.5</u>	<u>€ 3,621.8</u>	<u>€ 7,951.3</u>	<u>€ (1.5)</u>	<u>€ 7,949.8</u>	<u>€ (25.1)</u>	<u>€ 7,926.2</u>	

Unitymedia GmbH
Unaudited Pro Forma Condensed Combined Statement of Operations
Year ended December 31, 2011

				Maximum Exchange		Minimum Exchange and Special Optional Redemptions	
	Unitymedia historical	Kabel BW Group combined as adjusted(1)	Unitymedia as adjusted for Kabel BW Group Fold-in	Pro forma adjustments	Unitymedia as adjusted for Kabel BW Group Fold-in and Maximum Exchange	Pro forma adjustments	Unitymedia as adjusted for Kabel BW Group Fold-in, Minimum Exchange and Special Optional Redemptions
	in millions						
Revenue	€ 1,025.2	€ 605.2	€ 1,630.4	€ —	€ 1,630.4	€ —	€ 1,630.4
Operating costs and expenses:							
Operating, selling, general and administrative expenses (including stock-based compensation)	(412.5)	(254.2)	(666.7)	—	(666.7)	—	(666.7)
Depreciation and amortization	(388.3)	(230.7)	(619.0)	—	(619.0)	—	(619.0)
Impairment, restructuring and other operating charges, net	(36.3)	(2.6)	(38.9)	—	(38.9)	—	(38.9)
Earnings before interest and taxes (EBIT) . . .	188.1	117.7	305.8	—	305.8	—	305.8
Non-operating expense:							
Interest expense	(344.6)	(168.0)	(512.6)	—(6)	(512.6)	4.9 (7) (3.1)(8)	(510.8)
Realized and unrealized gains (losses) on derivative instruments, net	27.7	(9.7)	18.0	—	18.0	—	18.0
Other, net	(21.0)	(41.3)	(62.3)	—	(62.3)	—	(62.3)
	(337.9)	(219.0)	(556.9)	—	(556.9)	1.8	(555.1)
Loss before income taxes	(149.8)	(101.3)	(251.1)	—	(251.1)	1.8	(249.3)
Income tax benefit	16.1	24.6	40.7	—	40.7	(0.5)(9)	40.2
Net loss	€ (133.7)	€ (76.7)	€ (210.4)	€ —	€ (210.4)	€ 1.3	€ (209.1)

**Notes to Unaudited Pro Forma Condensed Combined
Financial Statements of Unitymedia GmbH**

- (1) Represents the effect of the planned transfer of the Kabel BW Group into Unitymedia pursuant to the KBW Fold-in. The KBW Fold-in will be accounted for at carryover basis as it represents a transfer between entities under common control. The details of this adjustment are presented in the following unaudited pro forma condensed combined financial statements of the Kabel BW Group. For purposes of reflecting the KBW Fold-in, we have combined the consolidated financial statements of Kabel BW with the financial statements of UPC Germany Holding and the intermediary entities between Kabel BW and UPC Germany Holding, and we have eliminated intercompany accounts. The following unaudited pro forma condensed combined statement of operations of the Kabel BW Group for the year ended December 31, 2011 also gives effect to the LGI/KBW Transaction and the March 2011 Debt Refinancing as if such transactions had been completed on January 1, 2011. The historical condensed consolidated financial statements of Kabel BW presented below have been derived from the Kabel BW 2011 Consolidated Financial Statements included elsewhere herein.

**Kabel BW Group
Unaudited Pro Forma Condensed Combined Balance Sheet
December 31, 2011**

	Kabel BW historical	UPC Germany Holdings, intermediary entities and eliminations in millions	Kabel BW Group combined
Assets:			
Cash and cash equivalents	€ 26.2	€ 1.8	€ 28.0
Receivables and other current assets	36.9	(1.1)	35.8
Property and equipment, net	744.5	673.8	1,418.3
Goodwill	840.0	566.9	1,406.9
Intangible assets, net	244.0	448.1	692.1
Noncurrent note receivable from parent	570.1	(570.1)	—
Other assets, net	26.4	14.3	40.7
Total assets	<u>€ 2,488.1</u>	<u>€ 1,133.7</u>	<u>€ 3,621.8</u>
Liabilities:			
Current liabilities	€ 164.3	€ 17.2	€ 181.5
Long-term debt	1,563.4	731.0	2,294.4
Other long-term liabilities	43.9	217.2	261.1
Total liabilities	<u>1,771.6</u>	<u>965.4</u>	<u>€ 2,737.0</u>
Shareholder's equity:			
Share capital	—	—	—
Additional paid-in capital	403.4	489.0	892.4
Retained earnings (accumulated deficit)	313.1	(320.7)	(7.6)
Total shareholder's equity	<u>716.5</u>	<u>168.3</u>	<u>884.8</u>
Total liabilities and shareholder's equity	<u>€ 2,488.1</u>	<u>€ 1,133.7</u>	<u>€ 3,621.8</u>

**Notes to Unaudited Pro Forma Condensed Combined
Financial Statements of Unitymedia GmbH (continued)**

**Kabel BW Group
Unaudited Pro Forma Condensed Combined Statement of Operations
Year ended December 31, 2011**

	Kabel BW historical	UPC Germany Holdings, intermediary entities and eliminations	Kabel BW Group combined	Pro forma adjustments		Kabel BW Group combined as adjusted
				LGI/KBW Transaction acquisition accounting	March 2011 Debt Refinancing	
	in millions					
Revenue	€ 606.6	€ —	€ 606.6	€ (1.4)(a)	€ —	€ 605.2
Operating costs and expenses:						
Operating, selling, general and administrative expenses (including stock-based compensation)	(254.0)	(0.2)	(254.2)	—	—	(254.2)
Depreciation and amortization	(147.2)	(4.2)	(151.4)	(86.9)(b) 7.6 (c)	—	(230.7)
Impairment, restructuring and other operating charges, net	(3.3)	(0.1)	(3.4)	0.8 (c)	—	(2.6)
EBIT	202.1	(4.5)	197.6	(79.9)	—	117.7
Non-operating expense:						
Interest expense	(105.3)	(49.2)	(154.5)	17.4 (d)	(30.9)(e)	(168.0)
Realized and unrealized losses on derivative instruments, net	(9.7)	—	(9.7)	—	—	(9.7)
Other, net	(13.4)	(27.9)	(41.3)	—	—	(41.3)
	(128.4)	(77.1)	(205.5)	17.4	(30.9)	(219.0)
Earnings (loss) from continuing operations before income taxes .	73.7	(81.6)	(7.9)	(62.5)	(30.9)	(101.3)
Income tax benefit (expense)	(2.7)	(0.5)	(3.2)	18.6 (f)	9.2 (f)	24.6
Net earnings (loss)	€ 71.0	€ (82.1)	€ (11.1)	€ (43.9)	€ (21.7)	€ (76.7)

(a) Represents the elimination of revenue arising from the amortization of certain revenue deferred prior to January 1, 2011. This deferred revenue is not assigned a value in acquisition accounting, and as such, the amortization of this deferred revenue is eliminated when the acquisition accounting is given effect as of January 1, 2011.

(b) Represents adjustments to depreciation and amortization of €46.1 million and €40.8 million, respectively, resulting from the preliminary application of acquisition accounting in connection with the LGI/KBW Transaction, principally based on (i) €658.6 million allocated to customer relationships, and (ii) €1,420.7 million allocated to property and equipment. The final allocation of the acquisition price may result in changes to the preliminary allocation. To the extent that the final acquisition results in the allocation of additional consideration to assets with definitive lives, or the useful lives assumed in these unaudited pro forma condensed combined financial statements differ from the actual useful lives, the actual depreciation and amortization expense could differ from the amounts reflected in these unaudited pro forma condensed combined financial statements. For example, if an additional €50.0 million of excess consideration had been

**Notes to Unaudited Pro Forma Condensed Combined
Financial Statements of Unitymedia GmbH (continued)**

allocated to a definite-lived intangible asset with a weighted average life of 10 years, the accompanying unaudited pro forma condensed combined statement of operations of the Kabel BW Group for the year ended December 31, 2011 would have reflected an increase in pro forma depreciation and amortization, a decrease in pro forma EBIT and an increase in loss from continuing operations before income taxes of €5.0 million.

- (c) Represents the elimination of KBW's historical amortization and impairment expense related to subscriber acquisition costs that were capitalized prior to January 1, 2011. Capitalized subscriber costs are not assigned any value in acquisition accounting, and as such, the statement of operations effects of these subscriber acquisition costs are eliminated when the acquisition accounting is given effect as of January 1, 2011.
 - (d) Represents the elimination of KBW's historical amortization of deferred financing costs. Deferred financing costs are not assigned a value in acquisition accounting, and as such, the statement of operations effects of these deferred financing costs are eliminated when the acquisition accounting is given effect as of January 1, 2011.
 - (e) Represents the net increase to interest expense during the year ended December 31, 2011 to reflect the March 2011 Debt Refinancing as if it had occurred on January 1, 2011. The increases to interest expense resulting from the March 2011 Debt Refinancing are calculated using the interest rate in effect for the floating rate KBW Senior Secured Floating Rate Notes as of December 31, 2011 of 5.7%. An increase in the assumed interest rate for the KBW Senior Secured Floating Rate Notes of $\frac{1}{8}\%$ would lead to an additional €0.5 million of interest expense for the year ended December 31, 2011.
 - (f) Income tax impacts have been computed based on an assumed statutory rate of 29.8%.
- (2) Represents €1.5 million of estimated third-party transaction costs assumed to be paid in connection with the Maximum Exchange. These costs are reflected as a direct increase to Unitymedia's accumulated deficit, net of an assumed tax impact of €0.4 million. Due to its nonrecurring nature, the loss associated with the third-party transaction costs has not been reflected in Unitymedia's unaudited pro forma condensed combined statement of operations.
 - (3) Represents the impact of (i) €23.6 million of estimated deferred financing costs (including €1.0 million of third-party transaction costs) assumed to be paid related to the issuance of the Unitymedia Cash Notes in connection with the Special Optional Redemptions, and (ii) €1.5 million of estimated third-party transaction costs assumed to be paid in connection with the Minimum Exchange, which are reflected as a direct increase to Unitymedia's accumulated deficit, net of an assumed tax impact of €0.4 million. Due to its nonrecurring nature, the loss associated with the third-party transaction costs has not been reflected in Unitymedia's unaudited pro forma condensed combined statement of operations.
 - (4) Represents the issuance of Unitymedia Cash Notes to fund the Special Optional Redemptions, including the €11.2 million redemption premium thereon. The loss on extinguishment associated with the redemption premium is reflected as a direct increase to Unitymedia's accumulated deficit, net of an assumed tax impact of €3.3 million. Due to its nonrecurring nature, this loss on extinguishment has not been reflected in Unitymedia's unaudited pro forma condensed combined statement of operations. The aggregate principal amount of the Unitymedia Cash Notes may be less than or greater than the amount required to fund the Special Optional Redemptions (including the redemption premium), and any excess amount of proceeds may be used for general corporate purposes of the New Issuers, including the refinancing of indebtedness. In addition, the New Issuers may elect to fund the Special Optional Redemptions with all or a portion of the proceeds of the Unitymedia Cash Notes, borrowings under the Unitymedia Revolving Credit Facility or the 2012 Unitymedia Facilities Agreement (to the extent entered into), and/or cash and cash equivalents of Unitymedia. These possible different outcomes would result in levels of debt, cash and cash equivalents and interest expense that are different from what has been assumed in these unaudited pro forma condensed combined financial statements.

**Notes to Unaudited Pro Forma Condensed Combined
Financial Statements of Unitymedia GmbH (continued)**

- (5) Represents the write-off of 49%, or €4.1 million, of the net premium on the KBW Notes as a result of the Special Optional Redemptions. The gain on extinguishment associated with this write-off is reflected as a direct decrease to Unitymedia's accumulated deficit, net of an assumed tax impact of €1.2 million. Due to its nonrecurring nature, this gain on extinguishment has not been reflected in Unitymedia's unaudited pro forma condensed combined statement of operations.
- (6) As the terms of the New Notes match the terms of the KBW Notes with respect to stated interest rates and maturities, we have made no pro forma adjustments to interest expense.
- (7) Represents the net decrease in interest expense resulting from the assumed redemption of 49% of the KBW Notes under the Special Optional Redemptions with proceeds from the Unitymedia Cash Notes. The net impact includes an €86.9 million decrease to reverse the historical interest expense on the KBW Notes, and an €82.0 million increase for the Unitymedia Cash Notes based on an assumed interest rate of 7.25%. For information concerning different possible outcomes, see (4) above.
- (8) Represents the amortization of the €23.6 million of estimated deferred financing costs arising from the Minimum Exchange and the issuance of the Unitymedia Cash Notes. Deferred financing costs are amortized over the term of the related debt on a straight-line basis, which approximates the effective interest method.
- (9) Income tax impacts have been computed based on an assumed statutory rate of 29.8%.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA OF UNITYMEDIA

The table below sets out selected financial and operating data of Unitymedia for the indicated periods. As further described in note 1 to the Unitymedia Consolidated Financial Statements included elsewhere in these Listing Particulars, Unitymedia was formed in October 2009 in contemplation of the issuance of debt financing in connection with the acquisition of Old Unitymedia. The acquisition of Old Unitymedia by Unitymedia, which we refer to as the “LGI/Unitymedia Transaction”, was completed on January 28, 2010. Accordingly, Old Unitymedia is not included in Unitymedia’s historical consolidated financial statements prior to January 28, 2010. In order to provide meaningful comparisons, the following discussion and analysis of our results of operations is based on pro forma statement of operations and statistical data that gives effect to the formation of Unitymedia, the Unitymedia Merger, the LGI/Unitymedia Transaction and the refinancing of Old Unitymedia’s debt as of January 1, 2010. As a result, (i) the historical operating results of Old Unitymedia’s continuing operations are included in the statement of operations and statistical data for all periods presented and discussed below, unless otherwise indicated, and (ii) the pro forma statement of operations amounts for the year ended December 31, 2010 include adjustments to (a) reflect the new basis of accounting resulting from the LGI/Unitymedia Transaction and (b) eliminate the impacts of the refinanced debt of Old Unitymedia. The pro forma amounts related to Old Unitymedia are derived from the historical financial statements of Old Unitymedia for the relevant period. The pro forma financial information is not necessarily indicative of the results of operations that would have occurred if these transactions had occurred on such dates. The Unitymedia Consolidated Financial Statements included in these Listing Particulars have been prepared in accordance with EU-IFRS. The following information should be read in conjunction with the Unitymedia Consolidated Financial Statements, and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of Unitymedia*”. Unitymedia’s results do not necessarily indicate results that may be expected for any future period.

	Year ended December 31,	
	2011	2010
	pro forma	
	in millions	
Unitymedia Consolidated Statement of Operations Data:		
Revenue	€ 1,025.2	€ 935.2
Operating (other than depreciation and amortization)	271.9	273.6
Selling, general and administrative (other than depreciation and amortization) (including stock-based compensation)	140.6	140.7
Restructuring and other operating charges	0.5	26.7
Related-party fees and allocations, net	35.8	23.8
Total operating costs and expenses	448.8	464.8
Depreciation and amortization	388.3	351.8
EBIT	188.1	118.6
Net financial and other expense	(337.9)	(319.6)
Income tax benefit	16.1	33.1
Loss from continuing operations	€ (133.7)	€ (167.9)
	December 31,	
	2011	2010
	in millions	
Unitymedia Historical Consolidated Balance Sheet Data:		
Cash and cash equivalents	€ 20.1	€ 58.7
Total assets	€ 4,329.5	€ 4,300.1
Total current liabilities	€ 279.6	€ 309.7
Total debt and finance lease obligations:		
Third party	€ 2,745.1	€ 2,711.6
Related party	€ 193.1	€ 1,167.0
Total liabilities	€ 3,519.1	€ 4,517.5
Total shareholder's equity (deficit)	€ 810.4	€ (217.4)

	Year ended December 31,			
	2011		2010 ^(a)	
	in millions			
Unitymedia Historical Consolidated Cash Flow Data:				
Cash provided by operating activities	€	314.5	€	215.8
Cash used by investing activities	€	(413.4)	€	(2,123.2)
Cash provided by financing activities	€	60.3	€	1,966.1

(a) The 2010 cash flow data includes the cash flows of Old Unitymedia from the January 28, 2010 acquisition date through December 31, 2010.

Unitymedia Summary Statistical and Operating Data^(b)

	As of and for the year ended December 31,	
	2011	2010
Footprint		
Homes passed	8,674,200	8,718,900
Two-way homes passed	8,304,900	8,183,600
Subscribers (RGUs)		
Digital cable	1,735,800	1,533,800
Analog cable	2,692,400	2,954,200
Total video	4,428,200	4,488,000
Internet	1,032,500	780,300
Telephony	1,028,400	779,300
Total RGUs	6,489,100	6,047,600
Penetration		
Digital cable as a % of total video subscribers	39.2%	34.2%
Internet as a % of two-way homes passed	12.4%	9.5%
Telephony as a % of two-way homes passed	12.4%	9.5%
Customer Relationships		
Customer relationships	4,534,900	4,555,100
RGUs per customer relationship	1.43	1.33
ARPU		
ARPU per customer relationship	€ 16.48	€ 15.07

(b) For information concerning how Unitymedia defines and calculates its operating statistics, see “Business of Unitymedia — Introduction”.

Unitymedia Summary Operating Data

	Year ended December 31,	
	2011	2010
	pro forma in millions	
Revenue	€ 1,025.2	€ 935.2
Adjusted EBITDA ^(c)	€ 613.2	€ 520.9
Adjusted EBITDA margin	59.8%	55.7%
CapEx	€ 298.6	€ 261.3
CapEx as % of revenue	29.1%	27.9%

(c) Adjusted EBITDA is the primary measure used by our management to evaluate the company’s performance. Adjusted EBITDA is also a key factor that is used by our internal decision makers to evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. We define EBITDA as earnings before net finance expense, income taxes, depreciation and amortization. As we use the term, Adjusted EBITDA is defined as EBITDA before stock-based compensation, impairment, restructuring and other operating charges or credits and

related-party fees and allocations, net. Other operating charges or credits include (i) gains and losses on the disposition of long-lived assets, (ii) direct acquisition costs, such as third-party due diligence, legal and advisory costs, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Our internal decision makers believe Adjusted EBITDA is a meaningful measure and is superior to other available EU-IFRS measures because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to readily view operating trends and identify strategies to improve operating performance. We believe our Adjusted EBITDA 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 EBITDA should be viewed as a measure of operating performance that is a supplement to, and not a substitute for EBIT, net earnings (loss), cash flow from operating activities and other EU-IFRS measures of income or cash flows. A reconciliation of Adjusted EBITDA to loss from continuing operations is as follows:

	Year ended December 31,	
	2011	2010
	pro forma	
	in millions	
Adjusted EBITDA	€ 613.2	€ 520.9
Depreciation and amortization	(388.3)	(351.8)
Restructuring and other operating charges	(0.5)	(26.7)
Stock-based compensation	(0.5)	—
Related-party fees and allocations, net	(35.8)	(23.8)
EBIT	188.1	118.6
Net financial and other expense	(337.9)	(319.6)
Income tax benefit	16.1	33.1
Loss from continuing operations	€ (133.7)	€ (167.9)

SELECTED FINANCIAL AND OPERATING DATA OF KABEL BW

The table below sets out selected financial and operating data of Kabel BW for the indicated periods. The summary consolidated statement of operations and balance sheet data is derived from the Kabel BW 2011 Consolidated Financial Statements. The Kabel BW 2011 Consolidated Financial Statements included in these Listing Particulars have been prepared in accordance with EU-IFRS. The following information should be read in conjunction with the Kabel BW 2011 Consolidated Financial Statements and “*Supplemental Discussion and Analysis of Certain Historical Financial Information and Results of Operations of Kabel BW*”. Kabel BW’s results do not necessarily indicate results that may be expected for any future period.

	Year ended December 31,					
	2011		2010		2009	
	in millions					
Kabel BW Consolidated Statement of Operations Data:						
Revenue	€	606.6	€	551.5	€	485.0
Operating (other than depreciation and amortization)		188.0		173.5		169.2
Selling, general and administrative expenses (other than depreciation and amortization)		66.0		64.8		58.5
Impairments and other operating charges, net		3.3		9.6		3.5
Total operating costs and expenses		257.3		247.9		231.2
Depreciation and amortization		147.2		136.4		125.0
EBIT		202.1		167.2		128.8
Net financial and other expense		(128.4)		(74.4)		(80.2)
Income tax benefit (expense)		(2.7)		44.7		(9.3)
Net earnings	€	71.0	€	137.5	€	39.3

	December 31,			
	2011		2010	
	in millions			
Kabel BW Consolidated Balance Sheet Data:				
Cash and cash equivalents	€	26.2	€	101.0
Total assets	€	2,488.1	€	1,991.8
Total current liabilities	€	164.3	€	259.7
Total debt	€	1,590.5	€	1,163.3
Total liabilities	€	1,771.6	€	1,356.7
Total shareholder's equity	€	716.5	€	635.1

	Year ended December 31,					
	2011		2010		2009	
	in millions					
Kabel BW Cash Flow Data:						
Cash provided by operating activities	€	216.8	€	252.2	€	164.5
Cash used by investing activities	€	(675.8)	€	(157.8)	€	(145.9)
Cash provided (used) by financing activities	€	384.2	€	(47.9)	€	(31.4)

Kabel BW Summary Statistical and Operating Data^(a)

	As of and for the year ended December 31,	
	2011	2010
Footprint		
Homes passed	3,771,100	3,736,500
Two-way homes passed	3,729,600	3,695,400
Subscribers (RGUs)		
Digital cable	248,000	214,800
Analog cable	2,076,200	2,100,800
Total video	2,324,200	2,315,600
Internet	767,000	627,100
Telephony	803,300	656,300
Total RGUs	3,894,500	3,599,000
Penetration		
Digital cable as a % of total video subscribers	10.7%	9.3%
Internet as a % of two-way homes passed	20.6%	17.0%
Telephony as a % of two-way homes passed	21.5%	17.8%
Customer Relationships		
Customer relationships	2,397,400	2,352,700
RGUs per customer relationship	1.62	1.53
ARPU		
ARPU per customer relationship	€ 18.82	€ 17.44

(a) For information concerning how Kabel BW defines and calculates its operating statistics, see “*Business of Kabel BW — Introduction*”.

Kabel BW Summary Operating Data

	Year ended December 31,		
	2011	2010	2009
	in millions		
Revenue	€ 606.6	€ 551.5	€ 485.0
Adjusted EBITDA ^(b)	€ 352.6	€ 313.2	€ 257.3
Adjusted EBITDA margin	58.1%	56.8%	53.1%
CapEx	€ 137.6	€ 142.8	€ 146.1
CapEx as % of revenue	22.7%	25.9%	30.1%

(b) Adjusted EBITDA is the primary measure used by Kabel BW’s management to evaluate the company’s performance. Adjusted EBITDA is also a key factor that is used by Kabel BW’s internal decision makers to evaluate the effectiveness of Kabel BW’s management for purposes of annual and other incentive compensation plans. Kabel BW defines EBITDA as earnings before net finance expense, income taxes, depreciation and amortization. As Kabel BW uses the term, Adjusted EBITDA is defined as EBITDA before stock-based compensation, impairment, restructuring and other operating charges or credits and related-party fees and allocations, net. Other operating charges or credits include (i) gains and losses on the disposition of long-lived assets, (ii) direct acquisition costs, such as third-party due diligence, legal and advisory costs, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Kabel BW’s internal decision makers believe Adjusted EBITDA is a meaningful measure and is superior to other available EU-IFRS measures because it represents a transparent view of Kabel BW’s recurring operating performance that is unaffected by Kabel BW’s capital structure and allows management to readily view operating trends and identify strategies to improve operating performance. Kabel BW believes its Adjusted EBITDA measure is useful to investors because it is one of the bases for comparing Kabel BW’s performance with the performance of other companies in the same or similar industries, although Kabel BW’s measure may not be directly comparable to similar measures used by other

companies. Adjusted EBITDA should be viewed as a measure of operating performance that is a supplement to, and not a substitute for EBIT, net earnings (loss), cash flow from operating activities and other EU-IFRS measures of income or cash flows. A reconciliation of Adjusted EBITDA to net earnings is as follows:

	Year ended December 31,		
	2011	2010	2009
	in millions		
Adjusted EBITDA	€ 352.6	€ 313.2	€ 257.3
Depreciation and amortization	(147.2)	(136.4)	(125.0)
Impairments and other operating charges, net	(3.3)	(9.6)	(3.5)
EBIT	202.1	167.2	128.8
Net financial and other expense	(128.4)	(74.4)	(80.2)
Income tax benefit (expense)	(2.7)	44.7	(9.3)
Net earnings	€ 71.0	€ 137.5	€ 39.3

THE TRANSACTIONS

2011 Reorganization

As part of an internal reorganization contemplated at the time of the issuance of the KBW Notes, the 2011 Reorganization was completed as described here:

(i) Effective May 1, 2011, Kabel Baden-Württemberg GmbH & Co. KG (“**Kabel Partnership**”), which was an indirect wholly owned subsidiary of Kabel BW and was initially a co-issuer of the KBW Senior Secured Notes, was collapsed into KBW, and KBW assumed all of the obligations of Kabel Partnership under the KBW Senior Secured Notes and the KBW Revolving Credit Facility, (ii) effective August 31, 2011, Kabel BW GmbH assumed the obligations of Kabel BW, as issuer of the KBW Senior Secured Notes, and Kabel BW was released from its obligations as an issuer of the KBW Senior Secured Notes, (iii) effective August 31, 2011, Kabel BW provided a guarantee of the KBW Senior Secured Notes pursuant to a supplemental indenture dated August 31, 2011 and (iv) effective August 31, 2011, Kabel BW GmbH assumed all rights and obligations of Kabel BW as lender of the KBW Musketeer Loan Facility. The foregoing transactions are referred to as the “**2011 Reorganization**.”

LGI/KBW Transaction

Pursuant to an acquisition agreement dated March 21, 2011, UPC Germany HC2, a wholly-owned indirect subsidiary of Liberty Global, purchased all of the outstanding shares of KBW Musketeer, the then parent company of the Kabel BW Group, from Oskar Rakso for €1,062.4 million in cash (the “**KBW Purchase Price**”). The KBW Purchase Price, together with Kabel BW’s consolidated net debt at December 15, 2011 (aggregate fair value of debt outstanding less cash and cash equivalents) of €2,152.3 million resulted in total consideration of €3,214.7 million before direct acquisition costs. Following regulatory approval, the acquisition was consummated on December 15, 2011 (such acquisition and related transactions, the “**LGI/KBW Transaction**”). The KBW Notes were issued and the KBW Revolving Credit Facility was entered into as part of the LGI/KBW Transaction on March 31, 2011. The LGI/KBW Transaction was completed in order to achieve certain financial, operational and strategic benefits through the integration of Kabel BW with Unitymedia, Liberty Global’s then-existing broadband communications operator in Germany, and, to a lesser extent, with Liberty Global’s other broadband communications operations in Europe. The German Federal Cartel Office (FCO) conditioned its approval of the LGI/KBW Transaction upon the agreement of Kabel BW and Unitymedia with several conditions primarily concerning certain agreements and relationships with housing associations and the encryption of digital free-to-air television services. For more information regarding these conditions, see “*Regulatory — LGI/KBW Transaction Imposed Conditions*”.

2012 Reorganization

As part of an internal reorganization (the “**2012 Reorganization**”) that was effected through a series of mergers and consolidations, (i) the obligations of KBW Musketeer under the KBW Senior Notes were assumed by UPC Germany HC1 on March 27, 2012 and (ii) Kabel BW and KBW Musketeer were merged into UPC Germany HC2 and UPC Germany HC2 was subsequently merged into Kabel BW GmbH. The mergers were effective upon registration on March 29, 2012 and March 30, 2012. At December 31, 2011, Kabel BW GmbH was the direct subsidiary of Kabel BW that owned all of the operating assets of the consolidated Kabel BW Group.

Exchange Offers, Special Optional Redemptions and KBW Fold-in

As part of the ongoing integration of the Kabel BW Group into Liberty Global’s operations following the LGI/KBW Transaction, we are pursuing the transactions described below and as further described elsewhere in these Listing Particulars. The Exchange Offers, the Special Optional Redemptions and the KBW Fold-in (each as defined below and, collectively, the “**Transactions**”) were undertaken in conjunction with each other and occurred simultaneously on the Issue Date. In addition, we may enter into the additional transactions described below.

The Exchange Offers and Special Optional Redemptions

The Exchange Offers were made in compliance with the required terms and conditions for a Unitymedia Exchange Transaction (as defined in each of the KBW Indentures), in order that the relevant Exchange Offer would constitute a Unitymedia Exchange Transaction under the relevant KBW Indentures,

as applicable. A Unitymedia Exchange Transaction was defined in each KBW Indenture as an exchange offer in which the New Issuers may offer to exchange New Notes for the KBW Notes subject to certain required terms and conditions (in addition to compliance with applicable laws).

The KBW Notes exchanged in connection with the Exchange Offers were retired and cancelled and will not be reissued.

Upon the successful consummation of a Unitymedia Exchange Transaction (as described above), the KBW Indentures each allowed for a special optional redemption to be made (the “**Special Optional Redemptions**”), pursuant to which all (but not some) of the relevant remaining KBW Notes were redeemed at a redemption price of 101% of the principal amount thereof. The KBW Notes that were redeemed in the Special Optional Redemptions were subsequently cancelled and will not be reissued. The redemption price payable in connection with the Special Optional Redemptions was funded with the proceeds of borrowings under the 2012 Unitymedia Facilities Agreement (as defined below), borrowings under the Unitymedia Revolving Credit Facility and available cash of Unitymedia.

KBW Fold-in and Post-Settlement Reorganization

The Exchange Offers and the Special Optional Redemptions were consummated simultaneously with the KBW Fold-in (as defined below). As part of the KBW Fold-in, UPC Germany Holding B.V., the parent company of Unitymedia and of the Kabel BW Group, sold all the shares of UPC Germany Holdings (the parent company of the Kabel BW Group) to the New Senior Notes Issuer. The New Senior Notes Issuer then sold or contributed, directly or indirectly, all the shares of UPC Germany Holdings which it acquired from UPC Germany Holding B.V. to Unitymedia Hessen. The foregoing transactions are referred to collectively as the “**KBW Fold-in**”. As a result of the KBW Fold-in, UPC Germany Holdings is a direct subsidiary of Unitymedia Hessen (co-issuer of the New Senior Secured Notes) and an indirect subsidiary of the New Senior Notes Issuer. Following the consummation of the Exchange Offers and the KBW Fold-in and in order to streamline and optimize our corporate structure, we may further collapse and merge certain of the Kabel BW Group entities with each other and with other entities within the Unitymedia corporate structure (any such transactions are referred to herein as the “**Post-Settlement Reorganization**”).

2012 Unitymedia Facilities Agreement

On May 1, 2012, Unitymedia Hessen GmbH & Co. KG entered into a €312.5 million secured revolving credit facility agreement with certain lenders (the “**2012 Unitymedia Facilities Agreement**”). The interest rate for the 2012 Unitymedia Facilities Agreement is EURIBOR plus a margin of 3.25%. Borrowings under the 2012 Unitymedia Facilities Agreement, which matures on June 30, 2017, may be used for general corporate and working capital purposes. In addition to customary restrictive covenants and events of default, the 2012 Unitymedia Facilities Agreement requires compliance with a consolidated leverage ratio, as defined in the 2012 Unitymedia Facilities Agreement. The 2012 Unitymedia Facilities Agreement is secured by a pledge over the shares of Unitymedia and certain other asset security of certain subsidiaries of Unitymedia. The 2012 Unitymedia Facilities Agreement provides for an annual commitment fee of 1.25% on the unused portion.

INDUSTRY OVERVIEW

The information presented in this section has been derived from several sources, as there is no single industry report or other source that covers all of the areas in which we conduct operations. We have derived information from third-party sources. See “*Presentation of Financial and Other Information — Third-Party Information*” for more information.

Our Footprint

Our network coverage comprises the three federal states of Baden-Württemberg, North Rhine-Westphalia and Hesse. The three federal states have a population and combined number of households of 34.7 million and 16.6 million, respectively, and, together, would constitute the 5th largest economy in the European Union as measured by GDP. Baden-Württemberg, North Rhine-Westphalia and Hesse are home to sixteen of the twenty-five largest cities in Germany including Cologne, Dortmund, Düsseldorf, Essen, Frankfurt, Karlsruhe, Mannheim and Stuttgart. These federal states are amongst the most prosperous regions in Germany, characterized by comparatively high GDP per capita and population density. (Sources: Federal Statistical Office of Germany, Hessian Statistics Office, North Rhine-Westphalia Statistics Office and World Bank). As of December 31, 2011, our footprint represented over 45% of the total German GDP with one of the highest population densities with 381 inhabitants per square-kilometer, compared to the German average of 229. High population density reduces the overall cost associated with the deployment, operation and maintenance of cable infrastructure and allows for more efficient marketing. Cable operators that operate in urban areas with high population density benefit from easier access to customers and more cost effective network upgrades and maintenance. Higher disposable income translates into relatively higher spending on media and communications services. (Source: Federal Statistical Office of Germany, Statistical Yearbook 2011).

Industry Convergence

The markets for video, broadband internet and telephony services are highly competitive and rapidly evolving. Specifically, the media and communications market in Germany is progressively characterized by convergence as customers are increasingly looking to receive their media and communications services from one provider at attractive prices. In response, service providers are providing video, broadband internet, telephony services and increasingly mobile services bundled as triple-play or quadruple-play offerings. Consequently, we have faced, and will continue to face, increased competition across all of our product and service offerings. While we have continued to make progress in growing our customer base by increasing penetration of our video base with premium and advanced services, the competition we face in our markets, as well as a decline in the economic environment, could adversely impact our ability to increase or, in certain cases, maintain our revenue, RGUs, cash flow and liquidity. We currently are unable to predict the extent of any of these potential adverse effects.

We believe that German cable operators are well positioned to benefit from these convergence trends as they increasingly up-sell broadband internet, telephony, access to a large number of free-TV channels and premium channels, premium HD channels and services to their existing basic cable television customers. The German television subscription market size in 2011 is estimated to be €3.9 billion (Source: IHS Screen Digest) compared to approximately €13.5 billion for the broadband internet access market (Source: BITKOM) and €56.5 billion (Source: Dialog Consult / VATM, 2011) for the retail fixed-line and mobile telephony market including traditional voice and VoIP. The Internet broadband access and telephony markets therefore offer an opportunity that is a multiple in size of the television subscription market that cable operators traditionally focused on.

In the German market, there are principally two major distribution platforms through which triple-play services are provided: cable and DSL. Deutsche Telekom is the major operator offering triple-play via DSL technology. Moreover there are several independent DSL operators (“resellers”) that base their offerings on access to Deutsche Telekom’s infrastructure and/or local loop. Cable networks upgraded to bi-directional transmission are particularly well suited to provide triple-play services with high bandwidth requirements due to their network characteristics. As they were originally designed for transmission of large data amounts, cable networks are able to deliver consistent speeds irrespective of the distance to the customer, unlike other distribution platforms. The new EuroDOCSIS 3.0 broadband technology allows speed levels of 100 Mbps and beyond, which cannot be matched by DSL (only up to 50 Mbps in the case of very high bit rate digital subscriber lines (“VDSL”)) without deep fiber deployment.

End-to-end network ownership is a key advantage for cable operators to provide their services cost-effectively, design their services according to market demand and accelerate time-to-market.

Video Business Market

The German television market is the largest in Europe, with approximately 37.7 million television homes and a combined cable, satellite and terrestrial penetration rate of approximately 94% based on approximately 40.2 million households. (Source: DataXis Environmental Forecasts and Federal Statistical Office of Germany, December 2011). Similar to other European markets, television consumer behavior in Germany is starting to put more emphasis on digital, innovative, high definition and interactive television services such as VoD requiring high bandwidth and bi-directional distribution platforms. Although digital TV penetration is currently still low, cable as a distribution platform is well positioned to benefit from the growth opportunities arising from these new services given its network characteristics. Only a few distribution platforms are able to provide interactivity, for example the distribution of VoD.

The German broadcasting market is characterized by a relatively large availability of free television channels. The free television offering is dominated by two broadcasting groups including public broadcaster groups and major commercial broadcasters. Both public and commercial broadcasters in Germany currently pay carriage fees to cable operators for the transmission and distribution of analog and digital television and radio signals via their network. The German premium television market is less developed than other European premium television markets. Sky Deutschland has historically been the major pay television operator in the German market with a comprehensive premium content offering. Sky Deutschland distributes its pay television offerings through both cable and satellite platforms on the basis of carriage and transponder lease agreements, but does not operate its own distribution network.

We are the second largest cable television provider in Germany based on the number of video cable subscribers, with operations in the three federal states of Baden-Württemberg, North Rhine Westphalia and Hesse. Our video cable service competes directly with a wide range of providers, including:

- traditional over-the-air broadcast television services;
- direct to the home (“DTH”) satellite providers;
- digital terrestrial video broadcast (“DVB-T”), which comprises the digital broadcasting of television signals over terrestrial antennas and other earthbound circuits;
- other fixed-line telecommunications carriers and broadband providers, including Deutsche Telekom, the incumbent telephony operator, which primarily use digital subscriber line (“DSL”) technologies to provide Internet Protocol television (“IPTV”) and VoD; and
- over-the-top video content providers that deliver TV signals as a video stream on top of third parties’ broadband internet access services.

According to IHS Screen Digest, as of December 31, 2011: 48% of German television homes used cable as their primary means for receiving television signals; satellite was used by 45% of German television homes; terrestrial transmission systems were used in 11% of German television homes; and IPTV was used in 4% of German television homes. The total percentage exceeds 100 because some homes use more than one distribution platform. DVB-T is often used as a platform for a second television set.

Cable

Cable television is the most commonly used transmission medium for television services in Germany, with a penetration rate of approximately 48% of homes passed (Source: IHS Screen Digest). Cable is a ubiquitous video distribution platform as approximately 70% of German households are passed by cable networks. Cable network services are characterized by easy-to-use technology, efficient installation of customer equipment and reliability of a protected signal delivered directly to the home. Unlike in the case of services provided via satellite platforms, cable television subscribers have the additional benefit of customer services provided ensuring a point of contact with the cable service provider.

We generate revenue principally from relationships with our customers who pay subscription fees for the services provided. Subscription fees for basic cable video services are typically paid directly by single family homes (or single dwelling units) subscribing to the service or, in the case of multi-dwelling units, we enter into a bulk contract with the owner or housing association of the multi-dwelling structure based on the number of units connected. Single family home customers also pay us directly for the subscription fees

associated with our premium digital cable services, as well as the broadband internet and telephony services they purchase from us. Generally, the owner of a multi-dwelling unit allows us to sell digital cable (including our premium digital cable services), broadband internet and telephony services directly to individual tenants. In addition, we are compensated by public and commercial broadcasters, which pay carriage fees for the transmission and distribution of their free-to-air television and audio signals via our network.

We face competition for housing association contracts from housing associations, municipal carriers and Professional Operators. Professional Operators typically enter into long-term contracts with housing associations and may have greater flexibility in their pricing strategies, which limits our opportunities to win new contracts or prolong existing contracts with these housing associations and may hinder our efforts to effectively market our services to housing associations. In 2011, Deutsche Telekom announced that it was seeking to provide video and broadband services to MDUs, and Deutsche Telekom announced in December 2011 that it had entered into a contract with a large housing association. Deutsche Telekom stated that under this contract it plans to connect 171,000 units throughout Germany to its fiber-based network and provide tenants in these buildings with a full triple-play offering. It is expected that the initial units will be connected in the first quarter of 2013. We expect to experience more competition in the MDU market segment from Deutsche Telekom and alternative providers. In addition, certain of the conditions our company agreed to in connection with the completion of the LGI/KBW Transaction will increase competition with respect to the MDU market segment. See “*Regulatory — LGI/KBW Transaction Imposed Conditions*”.

To enhance our competitive position, we offer an integrated, triple-play bundled service over an upgraded network that is well suited for bi-directional high-speed data transfer. Our premium services provide our digital customers VoD, DVR functionality and access to HD channels, which we believe puts us in an advantageous position compared to the services and products offered by our competitors. We continue to improve our programming options (increasing HD channels and access to international channels) and progressively add new premium and advanced services. We offer a variety of bundled options at competitive prices from which customers can select combinations of services, including broadband internet and telephony services, that fit their particular circumstance.

Satellite

We face significant competition from free-to-air satellite distribution for our basic cable video services. An increase in the market share of satellite distribution, particularly free-to-air satellite, may have a negative impact on our video subscriber base and related basic cable fees in the future. Certain digital premium and pay-TV providers, such as Sky Deutschland, have made use of their own satellite platforms and introduced DVRs to provide additional functionality for those subscribers who receive their digital pay programming through satellite, thereby making satellite more attractive to potential customers. In addition, we compete with providers of digital video programming that currently utilize our network to reach their own subscribers. For example, we have an agreement with Sky Deutschland that gives our customers the opportunity to subscribe to premium content offered by Sky Deutschland through a smart card on our network. These providers may decide to develop or use alternative distribution platforms, such as free-to-air satellite, adversely affecting our ability to generate carriage fees and subscriber revenue, and potentially reducing the appeal of cable television.

The second most popular form of television reception in Germany after cable is DTH. Satellite operators such as Sky Deutschland, SES S.A. Astra (“SES Astra”) and Eutelsat Communications S.A. (“Eutelsat”), provide television users with over 300 digital free- and pay-TV channels targeted at the German market and several hundred international television programs, depending on the location of the satellite transponder. To receive programming distributed via satellite, viewers need a satellite dish and a set-top box. Viewers also require a smart card for premium cable television services distributed via satellite. Except for the recently introduced HD+ service by SES Astra, satellite providers do not have any relationship with end customers in Germany and, consequently, do not receive any subscription or other fees from them. If applicable, satellite customers are charged premium subscription fees directly by the providers of such programs. Eutelsat, with its KabelKiosk pay-TV service, and Sky Deutschland, with its premium subscription packages, also offer premium subscription packages to Professional Operators for wholesale distribution as an alternative to our premium digital channels. In August 2011, Deutsche Telekom began bundling its DSL-based broadband internet and fixed-line telephony services with a satellite-based video solution, targeting households in rural areas that already have a satellite dish installed or are planning to install a satellite dish and where VDSL or fiber-based bandwidth wireline capacity is not

available with its existing network. This target market would expand Deutsche Telekom's reach for its TV products to approximately 82% of all households in Germany. Satellite may be heavily promoted in the future by Sky Deutschland or Deutsche Telekom, other content providers or satellite operators by offering more attractive content, in particular premium and HD content.

Satellite's main strengths compared to cable include: lower costs over time, given that the initial cost of purchasing a satellite dish is offset by the absence of recurring subscription fees; satellite's almost universal coverage across Germany, including remote and rural areas where a cable connection is not available; and a broader offering of international channels. We compete with satellite providers by offering customers an easily delivered triple-play bundle of services and advanced services including VoD capability as our network is well suited for bi-directional high-speed data transfer. In addition, satellite requires a large up-front commitment by the customer and there are limitations on satellite reception due to location or external conditions, such as adverse weather conditions. In certain circumstances, restrictions set by zoning laws and contractual arrangements with property owners prohibit the installation of a satellite dish. Applicable regulations, however, may change in the future, and, as a result, competition with satellite providers may increase further.

Terrestrial (DBV-T)

Another television delivery media is DVB-T, which is available primarily in metropolitan areas. Currently, the number of television channels that can be transmitted via DVB-T in most areas in our footprint is limited to up to 24 (12 in Baden-Württemberg). Similar to satellite, DVB-T does not allow for the provision of enhanced bi-directional functionalities given the lack of a return path. A switch to DVB-T 2 technology, however, could increase the transmission capacity and could increase the number of standard definition ("SD") channels and allow HD offerings as well. The terrestrial transmission infrastructure is owned and operated by Media Broadcast GmbH, and public broadcasters such as Arbeitsgemeinschaft der Öffentlich-Rechtlichen Rundfunkanstalten der Bundesrepublik Deutschland ("ARD") and Zweites Deutsches Fernsehen ("ZDF"). According to a DVB-T Überallfernsehen 2010 press release, DVB-T can be received by more than 90% of all television households in Germany via antenna. In order to receive DVB-T, a consumer needs an antenna and a receiver, but the consumer is not required to pay any subscription fees. Demand for digital terrestrial television may increase in the future as it becomes more widely available and the price of the receiving equipment decreases.

Video and Television Distribution Over the Internet (IPTV)

As a consequence of improvements in internet access and data transmission technologies, in particular the upgrade of DSL to VDSL or fiber-to-the-home ("FTTH"), the internet is increasingly being used as a platform for the distribution of IPTV and VoD services. Deutsche Telekom introduced its IPTV offering for the first time in 2006 and today is the leading provider of IPTV in Germany. Deutsche Telekom also offers a VoD service and has reported 1.6 million video subscribers. Vodafone D2 GmbH ("Vodafone") is the second largest IPTV provider in Germany reporting 100,000 subscribers after launching its service in February 2011, followed by Telefónica Germany, with 83,000 reported subscribers. Each of Deutsche Telekom, Vodafone and Telefónica Germany currently offers IPTV services to their customers with broadband speeds of at least 3-6 Mbps. In order to provide IPTV services at a comparable technical quality to cable, satellite and terrestrial TV offerings, Deutsche Telekom reports that it has rolled out VDSL across more than 50 towns and cities throughout Germany. We believe this will allow Deutsche Telekom to offer IPTV services (including HD channels) to 43% of the homes passed by our network in North-Rhine Westphalia and Hesse, and 31% of the homes passed by our network in Baden-Württemberg. This penetration compares to the 34% VDSL penetration average in Germany that Deutsche Telekom reported as of December 31, 2011. We also believe that Deutsche Telekom could distribute IPTV to another estimated 25% of our homes passed via asymmetric digital subscriber line 2+, but with significant technical limitations. In the future, we may also face competition for video from over the top ("OTT") content providers. These providers deliver television signals as video stream on top of third parties' broadband internet access services (including our network). OTT players (such as ProSiebenSAT.1 group's maxdome, Apple Inc.'s Apple TV and Amazon's LOVEFiLM International) are competitive especially for on-demand services. These services may become more popular, in particular among Germany's younger demographic.

Broadband Internet Market

Germany is the largest internet market in Europe with an estimated 31.1 million broadband internet subscribers for 2011; compared to 25.3 million in France and 25.6 million in the UK (Source: IHS Screen Digest). Access lines with speeds higher than 1Mbps are generally classified as broadband internet. High speed access lines with speeds higher than 16 Mbps are growing rapidly from an estimated 0.5 million in 2007 to an estimated 2.6 million in 2011 (Source: Dialog Consult/VATM, 2011). Cable is, in our view, well positioned to benefit from this speed migration (and additional future speed migrations) as it allows customers to receive broadband Internet with over 100 Mbps download speeds even in remote rural areas today. The main broadband access line technologies in Germany are DSL (including VDSL and ADSL2+) and cable.

The broadband internet services business in Germany is highly competitive. We compete with companies that provide low-speed and low-cost (or potentially even free) internet services over traditional telephone lines. For broadband internet access, DSL is currently the dominant technology and the major DSL service provider in Germany is Deutsche Telekom with 12.3 million broadband internet subscribers as of December 31, 2011. We estimate that Deutsche Telekom is able to offer its high-speed product with up to 50 Mbps internet speed to 43% of our homes passed in North-Rhine Westphalia and Hesse, and 31% of the homes passed by our network in Baden-Württemberg, but may increase this level over time. Other major competitors in the broadband internet market are resellers of Deutsche Telekom's services, including United Internet AG, and alternative network operators such as Vodafone and Telefónica Germany that lease the unbundled local loop from Deutsche Telekom or use other forms to access Deutsche Telekom's network. In addition, we face competition from local operators and city carriers, such as NetCologne Gesellschaft mbH, ("NetCologne") in regional clusters. Additional internet access technologies comprise FTTH and fiber-to-the-building ("FTTB") that are usually deployed in densely populated areas. NetCologne, for example, is rolling out FTTB in the city of Cologne and Deutsche Telekom, as well as other local operators, in conjunction with municipal utility companies, are increasingly rolling out fiber-based technologies in our markets.

In addition, mobile broadband services have been launched by mobile network operators such as Deutsche Telekom, Vodafone, Royal KPN NV's E-Plus Service GmbH & Co. KG ("E-Plus") and Telefónica Germany. This market segment has experienced strong growth. Although mobile broadband services generally offer speeds and capacities slower than cable and DSL/VDSL operators, such network capabilities were enhanced by long-term evolution network rollouts in 2011. Alternative technologies for internet access may develop and become competitive alternatives, as well. Accordingly, we will continue to face additional competition as new technologies may force us to increase capital expenditures to upgrade our system and provide additional products and services.

We believe we operate a network with superior technology, and that we can offer customers maximum upload and download speeds at varying tiers of service tailored to the customer's needs throughout our footprint. As a result of implementing EuroDOCSIS 3.0, our network has the ability to deliver broadband speeds of 100 Mbps and beyond, which is twice the speed of VDSL. In addition, our large video customer base provides a strong basis to up-sell our broadband internet service. We also compete by selling value added services such as internet security packages.

Telephony Market

Fixed-line Phone

Deutsche Telekom dominates the fixed-line phone market with 23.4 million subscribers. As a result of deregulation, however, the market share of Deutsche Telekom has been decreasing both in terms of phone lines and minutes sold since 1998.

The fixed-line phone market is increasingly under pressure from resellers, alternative carriers, declining mobile phone charges and alternative access technologies such as VoIP services offered via DSL or other broadband internet connections such as cable and other service providers, such as Skype. The German market for phone services is typically price sensitive. We expect competition, including price competition, from traditional and non-traditional fixed-line and mobile phone providers to continue. In recent years, fixed-line phone calls have been transformed into a commodity and have become increasingly dependent on a quality broadband offering, as phone is increasingly bundled with broadband internet services. Fixed-line phone has experienced significant price erosion over the last few years, with operators increasingly offering flat-rate products. We seek to compete based on the speed of our network

connections, pricing and product innovation. We also offer varying plans to meet customer needs and various bundled service options with our digital video and broadband internet services.

Cable operators in Germany offer voice services generally as a flat rate product for domestic fixed-line calls with additional charges for international and mobile calls. Voice services are offered both on a standalone basis and as part of a triple-play product offering. The key factors differentiating the telephony offering of cable companies are its pricing and the fact that it is typically integrated into product bundles. Furthermore, the bundling of services is an appealing value proposition for the customer, while at the same time providing attractive economics to the cable operator. The basic cable TV subscriber base of German cable operators are typically under penetrated with respect to broadband Internet and VoIP offerings. This relative under penetration of German cable customers offers significant growth opportunities. In addition, telephony and Internet products via cable can be offered on an unbundled basis in order to target additional customers that do not also want to receive video services via cable or do not need an internet connection.

Mobile Services

There are four network operators in the German market: Deutsche Telekom, Vodafone, E-Plus and Telefónica Germany. Each of these operators has its own mobile access network. Over recent years the mobile operators utilized their networks by allowing mobile service providers or mobile virtual network operators to sell their own branded mobile products. The German market has one of Europe's most advanced mobile service provider sectors, with Freenet AG's Debitel/mobilcom currently being the largest service provider. Discounters and large retailers have also entered the market in cooperation with mobile operators. The German market for mobile services is still growing, but price levels are decreasing and we expect increasing competition, including price erosion.

Business Customers

In November 2011, we began to actively offer specific products to meet the broadband internet and fixed-line phone needs of small offices and home offices and small sized enterprises. In our view, our main competitors in this business area include Deutsche Telekom, Vodafone, QSC AG, Telefónica Germany, Colt Telecom GmbH, Versatel AG and NetCologne.

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

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

- *Overview.* This section provides an overview of our business, our product offerings and recent events.
- *Results of Operations.* This section provides an analysis of our historical results from continuing operations for the year ended December 31, 2011 and our pro forma results from continuing operations for the year ended December 31, 2010 as further described below.
- *Liquidity and Capital Resources.* This section provides an analysis of our liquidity and consolidated cash flow statements.

The capitalized terms used below have been defined in the notes to the Unitymedia Consolidated Financial Statements. In the following text, the terms, "we," "our," "our company" and "us" may refer, as the context requires, to Unitymedia or collectively to Unitymedia and its subsidiaries.

Overview

We are the second largest cable operator in Germany in terms of the number of video subscribers, and a subsidiary of Liberty Global. We provide digital and analog cable television and broadband internet and telephony services to our customers over our broadband communications network in the federal states of North Rhine-Westphalia and Hesse, Germany.

We focus on achieving organic revenue and customer growth in our broadband communications operations by developing and marketing bundled entertainment and communications services, and extending and upgrading the quality of our networks where appropriate. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of advanced services, comprised of our digital cable, broadband internet and telephony services, with existing customers through product bundling and upselling, or by migrating analog cable customers to digital cable services that include various incremental service offerings, such as premium subscription channels, HD programming and digital video recorder (DVR) services. We plan to continue to employ this strategy to achieve organic revenue and customer growth.

In our upgraded network coverage area we provide an integrated triple-play (and in some instances quadruple-play) service offering our customers access to broadband internet, telephony and digital cable services in addition to our analog video services.

Effective September 30, 2010, we closed down our arena segment, which operated a DTH digital pay-TV platform in Germany. As further discussed in note 5 to the Unitymedia Consolidated Financial Statements, our consolidated statements of operations and cash flows have been reclassified to present our arena segment as a discontinued operation. In the following discussion and analysis, the operating statistics, results of operations, cash flows and financial condition that we present and discuss are those of our continuing operations unless otherwise indicated.

We provide the following products and services to our customers:

- *Video Services.* As of December 31, 2011, we provided our digital and analog cable services to 4,428,200 revenue generating units (RGUs), or 51.1% of homes passed by our network. Our digital cable service offerings include basic and premium digital services, including premium subscription channels, HD and DVR services. As of December 31, 2011, 39.2% of our video base subscribed to premium digital cable services. We provide video services via individual contracts with single dwelling units or bulk contracts with landlords, housing associations and third parties (Professional Operators) that operate and administer the in-building network on behalf of housing associations. In addition, we receive carriage fees from both public and commercial broadcasters.
- *Broadband Internet Services.* As of December 31, 2011, we provided our broadband internet services to 1,032,500 RGUs. Our current service portfolio consists of services with download speeds ranging from 16 Mbps to 128 Mbps with no time or data volume restrictions. Our customers can choose between various packages and bundles, including our core triple-play

product, Unity3play. As of December 31, 2011, we had expanded the availability of our ultra high-speed broadband internet services through the deployment of Euro DOCSIS 3.0 capable equipment to 97% of our two-way homes passed.

- *Telephony Services.* As of December 31, 2011, we provided our telephony services to 1,028,400 RGUs. We market our telephony services principally as a component of our Unity3play and double-play product bundles and also on a standalone basis.

We added a total of 441,500 RGUs during 2011, as compared to 340,100 RGUs during 2010. The RGU growth during 2011 is attributable to the growth of our (i) broadband internet services, which added 252,200 RGUs, (ii) telephony services, which added 249,100 RGUs and (iii) digital cable services, which added 202,000 RGUs. The growth of our broadband internet, telephony and digital cable RGUs was partially offset by declines in our analog cable RGUs of 261,800.

Although we continued to increase revenue and RGUs during 2011 by increasing the penetration of our advanced services, we are experiencing significant competition. Key competitors of our cable business include:

- (i) satellite-based and other broadband cable or fiber-based reception of analog and digital free-to-air programming that compete primarily with our basic video products;
- (ii) Sky Deutschland GmbH and Deutsche Telekom with their respective content offerings that compete primarily with our premium digital cable products; and
- (iii) Deutsche Telekom and alternative digital subscriber line and fiber-based operators with their bundled offerings that compete primarily with our broadband internet and telephony products.

In general, our ability to increase or maintain the fees we receive for our services is limited by competitive, and to a lesser degree, regulatory factors. The competition we face in our markets, as well as any decline in the economic environment, could adversely impact our ability to increase or maintain our revenue, RGUs, operating cash flow or liquidity. We currently are unable to predict the extent of any of these potential adverse effects.

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

The video, broadband internet and telephony businesses in which we operate are capital intensive. Significant capital expenditures are required to add customers to our networks, including expenditures for equipment and labor costs. Significant competition, the introduction of new technologies or adverse regulatory developments could cause us to decide to undertake previously unplanned upgrades of our broadband communications networks. In addition, no assurance can be given that any future upgrades will

generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned capital expenditures, our growth could be limited and our competitive position could be harmed.

In connection with the LGI/KBW Transaction, we made certain commitments to address the competition concerns of the FCO that could have an adverse impact on our future operating results and cash flows. For additional information, see note 14 to the Unitymedia Consolidated Financial Statements.

Results of Operations

This section provides an analysis of our results of operations for the years ended December 31, 2011 and 2010. As further described in note 1 to the Unitymedia Consolidated Financial Statements, Old Unitymedia is not included in the historical consolidated financial statements prior to January 28, 2010. In order to provide meaningful comparisons, the following discussion and analysis of our results of operations is based on pro forma statement of operations and statistical data that gives effect to the formation of Unitymedia, the Unitymedia Merger, the LGI/Unitymedia Transaction and the refinancing of Old Unitymedia's debt as of January 1, 2010. As a result, (i) the historical operating results of Old Unitymedia's continuing operations are included in the statement of operations and statistical data for all periods presented and discussed below and (ii) the pro forma statement of operations amounts for the year ended December 31, 2010 include adjustments to (a) reflect the new basis of accounting resulting from the LGI/Unitymedia Transaction and (b) eliminate the impacts of the refinanced debt of Old Unitymedia. The pro forma amounts related to Old Unitymedia are derived from the historical financial statements of Old Unitymedia for the relevant period. The pro forma financial information is not necessarily indicative of the results of operations that would have occurred if these transactions had occurred on such dates.

Financial Performance

Historical results for the year ended December 31, 2011 and pro forma results for the year ended December 31, 2010 are as follows (in millions):

	Year ended December 31,	
	2011	2010 pro forma
Revenue:		
Subscription revenue:		
Video	€ 625.3	€ 618.0
Broadband internet	126.5	88.8
Telephony	148.6	117.5
Total subscription revenue	900.4	824.3
Non-subscription revenue	124.8	110.9
	<u>1,025.2</u>	<u>935.2</u>
Operating costs and expenses:		
OpEx	271.9	273.6
SG&A	140.6	140.7
Restructuring and other operating charges	0.5	26.7
Related-party fees and allocations, net	35.8	23.8
	<u>448.8</u>	<u>464.8</u>
EBITDA	576.4	470.4
Depreciation and amortization	388.3	351.8
EBIT	<u>188.1</u>	<u>118.6</u>
Financial and other expense:		
Interest expense:		
Third party	(244.7)	(247.7)
Related party	(99.9)	(93.5)
Foreign currency transaction losses, net	(20.2)	(13.1)
Realized and unrealized gains on derivative instruments, net	27.7	33.2
Realized and unrealized gains on investments, net	—	—
Other income (expense), net	(0.8)	1.5
Net financial and other expense	<u>(337.9)</u>	<u>(319.6)</u>
Loss before income taxes	(149.8)	(201.0)
Income tax benefit	16.1	33.1
Loss from continuing operations	<u>€ (133.7)</u>	<u>€ (167.9)</u>

2011 compared to 2010

Revenue

Revenue includes amounts earned from subscribers for ongoing services as well as channel carriage fees, interconnect fees, installation fees, late fees and other non-subscription revenue. We use the term “subscription revenue” in the following discussion to refer to amounts received from subscribers for

ongoing services, excluding installation fees, late fees and mobile telephony revenue. The details of our revenue during 2011 and 2010 are set forth below (in millions except percentages):

	Year ended December 31,		Increase	
	2011	2010	€	%
	pro forma			
Subscription revenue:				
Video	€ 625.3	€ 618.0	€ 7.3	1.2
Broadband internet	126.5	88.8	37.7	42.5
Telephony	148.6	117.5	31.1	26.5
Total subscription revenue	900.4	824.3	76.1	9.2
Non-subscription revenue (a)	124.8	110.9	13.9	12.5
Total	€ 1,025.2	€ 935.2	€ 90.0	9.6

(a) Includes carriage fee, interconnect and installation revenue.

The details of our revenue increase during 2011, as compared to 2010, are set forth below (in millions):

Increase in subscription revenue due to change in (a):

Average number of RGUs (b)	€ 56.7
Average monthly subscription revenue per average RGU (ARPU) (c)	19.4
Increase in non-subscription revenue (d)	13.9
Total	€ 90.0

- (a) Our subscription revenue includes revenue from multi-year bulk agreements with landlords, housing associations or Professional Operators. These bulk agreements, which generally allow for the procurement of the basic analog signals from our company at volume-based discounts, provide access to nearly two-thirds of our analog cable subscribers. During 2011, our 20 largest bulk agreement accounts generated approximately 9% of the annual revenue of our company (including estimated amounts billed directly to the building occupants for premium digital cable services, broadband internet and telephony services). No assurance can be given that these bulk agreements will be renewed or extended on financially equivalent terms or at all, particularly in light of the commitments we made to the FCO in connection with the LGI/KBW Transaction. In this regard, we agreed to, among other items, grant a special termination right with respect to certain of our and KBW's larger bulk agreements. During 2011, our bulk agreements that are subject to this special termination right accounted for a significant portion of the annual revenue associated with (i) all of our bulk agreements and (ii) the 20 largest bulk agreement accounts mentioned above.
- (b) The increase in subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of broadband internet, telephony and digital cable RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the average number of analog cable RGUs led to a decline in the average number of total video RGUs during 2011, as compared to 2010.
- (c) The increase in subscription revenue related to a change in ARPU is due to an improvement in RGU mix, attributable to higher proportions of telephony, digital cable and broadband internet RGUs, that was only partially offset by a net decrease resulting primarily from the following factors: (i) lower ARPU due to the impact of free bundled services provided to new subscribers during promotional periods, (ii) lower ARPU due to a higher proportion of customers receiving discounted analog cable services through bulk agreements and (iii) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans. In connection with the LGI/KBW Transaction, we made certain commitments to the FCO, including a commitment to distribute digital free-to-air television channels in unencrypted form commencing January 1, 2013. We do not expect this commitment, which is consistent with KBW's current practice, to have a material impact on our future prospects for growth in video revenue.
- (d) The increase in non-subscription revenue is primarily attributable to increases in (i) installation revenue, primarily due to a higher number of RGU additions, (ii) interconnect revenue, primarily due

to growth in telephony services and (iii) channel carriage fees. Our non-subscription revenue includes fees received for the carriage of certain channels included in our analog and digital cable offerings. These fees, which represented approximately 8% of the annual revenue of our company during 2011, are subject to contracts that expire or are otherwise terminable by either party at various dates ranging from 2012 through 2014. No assurance can be given that these contracts will be renewed or extended on financially equivalent terms, or at all. In addition, in connection with the LGI/KBW Transaction, we made a commitment to the FCO that, through December 15, 2015, the annual carriage fees received by our company for each free-to-air television channel distributed in digital or simulcast in digital and analog would not exceed a specified annual amount, determined by applying our rate card system as of January 1, 2012.

For additional information regarding the commitments we made to the FCO in connection with the LGI/KBW Transaction, see note 14 to the Unitymedia Consolidated Financial Statements.

OpEx

General. OpEx includes programming, network operations, interconnect, customer operations, customer care and other operating costs. Our network operating costs include significant expenses incurred pursuant to long-term agreements with Deutsche Telekom for the use of assets and other services provided by Deutsche Telekom. Our programming costs, which represent a significant portion of our OpEx, are expected to rise in future periods as a result of growth in digital cable services, price increases and other factors. The details of our OpEx during 2011 and 2010 are provided in the below table (in millions except percentages):

	Year ended December 31,		Increase (decrease)	
	2011	2010	€	%
		pro forma		
Direct costs (interconnect, programming, copyright and other)	€ 87.5	€ 86.5	€ 1.0	1.2
Staff related costs	56.1	55.2	0.9	1.6
Network operating costs	85.9	90.5	(4.6)	(5.1)
Other indirect costs	42.4	41.4	1.0	2.4
Total	€ 271.9	€ 273.6	€ (1.7)	(0.6)

Our total OpEx decreased €1.7 million or 0.6% during 2011, as compared to 2010. This decrease includes the following factors:

- A decrease in network operating costs of €4.6 million or 5.1%, mostly attributable to lower energy costs due in part to the release of accruals in connection with the settlement of operational contingencies during the second and fourth quarters of 2011. Duct and pole rental costs remained relatively constant as the impact of higher rates was offset by the favorable impact of an accrual release in connection with the fourth quarter 2011 settlement of an operational contingency;
- An increase in direct costs of €1.0 million or 1.2%, primarily attributable to the net impact of (i) growth in digital cable services and (ii) lower copyright fees; and
- An increase in other indirect costs of €1.0 million or 2.4%, primarily attributable to the net impact of (i) a decrease in bad debt and collection of €4.6 million, due primarily to improved collection experience, (ii) an increase in outsourced labor and professional fees of €3.2 million, primarily attributable to the impact of increased call center costs due to higher call volumes and (iii) an increase of €2.3 million in encryption costs. The increase in encryption costs is due primarily to (i) a shift from capitalizing encryption costs during the first six months of 2010, when we purchased our encryption cards from third parties, to expensing encryption costs during subsequent periods, when we reimbursed Liberty Global for our share of the costs incurred under Liberty Global's global contract for encryption services and (ii) increased numbers of digital cable set-top boxes.

SG&A

General. SG&A includes human resources, information technology, general services, management, finance, legal and marketing costs, stock-based compensation and other general expenses. The details of our SG&A costs are provided in the below table (in millions except percentages):

	Year ended December 31,		Increase (decrease)	
	2011	2010	€	%
		pro forma		
Staff related costs	€ 40.6	€ 37.0	€ 3.6	9.7
Sales and marketing costs	62.0	73.0	(11.0)	(15.1)
Other indirect costs	38.0	30.7	7.3	23.8
Total	€ 140.6	€ 140.7	€ (0.1)	(0.1)

Our total SG&A decreased €0.1 million or 0.1% during 2011, as compared to 2010. This decrease includes the following factors:

- A decrease in sales and marketing costs of €11.0 million or 15.1%, due primarily to (i) a decrease in marketing expenditures, primarily due to a shift to lower cost marketing channels, (ii) lower expense for third-party sales commissions, as higher proportions of capitalized third-party sales commissions more than offset the impact of higher overall third-party sales commissions during 2011 and (iii) the €1.3 million positive impact of an accrual release following the second quarter 2011 settlement of an operational contingency;
- An increase in other indirect costs of €7.3 million or 23.8%, primarily attributable to (i) an increase in outsourced labor and professional fees of €3.0 million due primarily to higher consulting costs for strategic marketing projects, (ii) an increase of €1.2 million associated with costs incurred in connection with the integration of KBW's operations with ours and (iii) individually insignificant changes in other indirect cost categories; and
- An increase in staff related costs of €3.6 million or 9.7%, due primarily to (i) higher costs related to temporary personnel, (ii) annual wage increases and (iii) increased staffing levels.

In 2012, we plan to aggressively market our advanced services and expect to increase spending on marketing and advertising. In particular, our results during the first half of 2012 are expected to be impacted by strategic marketing initiatives aimed at further strengthening our brand awareness and positioning our company for future growth.

Restructuring Costs and Other Operating Charges

We recognized restructuring costs and other operating charges of €0.5 million during 2011, compared to €26.7 million during 2010. The 2010 amount includes €23.3 million of direct acquisition costs incurred in connection with the LGI/Unitymedia Transaction and €3.4 million of severance costs incurred in connection with certain reorganization and integration activities.

Related-Party Fees and Allocations, Net

We recorded related-party fees and allocations, net, related to corporate services performed by Liberty Global of €35.8 million during 2011, as compared to €23.8 million during 2010. These amounts represent charges from UPC Holding and other Liberty Global subsidiaries to our company following the LGI/Unitymedia Transaction, including charges for management, finance, legal, technology, marketing and other services that support our operations. For additional information, see note 17 to the Unitymedia Consolidated Financial Statements.

Depreciation and Amortization Expense

Depreciation and amortization expense increased €36.5 million or 10.4% during 2011, as compared to 2010, primarily due to the net effect of (i) increases in property and equipment related to capital expenditures, (ii) increases in expenditures for capitalizable subscriber acquisition costs and (iii) decreases associated with changes in the estimated useful lives of certain property and equipment that were made during the second half of 2010.

Net Financial and Other Expense

Our net financial and other expense primarily includes interest expense, interest income, foreign currency transaction gains (losses) and realized and unrealized gains (losses) on derivative instruments. As further described below, we recorded net financial and other expense of €337.9 million during 2011, as compared to €319.6 million during 2010.

Interest expense — third-party

Interest expense — third-party decreased €3.0 million or 1.2% during 2011, as compared to 2010, as increases in the amortization of deferred financing costs and non-cash interest accretion were more than offset by (i) decreases in interest expense associated with foreign currency exchange rate fluctuations with respect to the U.S. dollar denominated UM Dollar Senior Secured Notes and (ii) declines in interest expense on the Unitymedia Revolving Credit Facility. Our third-party interest expense primarily relates to the Unitymedia Notes and the Unitymedia Revolving Credit Facility.

Interest expense — related party

Interest expense — related party increased €6.4 million or 6.8% during 2011, as compared to 2010, due primarily to a higher weighted average outstanding balances of our shareholder loans payable to UPC Germany Holding during 2011. For additional information, see note 13 to the Unitymedia Consolidated Financial Statements.

Foreign currency transaction losses

We recognized foreign currency transaction losses, net, of €20.2 million during 2011, compared to €13.1 million during 2010. These amounts primarily relate to the remeasurement of the UM Dollar Senior Secured Notes into euros.

Realized and unrealized gains 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 underlying contracts are fully or partially settled and (ii) realized gains or losses upon the full or partial settlement of the underlying contracts. The details of our realized and unrealized gains on derivative instruments, net, are as follows (in millions):

	Year ended December 31,	
	2011	2010 pro forma
Cross-currency derivative contracts	€ 27.8	€ 38.2
Interest rate derivative contract	(0.1)	(5.0)
Total	€ 27.7	€ 33.2

For additional information regarding our derivative instruments, see notes 6 and 7 to the Unitymedia Consolidated Financial Statements.

Income Tax Benefit

We recognized income tax benefit of €16.1 million during 2011 and €33.1 million during 2010.

The income tax benefit during the year ended December 31, 2011 differs from the expected income tax benefit of €47.8 million (based on the German 31.88% income tax rate), primarily due to the negative impacts of certain permanent differences between the financial and tax accounting treatment of interest and other items.

The income tax benefit during the year ended December 31, 2010 differs from the expected income tax benefit of €63.5 million (based on the German 31.58% income tax rate), due primarily to the negative impacts of certain permanent differences between the financial and tax accounting treatment of interest and other items.

For additional information regarding our income taxes, see note 15 to the Unitymedia Consolidated Financial Statements.

Loss from Continuing Operations

We reported losses from continuing operations of €133.7 million during 2011, as compared to €167.9 million during 2010.

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

Liquidity and Capital Resources

Sources and Uses of Cash

Cash and cash equivalents

Although our consolidated operating subsidiaries have generated cash from operating activities, the terms of the indentures governing the Unitymedia Notes restrict our ability to access the assets of our subsidiaries. At December 31, 2011, substantially all of our consolidated cash and cash equivalents balance of €20.1 million was held by our subsidiaries. In addition, our ability to access the liquidity of our subsidiaries may be limited by tax considerations or other factors.

Liquidity of Unitymedia

Our sources of liquidity at the parent level include (i) our cash and cash equivalents, (ii) our UPC Germany Holding Loan Receivable, (iii) funding from UPC Germany Holding (and ultimately from Liberty Global or other Liberty Global subsidiaries) in the form of loans or contributions, as applicable and (iv) subject to the restrictions noted above, proceeds in the form of distributions or loans from Unitymedia Hessen, Unitymedia NRW or other subsidiaries.

The ongoing cash needs of Unitymedia include (i) corporate general and administrative expenses and (ii) interest payments on outstanding debt. From time to time, Unitymedia may also require cash in connection with (i) the repayment of outstanding debt, (ii) the satisfaction of contingent liabilities, (iii) acquisitions or (iv) other investment opportunities. No assurance can be given that funding from UPC Germany Holding (and ultimately from Liberty Global or other Liberty Global subsidiaries), our subsidiaries or external sources would be available on favorable terms, or at all.

Liquidity of Unitymedia Hessen and Unitymedia NRW and our Other Operating Subsidiaries

In addition to cash and cash equivalents, the primary sources of liquidity of Unitymedia Hessen, Unitymedia NRW and our other operating subsidiaries is cash provided by operations and, in the case of Unitymedia Hessen and Unitymedia NRW, any borrowing availability under the Unitymedia Revolving Credit Facility.

At December 31, 2011, the Unitymedia Revolving Credit Facility was fully drawn.

The liquidity of Unitymedia Hessen, Unitymedia NRW and our other operating subsidiaries generally is used to fund capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time. For a discussion of our consolidated capital expenditures, cash provided by operating activities and cash used by financing activities, see the discussion under Consolidated Cash Flow Statements below. Our subsidiaries may also require funding in connection with (i) the repayment of outstanding debt, (ii) acquisitions and other investment opportunities or (iii) distributions or loans to Unitymedia. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

Our most significant financial obligations are our debt obligations, as described in note 13 to the Unitymedia Consolidated Financial Statements. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Capitalization

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash on hand, the cash provided from the operations of our subsidiaries, any available borrowings under the Unitymedia Revolving Credit Facility and a €75.0 million financing commitment from Liberty Global Europe, of which €58.0 million was unused at December 31, 2011, will be sufficient to fund our currently anticipated working capital needs, capital expenditures and debt service requirements through December 31, 2012, although no assurance can be given that this will be the case. However, as our debt matures 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 refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. 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.

Our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase the Adjusted EBITDA of our operating subsidiaries and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in our and our subsidiaries various debt instruments. In this regard, if our Adjusted EBITDA were to decline, we could be required to repay or limit our borrowings under the Unitymedia Revolving Credit 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.

Seasonality

Certain aspects of our liquidity are subject to seasonal factors. In particular, our cash receipts are higher during December, January and February due to a disproportionately high level of annual prepayments from our customers. We also generally have a higher relative level of capital expenditures in the second half of each calendar year. Our interest payments for the outstanding Unitymedia Notes are payable semi-annually on June 1 and December 1.

Consolidated Cash Flow Statements

The below discussion of our consolidated cash flow statements is based on the historical cash flows of Unitymedia's continuing operations for the year ended December 31, 2011 and the period from January 28, 2010 to December 31, 2010. As such, the pre-acquisition period of Old Unitymedia from January 1 to January 27, 2010 is excluded from our cash flows for 2010.

Summary. During 2011, we used net cash provided by our operating activities of €317.4 million, net, cash provided by our financing activities of €60.3 million and €35.7 million of our existing cash and cash equivalents to fund net cash used by our investing activities of €413.4 million.

Operating activities. Net cash provided by our operating activities increased €91.7 million, from €225.7 million during 2010 to €317.4 million during 2011. This increase in cash provided is primarily attributable to (i) an increase in cash provided by our Adjusted EBITDA and related working capital items (which increase is net of a decrease primarily due to the exclusion of Old Unitymedia's negative working capital movements during the 2010 pre-acquisition period), (ii) an increase in cash provided due to lower cash payments for interest, primarily related to the March 2, 2010 repayment of Old Unitymedia's then existing debt, (iii) an increase in cash provided due to lower cash payments related to derivative instruments and (iv) an increase in cash provided due to lower cash payments for taxes. The majority of annual customer prepayments related to 2010 fell into the last week of January and as such are included in our historical net cash provided by our continuing operating activities for 2010.

Investing activities. Net cash used by our investing activities decreased €1,709.8 million, from €2,123.2 million during 2010 to €413.4 million during 2011. This decrease in cash used is primarily attributable to the net effect of (i) a decrease in cash used of €1,880.1 million associated with net cash paid to acquire Old Unitymedia in the LGI/Unitymedia Transaction during 2010, (ii) an increase in cash used due to the €61.0 million investment in an associate, (iii) an increase in cash used due to advances to

UPC Germany Holding of €54.0 million and (iv) an increase in cash used due to higher capital expenditures of €55.3 million, from €243.3 million during 2010 to €298.6 million during 2011. The increase in capital expenditures is due primarily to (i) an increase in expenditures for the purchase and installation of customer premises equipment, (ii) an increase in capitalized third-party commissions of €14.4 million, from €31.6 million during 2010 to €46.0 million during 2011, resulting from a higher number of RGU additions, (iii) an increase in expenditures for support capital, such as information technology upgrades and general support systems, (iv) an increase due to lower capital expenditures in 2010 due to the exclusion of the pre-acquisition period of Old Unitymedia and (v) an increase in expenditures for new build and upgrade projects to expand services.

For 2012, we expect our capital expenditures as a percentage of revenue to be in the range of 28% to 30%.

Financing activities. Net cash provided by our financing activities decreased €1,905.8 million, from €1,966.1 million during 2010 to €60.3 million during 2011. This decrease in cash provided is due primarily to the net effect of (i) a decrease in cash provided of €2,593.6 million due to the release of cash collateral accounts during 2010 that were originally funded in November 2009 with proceeds from the issuance of the Unitymedia Notes, (ii) an increase in cash provided due to lower third-party net debt repayments of €1,604.9 million, primarily related to the March 2, 2010 repayment of Old Unitymedia's then existing debt, (iii) a decrease in cash provided due to lower related-party borrowings of €1,050.9 million, primarily due to amounts borrowed from UPC Germany Holding in connection with the LGI/Unitymedia Transaction during 2010, (iv) an increase in cash provided due to lower cash payments related to derivative instruments of €66.6 million and (v) an increase in cash provided due to contributions from parent of €44.0 million.

Off Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies

Our critical accounting policies include our policies with respect to:

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

These policies are discussed in greater detail in note 3 to the Unitymedia Consolidated Financial Statements.

SUPPLEMENTAL DISCUSSION AND ANALYSIS OF CERTAIN HISTORICAL FINANCIAL INFORMATION AND RESULTS OF OPERATIONS OF KABEL BW

The following discussion and analysis, which should be read in conjunction with the Kabel BW 2011 Consolidated Financial Statements, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Overview.* This section provides an overview of our business, our product offerings and recent events.
- *Results of Operations.* This section provides an analysis of our results for the years ended December 31, 2011, 2010 and 2009.
- *Liquidity and Capital Resources.* This section provides an analysis of our liquidity and consolidated cash flow statements.

The capitalized terms used below have been defined in the notes to the Kabel BW 2011 Consolidated Financial Statements. In the following text, the terms, “we,” “our,” “our company” and “us” may refer, as the context requires, to Kabel BW or collectively to Kabel BW and its subsidiaries.

Overview

We are the largest broadband communications operator in the German federal state of Baden-Württemberg and a subsidiary of Liberty Global. We provide digital and analog cable television and broadband internet and telephony services to our customers over our broadband communications network.

We focus on achieving organic revenue and customer growth in our broadband communications operations by developing and marketing bundled entertainment and communications services, and extending and upgrading the quality of our networks where appropriate. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of advanced services, comprised of our digital cable, broadband internet and telephony services with existing customers through product bundling and upselling, or by migrating analog cable customers to digital cable services that include various incremental service offerings, such as premium subscription channels, HD programming and digital video recorder (DVR) services. We plan to continue to employ this strategy to achieve organic revenue and customer growth.

In our upgraded network coverage area we provide an integrated triple-play (and in some instances quadruple-play) service, offering our customers access to broadband internet, telephony and digital cable services in addition to our analog video services.

We provide the following products and services to our customers:

- *Video Services.* As of December 31, 2011, we provided our digital and analog cable services to 2,324,200 revenue generating units (RGUs), or 61.6% of homes passed by our network. Our digital cable service offerings include basic and premium digital services, including premium subscription channels, video on demand, HD and DVR services. As of December 31, 2011, 11% of our video base subscribed to premium digital cable services. We provide video services via individual contracts with single dwelling units or bulk contracts with landlords, housing associations and third parties (Professional Operators) that operate and administer the in-building network on behalf of housing associations. In addition, we receive carriage fees from both public and commercial broadcasters.
- *Broadband Internet Services.* As of December 31, 2011, we provided our broadband internet services to 767,000 RGUs. Our current service portfolio consists of services with download speeds ranging from 12 Mbps to 100 Mbps with no time or data volume restrictions. As of December 31, 2011, we had expanded the availability of our ultra high-speed broadband internet services through the deployment of Euro DOCSIS 3.0 capable equipment to virtually all of our two-way homes passed.
- *Telephony Services.* As of December 31, 2011, we provided our telephony services to 803,300 RGUs. We market our telephony services principally as a component of our triple-play and double-play product bundles and also on a standalone basis.

We added a total of 295,500 RGUs during 2011, as compared to 290,200 RGUs during 2010. The RGU growth during 2011 is attributable to the growth of our (i) telephony services, which added 147,000

RGUs, (ii) broadband internet services, which added 139,900 RGUs and (iii) digital cable services, which added 33,200 RGUs. The growth of our broadband internet, telephony and digital cable RGUs was partially offset by declines in our analog cable RGUs of 24,600.

While we have continued to make progress during 2011 in growing our revenue and RGU base by increasing penetration of our video base with advanced services, we are experiencing significant competition. Key competitors of our cable business include:

- (i) satellite-based and other broadband cable-based reception of analog and digital free-to-air programming that compete primarily with our basic video products;
- (ii) Sky Deutschland GmbH and Deutsche Telekom with their respective content offerings that compete primarily with our premium digital cable products; and
- (iii) Deutsche Telekom and alternative digital subscriber line and fiber-based operators with their bundled offerings that compete primarily with our broadband internet and telephony products.

In general, our ability to increase or maintain the fees we receive for our services is limited by competitive, and to a lesser degree, regulatory factors. The competition we face in our markets, as well as any decline in the economic environment, could adversely impact our ability to increase or maintain our revenue, RGUs, operating cash flow or liquidity. We currently are unable to predict the extent of any of these potential adverse effects.

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

The video, broadband internet and telephony businesses in which we operate are capital intensive. Significant capital expenditures are required to add customers to our networks, including expenditures for equipment and labor costs. Significant competition, the introduction of new technologies or adverse regulatory developments could cause us to decide to undertake previously unplanned upgrades of our broadband communications networks. In addition, no assurance can be given that any future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned capital expenditures, our growth could be limited and our competitive position could be harmed.

In connection with the LGI/KBW Transaction, we made certain commitments to address the competition concerns of the FCO that could have an adverse impact on our future operating results and cash flows. For additional information, see note 17 to the Kabel BW 2011 Consolidated Financial Statements.

Results of Operations

This section provides an analysis of our results of operations for the years ended December 31, 2011, 2010 and 2009. Our financial statements have been revised to conform to Liberty Global's financial statement presentation policies. As a result, prior period amounts have been reclassified to conform to the current year presentation. For additional information, see note 2 to the Kabel BW 2011 Consolidated Financial Statements.

Financial Performance

Our results for the years ended December 31, 2011, 2010 and 2009 are as follows:

	Year ended December 31,		
	2011	2010	2009
	in millions		
Revenue:			
Subscription revenue:			
Video	€ 299.3	€ 291.8	€ 281.8
Broadband internet	93.9	77.5	56.7
Telephony	143.4	118.2	92.0
Total subscription revenue	536.6	487.5	430.5
Non-subscription revenue	70.0	64.0	54.5
	606.6	551.5	485.0
Operating costs and expenses:			
OpEx	188.0	173.5	169.2
SG&A	66.0	64.8	58.5
Impairments and other operating charges, net	3.3	9.6	3.5
	257.3	247.9	231.2
EBITDA	349.3	303.6	253.8
Depreciation and amortization	147.2	136.4	125.0
EBIT	202.1	167.2	128.8
Financial and other income (expense):			
Interest expense	(105.3)	(76.5)	(72.6)
Interest income:			
Third party	1.7	0.6	0.3
Related party	27.8	0.1	0.2
Foreign currency transaction losses	(30.4)	—	—
Realized and unrealized losses on derivative instruments, net	(9.7)	—	(10.1)
Losses on extinguishment of debt	(12.5)	—	—
Net financial expense	(128.4)	(75.8)	(82.2)
Other income	—	1.4	2.0
Net financial and other expense	(128.4)	(74.4)	(80.2)
Earnings before income taxes	73.7	92.8	48.6
Income tax benefit (expense)	(2.7)	44.7	(9.3)
Net earnings	€ 71.0	€ 137.5	€ 39.3

2011 compared to 2010

Revenue

Revenue includes amounts earned from subscribers for ongoing services as well as channel carriage fees, interconnect fees, installation fees, late fees and other non-subscription revenue. We use the term “subscription revenue” in the following discussion to refer to amounts received from subscribers for

ongoing services, excluding installation fees, mobile telephony revenue and late fees. The details of our revenue during 2011 and 2010 are set forth below:

	Year ended December 31,		Increase	
	2011	2010	€	%
	in millions			
Subscription revenue:				
Video	€ 299.3	€ 291.8	€ 7.5	2.6
Broadband internet	93.9	77.5	16.4	21.2
Telephony	143.4	118.2	25.2	21.3
Total subscription revenue	536.6	487.5	49.1	10.1
Non-subscription revenue ^(a)	70.0	64.0	6.0	9.4
Total	€ 606.6	€ 551.5	€ 55.1	10.0

(a) Includes carriage fee, interconnect and installation revenue.

The details of our revenue increase during 2011, as compared to 2010, are set forth below (in millions):

Increase in subscription revenue due to change in ^(a) :	
Average number of RGUs ^(b)	€ 43.3
Average monthly subscription revenue per average RGU (ARPU) ^(c)	5.8
Increase in non-subscription revenue ^(d)	6.0
Total	€ 55.1

- (a) Our subscription revenue includes revenue from multi-year bulk agreements with landlords, housing associations or Professional Operators. These bulk agreements, which generally allow for the procurement of the basic analog signals from us at volume-based discounts, provide access to nearly two-thirds of our analog cable subscribers. During 2011, our 20 largest bulk agreement accounts generated approximately 5% of our total revenue (including estimated amounts billed directly to the building occupants for premium digital cable services, broadband internet and telephony services). No assurance can be given that our bulk agreements will be renewed or extended on financially equivalent terms or at all, particularly in light of the commitments we made to the FCO in connection with the LGI/KBW Transaction. In this regard, we agreed to, among other items, grant a special termination right with respect to certain of our larger bulk agreements. During 2011, our bulk agreements that are subject to this special termination right accounted for a significant portion of the annual revenue associated with (i) all of our bulk agreements and (ii) the 20 largest bulk agreement accounts mentioned above.
- (b) The increase in our subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of telephony, broadband internet and digital cable RGUs that were only partially offset by a decline in the average number of analog cable RGUs.
- (c) The increase in our subscription revenue related to a change in ARPU is due to an improvement in RGU mix, attributable to higher proportions of telephony, digital cable and broadband internet RGUs, that was only partially offset by a net decrease resulting primarily from the following factors: (i) lower ARPU due to the impact of promotional credits offered to new subscribers, (ii) lower ARPU due to a higher proportion of customers receiving discounted analog cable services through bulk agreements, (iii) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans and (iv) lower ARPU due to an increase in the proportion of customers selecting lower-priced tiers of broadband internet services.
- (d) The increase in our non-subscription revenue is primarily attributable to increases in mobile, interconnect and carriage fee revenue. Our non-subscription revenue includes fees received for the carriage of channels on our analog and digital cable services. These fees, which represented approximately 5% of our total revenue during 2011, are subject to contracts that expire or are otherwise terminable by either party at various dates ranging from 2012 through 2015. No assurance can be given that these contracts will be renewed or extended on financially equivalent terms, or at all. In addition, in connection with the LGI/KBW Transaction, we made a commitment to the FCO that,

through December 15, 2015, the annual carriage fees received by our company for each free-to-air television channel distributed in digital or simulcast in digital and analog would not exceed a specified annual amount, determined by applying our rate card system as of January 1, 2012.

For additional information regarding the commitments we made to the FCO in connection with the LGI/KBW Transaction, see note 17 to the Kabel BW 2011 Consolidated Financial Statements.

OpEx

General. OpEx includes programming, network operations, interconnect, customer operations, customer care and other operating costs. Our network operating costs include significant expenses incurred pursuant to long-term agreements with Deutsche Telekom for the use of assets and other services provided by Deutsche Telekom. Our programming costs, which represent a significant portion of our OpEx, are expected to rise in future periods as a result of growth in digital cable services, price increases and other factors. The details of our OpEx during 2011 and 2010 are provided in the below table:

	Year ended December 31,		Increase	
	2011	2010	€	%
	in millions			
Direct costs (interconnect, programming, copyright, cost of goods sold and other)	€ 74.0	€ 70.8	€ 3.2	4.5
Staff related costs	29.1	24.7	4.4	17.8
Network operating costs	52.4	50.8	1.6	3.1
Other indirect costs	32.5	27.2	5.3	19.5
Total	€ 188.0	€ 173.5	€ 14.5	8.4

Our total OpEx increased €14.5 million or 8.4% during 2011, as compared to 2010. This increase includes the following factors:

- An increase in other indirect costs of €5.3 million or 19.5%, due primarily to (i) an increase in outsourced labor and professional fees of €2.6 million, attributable to increased call center costs due to higher call volumes, and (ii) an increase in bad debt and collection expenses of €2.1 million, due in part to RGU growth;
- An increase in staff-related costs of €4.4 million or 17.8%, due primarily to (i) €3.0 million of costs associated with the LGI/KBW Transaction, including €1.6 million of retention bonus expenses, and (ii) higher network operations staffing levels and higher levels of temporary employees;
- An increase in direct costs of €3.2 million or 4.5%, due primarily to (i) growth in digital video services and (ii) higher copyright and programming fees in 2011 as a result of the positive impact of accrual releases in 2010 following the resolution of certain operational contingencies; and
- An increase in network operating costs of €1.6 million or 3.1%, mostly attributable to higher leasing costs associated with Professional Operator in-building networks and higher electricity costs.

SG&A

General. SG&A includes human resources, information technology, general services, management, finance, legal and marketing costs and other general expenses. The details of our SG&A costs during 2011 and 2010 are provided in the below table:

	Year ended December 31,		Increase (decrease)	
	2011	2010	€	%
	in millions			
Staff related costs	€ 22.7	€ 21.0	€ 1.7	8.1
Sales and marketing costs	25.3	23.4	1.9	8.1
Other indirect costs	18.0	20.4	(2.4)	(11.8)
Total	€ 66.0	€ 64.8	€ 1.2	1.9

Our total SG&A increased €1.2 million or 1.9% during 2011, as compared to 2010. This increase includes the following factors:

- An increase in sales and marketing costs of €1.9 million or 8.1%, due primarily to (i) an increase in marketing expenditures associated with a brand relaunch and other advertising campaigns and (ii) higher expense for third-party sales commissions primarily due to lower proportions of capitalized third-party sales commissions;
- An increase in staff-related costs of €1.7 million or 8.1%, due primarily to €1.6 million of costs associated with the LGI/KBW Transaction, including €1.3 million of retention bonus expenses; and
- A decrease in other indirect costs of €2.4 million or 11.8%, due primarily to the positive impact of accrual releases following the settlement of certain operational contingencies.

Impairments and Other Operating Charges, Net

We recognized impairment costs and other operating charges of €3.3 million during 2011, as compared to €9.6 million during 2010. The 2011 amount includes an impairment charge of €4.7 million associated with the write-off of development costs related to a customer billing system that was discontinued, which was partially offset by gains resulting from the sale of certain long-lived assets. The 2010 amount primarily represents an impairment charge of €9.7 million associated with the write-off of development costs related to a customer care system that was discontinued.

Depreciation and Amortization Expense

Depreciation and amortization expense increased €10.8 million or 7.9% during 2011, as compared to 2010, primarily due to an increase in depreciation of our property and equipment related to capital expenditures.

As a result of the increase in the cost basis associated with KBW's property and equipment and intangible assets that will result from the 2012 Reorganization that is described in note 1 to the Kabel BW 2011 Consolidated Financial Statements, we expect that KBW's depreciation and amortization will increase significantly in 2012 and future years, as compared to the amounts reflected in our 2011 consolidated statement of operations.

Net Financial and Other Expense

Our net financial and other expense primarily includes interest expense, interest income, foreign currency transaction losses, realized and unrealized losses on derivative instruments and losses on extinguishment of debt. As further described below, we recorded net financial and other expense of €128.4 million during 2011, as compared to €74.4 million during 2010.

Interest expense

Interest expense increased €28.8 million or 37.6% during 2011, as compared to 2010, due primarily to the net effect of (i) higher average debt balances associated with the issuance of the KBW Senior Secured Notes and the KBW Revolving Credit Facility in connection with the March 2011 refinancing of our bank debt and (ii) a €7.3 million decrease in the losses incurred with respect to our interest rate swap contracts during the 2011 and 2010 periods in which we applied hedge accounting to these contracts. We applied hedge accounting to these derivative contracts from September 2009 through March 2011. For additional information, see notes 6 and 12 to the Kabel BW 2011 Consolidated Financial Statements.

In connection with the 2012 Reorganization described in note 1 to the Kabel BW 2011 Consolidated Financial Statements, KBW became obligated under an intercompany note payable to UPC Germany HC1 that arose in connection with UPC Germany HC1's assumption of KBW Musketeer's obligations under the KBW Senior Notes. Accordingly, in addition to the interest expense on the KBW Senior Secured Notes and the KBW Revolving Credit Facility, KBW will incur related-party interest expense on this intercompany loan during 2012.

Interest income

Interest income — third-party increased €1.1 million during 2011, as compared to 2010. This increase is due to higher average cash and cash equivalent balances.

Interest income — related party increased €27.7 million during 2011, as compared to 2010. This increase is due to loans made to our direct and indirect shareholders during 2011. As these loans were extinguished in connection with the 2012 Reorganization described in note 1 to the Kabel BW 2011 Consolidated Financial Statements, KBW will not earn interest income on these loans during 2012. For additional information, see note 16 to the Kabel BW 2011 Consolidated Financial Statements.

Foreign currency transaction losses

We recognized foreign currency transaction losses of €30.4 million during 2011, compared to nil during 2010. The 2011 amount relates to the remeasurement of the KBW Dollar Senior Secured Notes.

Realized and unrealized losses on derivative instruments, net

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

	Year ended December 31,	
	2011	2010
	in millions	
Cross-currency derivative contracts	€ 17.5	€ —
Interest rate derivative contract	(27.2)	—
Total	€ (9.7)	€ —

Hedge accounting was applied from September 2009 through March 2011 to the interest rate swap contracts that hedged our then existing bank debt. In connection with the March 2011 refinancing of this bank debt, we settled our existing interest rate swap agreements and entered into new cross-currency swap and interest rate swap agreements in order to manage the U.S. dollar currency risks and the variable interest rate risks, respectively, associated with the new debt. Hedge accounting is not applied to the new derivative instruments. Accordingly, the 2011 amounts include losses incurred on the settlement of the old interest rate swaps and changes in the fair values of the new derivative instruments. For additional information, see note 6 to the Kabel BW 2011 Consolidated Financial Statements.

Loss on Extinguishment of Debt

We recognized a loss on extinguishment of debt of €12.5 million during 2011 in connection with the March 2011 refinancing of our bank debt, as further described in note 12 to the Kabel BW 2011 Consolidated Financial Statements.

Income Tax Benefit (Expense)

We recognized income tax expense of €2.7 million and income tax benefit of €44.7 million during 2011 and 2010, respectively.

The income tax expense during the year ended December 31, 2011 differs from the expected income tax expense of €22.0 million (based on the German 29.825% income tax rate), primarily due to the positive impact of the initial recognition of deferred tax assets for net operating loss and interest carryforwards. This positive impact was partially offset by the negative impact of certain permanent differences between the financial and tax accounting treatment of interest and other items.

The income tax benefit during the year ended December 31, 2010 differs from the expected income tax expense of €27.7 million (based on the German 29.825% income tax rate), primarily due to the positive impact of the initial recognition of deferred tax assets for net operating loss and interest carryforwards. The initial recognition of deferred taxes for net operating losses and interest carryforwards was primarily due to the December 31, 2010 retrospective termination of the profit and loss transfer agreement between Kabel BW and KBW.

For additional information regarding our income taxes, see note 14 to the Kabel BW 2011 Consolidated Financial Statements.

Net Earnings

We reported net earnings of €71.0 million during 2011 as compared to €137.5 million during 2010.

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

2010 compared to 2009

Revenue

The details of our revenue during 2010 and 2009 are set forth below:

	Year ended December 31,		Increase	
	2010	2009	€	%
	in millions			
Subscription revenue:				
Video	€ 291.8	€ 281.8	€ 10.0	3.5
Broadband internet	77.5	56.7	20.8	36.7
Telephony	118.2	92.0	26.2	28.5
Total subscription revenue	487.5	430.5	57.0	13.2
Non-subscription revenue ^(a)	64.0	54.5	9.5	17.4
Total	€ 551.5	€ 485.0	€ 66.5	13.7

(a) Includes carriage fee, interconnect and installation revenue.

The details of our revenue increase during 2010, as compared to 2009, are set forth below (in millions):

Increase in subscription revenue due to change in:	
Average number of RGUs ^(a)	€ 40.5
ARPU ^(b)	16.5
Increase in non-subscription revenue ^(c)	9.5
Total	€ 66.5

(a) The increase in our subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of telephony, broadband internet and, to a lesser extent, digital cable RGUs.

(b) The increase in our subscription revenue related to a change in ARPU is due to an improvement in RGU mix, attributable to higher proportions of telephony, digital cable and broadband internet RGUs, that was only partially offset by a net decrease resulting primarily from the following factors: (i) lower ARPU due to the impact of promotional credits offered to new subscribers, (ii) lower ARPU due to a higher proportion of customers receiving discounted analog cable services through bulk agreements, (iii) lower ARPU due a decrease in telephony call volume for customers on usage-based calling plans and (iv) higher ARPU due to an increase in (a) the proportion of customers selecting higher-priced tiers of broadband internet services and (b) value-added services, such as internet security packages.

(c) The increase in our non-subscription revenue is primarily attributable to higher construction sales and interconnect revenue.

OpEx

The details of our OpEx during 2010 and 2009 are provided in the below table:

	Year ended December 31,		Increase (decrease)	
	2010	2009	€	%
	in millions			
Direct costs (interconnect, programming, copyright, cost of goods sold and other)	€ 70.8	€ 64.8	€ 6.0	9.3
Staff related costs	24.7	22.1	2.6	11.8
Network operating costs	50.8	52.2	(1.4)	(2.7)
Other indirect costs	27.2	30.1	(2.9)	(9.6)
Total	€ 173.5	€ 169.2	€ 4.3	2.5

Our total OpEx increased €4.3 million or 2.5% during 2010, as compared to 2009. This increase includes the following factors:

- An increase in direct costs of €6.0 million or 9.3%, due primarily to the net effect of (i) an increase in interconnect expenses of €6.6 million, primarily associated with telephony RGU growth and (ii) lower copyright and programming fees as a result of the positive impact of accrual releases in 2010 following the resolution of certain operational contingencies;
- An increase in staff-related costs of €2.6 million or 11.8%, due primarily to higher network operations staffing levels;
- A decrease in network operating costs of €1.4 million or 2.7%, mostly attributable to lower network maintenance expenses; and
- A decrease in other indirect costs of €2.9 million or 9.6%, due primarily to a decrease in bad debt and collection expenses of €1.4 million, primarily associated with improved collection experience.

SG&A

The details of our SG&A costs during 2010 and 2009 are provided in the below table:

	Year ended December 31,		Increase	
	2010	2009	€	%
	in millions			
Staff related costs	€ 21.0	€ 19.3	€ 1.7	8.8
Sales and marketing costs	23.4	23.0	0.4	1.7
Other indirect costs	20.4	16.2	4.2	25.9
Total	€ 64.8	€ 58.5	€ 6.3	10.8

Our total SG&A increased €6.3 million or 10.8% during 2010, as compared to 2009. This increase includes the following factors:

- An increase in other indirect costs of €4.2 million or 25.9%, due primarily to (i) an increase in outsourced labor and professional fees of €1.9 million, attributable to consulting costs associated with strategic information technology projects, and (ii) net increases in other individually insignificant cost categories; and
- An increase in staff-related costs of €1.7 million or 8.8%, due primarily to annual wage increases and higher marketing staffing levels.

Impairments and Other Operating Charges, Net

We recognized impairment costs and other operating charges of €9.6 million during 2010 compared to €3.5 million during 2009. The 2010 amount primarily represents an impairment charge of €9.7 million associated with the write-off of development costs related to a customer care system that was discontinued. The 2009 amount primarily represents an impairment charge of €3.3 million associated with certain network assets.

Depreciation and Amortization Expense

Depreciation and amortization expense increased €11.4 million or 9.1% during 2010, as compared to 2009, primarily due to (i) an increase in depreciation of our property and equipment related to capital expenditures and (ii) an increase in amortization of capitalized subscriber acquisition costs.

Net Financial and Other Expense

As further described below, we recorded net financial and other expense of €74.4 million during 2010 as compared to €80.2 million during 2009.

Interest expense

Interest expense increased €3.9 million or 5.4% during 2010 as compared to 2009, due primarily to the net effect of (i) a €13.4 million increase in the losses incurred with respect to our interest rate swap contracts during the 2010 and 2009 periods in which we applied hedge accounting to these contracts and (ii) lower average interest rates associated with our variable-rate debt, and to a lesser extent, lower average debt balances. We applied hedge accounting to our interest rate derivative contracts from September 2009 through March 2011. For additional information, see notes 6 and 12 to the Kabel BW 2011 Consolidated Financial Statements.

Interest income

Interest income — third-party increased €0.3 million during 2010 as compared to 2009.

Interest income — related party decreased €0.1 million during 2010 as compared to 2009.

Realized and unrealized losses on derivative instruments, net

We recognized realized and unrealized losses on derivative instruments, net, of nil during 2010 as compared to losses of €10.1 million during the year ended December 31, 2009. Hedge accounting was applied from September 2009 through March 2011 to the interest rate swap contracts that hedged our then existing bank debt. Accordingly, the 2009 amount includes the changes in the fair value of these interest rate swap contracts prior to September 2009.

Other income

We recorded other income of €1.4 million during 2010 as compared to €2.0 million during 2009.

Income Tax Benefit (Expense)

We recognized income tax benefit of €44.7 million during 2010 and income tax expense of €9.3 million during 2009.

The income tax benefit during the year ended December 31, 2010 differs from the expected income tax expense of €27.7 million (based on the German 29.825% income tax rate), primarily due to the positive impact of the initial recognition of deferred tax assets for net operating loss and interest carryforwards. The initial recognition of deferred taxes for net operating losses and interest carryforwards was primarily due to the December 31, 2010 retrospective termination of the profit and loss transfer agreement between Kabel BW and KBW.

The income tax expense during the year ended December 31, 2009 differs from the expected income tax expense of €14.5 million (based on the German 29.825% income tax rate), primarily due to the positive impact of the initial recognition of deferred taxes on temporary differences resulting from an audit by tax authorities.

For additional information regarding our income taxes, see note 14 to the Kabel BW 2011 Consolidated Financial Statements.

Net Earnings

We reported net earnings of €137.5 million during 2010 as compared to €39.3 million during 2009.

Liquidity and Capital Resources

Sources and Uses of Cash

Kabel BW is a holding company, and its primary assets are cash and cash equivalents and investments in consolidated subsidiaries. As Kabel BW generally is able to access the financial assets of its operating subsidiary (KBW), we assess our sources and uses of liquidity on a consolidated basis.

Our sources of liquidity include (i) cash provided by our operations, (ii) our cash and cash equivalent balances (€26.2 million at December 31, 2011) and (iii) availability under the KBW Revolving Credit Facility (€100.0 million at December 31, 2011). In addition, from time to time, our sources of liquidity may include funding from our immediate parent company (and ultimately from Liberty Global and other Liberty Global subsidiaries) in the form of loans or contributions, as applicable.

Our sources of liquidity typically are used to fund our debt service requirements, capital expenditures and other liquidity requirements that may arise from time to time, including the transfer of any excess funds to our immediate parent company (and ultimately to Liberty Global and other Liberty Global subsidiaries, subject to the terms of the indentures governing the KBW Notes, as described in note 12 to the Kabel BW 2011 Consolidated Financial Statements) in the form of loans or distributions, as applicable.

Our most significant financial obligations are our debt obligations, as described in note 12 to the Kabel BW 2011 Consolidated Financial Statements. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Capitalization

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash on hand, the cash provided from our operations, available borrowings under the KBW Revolving Credit Facility and, if needed, any loans or contributions from our immediate parent company or other Liberty Global subsidiaries will be sufficient to fund our currently anticipated working capital needs, capital expenditures and debt service requirements through December 31, 2012, although no assurance can be given that this will be the case. However, as our debt matures 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 refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. 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.

Our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase the Adjusted EBITDA of our operating subsidiaries and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in our and our immediate parent's debt instruments. In this regard, if our Adjusted EBITDA were to decline, we could be required to repay or limit our borrowings under the KBW Revolving Credit 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.

Seasonality

Certain aspects of our liquidity are subject to seasonal factors. In particular, our cash receipts are higher during December, January and February due to a disproportionately high level of annual prepayments from our customers. We also generally have a higher relative level of capital expenditures in the second half of each calendar year. Our interest payments on the KBW Senior Secured Fixed Rate Notes are payable semi-annually on March 15 and September 15, and our interest payments on the KBW Senior Secured Floating Rate Notes are payable quarterly on March 15, June 15, September 15 and December 15.

Consolidated Cash Flow Statements

2011 Cash Flow Statement

Summary. During 2011, we used net cash provided by our financing activities of €384.2 million, net cash provided by our operating activities of €216.8 million and €74.8 million of our existing cash and cash equivalents to fund net cash used by our investing activities of €675.8 million.

Operating activities. Net cash provided by our operating activities decreased €35.4 million, from €252.2 million during 2010 to €216.8 million during 2011. This decrease in cash provided is primarily attributable to the net effect of (i) a decrease in cash provided due to higher cash payments for interest, primarily related to (a) the March 31, 2011 payment of interest that had accrued on a payment-in-kind basis from August 1, 2006 through March 31, 2011 with respect to the Mezzanine Facility Agreement, as further discussed in note 2 to the Kabel BW 2011 Consolidated Financial Statements, and (b) the new debt incurred in connection with the March 2011 refinancing of our bank debt, (ii) an increase in cash provided due to lower cash payments related to derivative instruments, (iii) a decrease in cash provided due to higher cash payments for taxes and (iv) an increase in the cash provided by our Adjusted EBITDA and related working capital items.

Investing activities. Net cash used by our investing activities increased €518.0 million, from €157.8 million during 2010 to €675.8 million during 2011. This increase in cash used is primarily attributable to the net effect of (i) an increase in cash used of €540.2 million associated with loans made to our direct and indirect shareholders, (ii) a decrease in cash used of €17.0 million associated with our other investing activities, and (iii) a decrease in cash used due to lower capital expenditures of €5.2 million, from €142.8 million during 2010 to €137.6 million during 2011.

For 2012, we expect capital expenditures as a percentage of revenue to be in the range of 23% to 25%.

Financing activities. Net cash provided by our financing activities was €384.2 million during 2011, compared to net cash used by our financing activities of €47.9 million during 2010. This change is due primarily to the net effect of (i) an increase in cash related to higher net borrowings of debt of €494.0 million, (ii) a decrease in cash of €45.6 million related to payment of financing costs and (iii) a decrease in cash related to cash paid upon early termination of interest rate derivative contracts of €16.3 million.

2010 Cash Flow Statement

Summary. During 2010, we used net cash provided by our operating activities of €252.2 million to fund net cash used by our investing activities of €157.8 million, net cash used by our financing activities of €47.9 million and a €46.5 million increase in our existing cash and cash equivalents.

Operating activities. Net cash provided by our operating activities increased €87.7 million, from €164.5 million during 2009 to €252.2 million during 2010. This increase in cash provided is primarily attributable to the net effect of (i) an increase in the cash provided by our Adjusted EBITDA and related working capital items, (ii) an increase in cash provided due to lower cash payments for interest, (iii) a decrease in cash provided due to higher cash payments related to derivative instruments and (iv) an increase in cash provided due to lower cash payments for taxes.

Investing activities. Net cash used by our investing activities increased €11.9 million, from €145.9 million during 2009 to €157.8 million during 2010. This increase in cash used is primarily attributable to the net effect of (i) an increase in cash used of €15.2 million associated with our other investing activities and (ii) a decrease in cash used due to lower capital expenditures of €3.3 million, from €146.1 million during 2009 to €142.8 million during 2010.

Financing activities. Net cash used by our financing activities increased €16.5 million, from €31.4 million during 2009 to €47.9 million during 2010. This increase in cash used is attributable to higher net repayments of debt.

Off Balance Sheet Arrangements

Other than our guarantees of the KBW Senior Notes as described in note 13 to the Kabel BW 2011 Consolidated Financial Statements, we are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in

financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies

Our critical accounting policies include our policies with respect to:

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

These policies are discussed in greater detail in note 4 to the Kabel BW 2011 Consolidated Financial Statements.

BUSINESS OF UNITYMEDIA

In this “Business of Unitymedia” section, unless the context otherwise requires, the terms “we,” “our,” “our company,” “us” and “Unitymedia” refer to Unitymedia GmbH and its consolidated subsidiaries without giving effect to the Transactions (as such term is defined herein in; see “The Transactions”). Unless otherwise indicated, operational and statistical data, including subscriber statistics and product offerings, are as of December 31, 2011.

Introduction

We operate a broadband cable network in the federal states of North Rhine-Westphalia and Hesse, Germany, providing digital and analog cable television and broadband internet and telephony services to our customers. The two federal states have a population and combined number of households of 23.9 million and 11.6 million, respectively, and are home to ten of the twenty largest cities in Germany including Cologne, Dortmund, Dusseldorf, Essen and Frankfurt. We are the second largest cable operator in Germany in terms of the number of video subscribers and we are a subsidiary of Liberty Global.

We classify our customers based on our main subscription-based business activities. The following table shows our operating statistics as of December 31, 2011 and 2010.

	December 31,	
	2011	2010
Footprint		
Homes Passed ⁽¹⁾	8,674,200	8,718,900
Two-way Homes Passed ⁽²⁾	8,304,900	8,183,600
Subscribers (RGUs⁽³⁾)		
Digital Cable ⁽⁴⁾	1,735,800	1,533,800
Analog Cable ⁽⁵⁾	2,692,400	2,954,200
Total Video	4,428,200	4,488,000
Internet ⁽⁶⁾	1,032,500	780,300
Telephony ⁽⁷⁾	1,028,400	779,300
Total RGUs	6,489,100	6,047,600
Penetration		
Digital Cable as % of Total Video Subs ⁽⁸⁾	39.2%	34.2%
Internet as % of Two-way Homes Passed ⁽⁹⁾	12.4%	9.5%
Telephony as % of Two-way Homes Passed ⁽⁹⁾	12.4%	9.5%
Customer relationships		
Customer Relationships ⁽¹⁰⁾	4,534,900	4,555,100
RGUs per Customer Relationship	1.43	1.33
Customer bundling		
Single-Play	76.9%	82.5%
Double-Play	3.2%	2.2%
Triple-Play	19.9%	15.3%

- (1) Homes Passed are homes or residential multiple dwelling units that can be connected to our network without materially extending the distribution plant. Our Homes Passed counts are based on census data that can change based on either revisions to the data or from new census results.
- (2) Two-way Homes Passed are Homes Passed by those sections of our network that are technologically capable of providing two-way services, including video, internet and telephony services, up to the street cabinet, with drops from the street cabinet to the building generally added, and in-home wiring generally upgraded, on an as-needed, success-based basis.
- (3) Revenue Generating Unit or RGU is separately an Analog Cable Subscriber, Digital Cable Subscriber, Internet Subscriber or Telephony Subscriber. A home or residential multiple dwelling unit may contain one or more RGUs. For example, if a residential customer subscribed to our digital cable service, telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of Analog Cable, Digital Cable, Internet and Telephony Subscribers. RGUs generally are counted on a unique premises basis such that a given premises does not count as more than one RGU for any given service. On the other hand, if an individual receives one of our services in two premises (e.g. a primary home and a vacation home), that individual will count as two RGUs for

that service. Each bundled cable, internet or telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period.

- (4) Digital Cable Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our digital cable service over our broadband network. We count a subscriber with one or more digital converter boxes that receives our digital cable service in one premises as just one subscriber. A Digital Cable Subscriber is not counted as an Analog Cable Subscriber. As we migrate customers from analog to digital cable services, we report a decrease in our Analog Cable Subscribers equal to the increase in our Digital Cable Subscribers.
- (5) Analog Cable Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our analog cable service over our broadband network.
- (6) Internet Subscriber is a home, residential multiple dwelling unit or commercial unit that receives internet services over our network. Our Internet Subscribers do not include customers that receive services from dial-up connections. We offer a 128Kbps wholesale internet service to housing associations on a bulk basis. As of December 31, 2011, our Internet Subscribers include approximately 6,000 subscribers within such housing associations who have requested and received a modem that enables the receipt of our wholesale internet service.
- (7) Telephony Subscriber is a home, residential multiple dwelling unit or commercial unit that receives voice services over our network.
- (8) Digital cable penetration is calculated by dividing digital cable RGUs by the total of digital and analog cable RGUs.
- (9) Internet and telephony penetration is calculated by dividing the internet and telephony RGUs by two-way homes passed.
- (10) Customer Relationships are the number of customers who receive at least one of our video, internet or voice services that we count as RGUs, without regard to which, or to how many services they subscribe. Customer Relationships generally are counted on a unique premises basis. Accordingly, if an individual receives our services in two premises (e.g., primary home and vacation home), that individual will count as two Customer Relationships.

History

Our predecessor company was formed on September 20, 2002, as a German limited liability company (*Gesellschaft mit beschränkter Haftung*), which we refer to as Old Unitymedia. Old Unitymedia's operations resulted from the acquisition by iesy Hessen GmbH & Co. KG of ish NRW GmbH in 2005 and the integration of the assets and liabilities of the cable network business of Tele Columbus which were located in North Rhine-Westphalia and Hesse. The combinations allowed Old Unitymedia to interconnect the broadband cable networks in North Rhine-Westphalia and Hesse and build the first fully integrated cable network in Germany. In May 2007, Old Unitymedia introduced a single Unitymedia brand for its products and services and, in its upgraded network coverage area, began to offer a triple-play product, combining digital cable television services with broadband internet access and telephony services.

We were formed by Liberty Global on October 15, 2009, in contemplation of the issuance of debt financing in connection with our then potential acquisition of Old Unitymedia. On January 28, 2010, we acquired 100% of Old Unitymedia in the LGI/Unitymedia Transaction and on September 16, 2010, we completed the Unitymedia Merger, pursuant to which Old Unitymedia was merged with us and we were the surviving entity.

We are registered with the commercial registry of the local court (*Amtsgericht*) of Cologne under number HRB 68501. Our principal business address is Aachener Straße 746-750, 50933 Cologne, Germany.

Products and Services

We currently provide digital and analog cable television and radio services, including premium digital cable services, to customers in the federal states of North Rhine-Westphalia and Hesse, Germany. In addition, in the upgraded portion of our network coverage area (which covers 96% of our total network coverage area), we offer our customers access to triple-play services under the brand "Unity3play"

consisting of digital cable video, broadband internet and telephony. In some cases, we offer a quadruple-play that includes mobile services. The upgraded portion of our network provides us with full bi-directional capability that enables us to provide premium digital cable services, broadband internet service at very high-speeds and telephony services. Through our partnership with Telefónica Germany GmbH & Co. OHG (Telefónica Germany) we began offering our customers mobile phone services in December 2011.

We generate revenue principally from relationships with our customers who pay subscription fees for the services provided. Subscription fees for basic cable video services are typically paid directly by single family homes (or single dwelling units) subscribing to the service or, in the case of multi-dwelling units, we enter into a bulk contract with the owner or housing association of the multi-dwelling structure based on the number of units connected. Single family home customers also pay us directly for the subscription fees associated with our premium digital cable services, as well the broadband internet and telephony services they purchase from us. Generally, the owner of a multi-dwelling unit allows us to sell digital cable (including our premium digital cable services), broadband internet and telephony services directly to individual tenants. In addition, we are compensated by public and commercial broadcasters, which pay carriage fees for the transmission and distribution of their free-to-air television and audio signals via our network.

Prior to September 2010, our predecessor company operated a national satellite digital pay-TV platform called “arenaSAT”. We closed down this service effective September 30, 2010 and it is presented as a discontinued operation in Unitymedia’s consolidated statements of operations and cash flows.

Video Business

We market our video services under the integrated “Unitymedia” brand and offer a full range of video services that include basic, digital and premium television offerings. Our premium digital cable services include premium subscription channels, high definition (HD) channels, digital video recorder (DVR) functionality, HD DVR, an electronic programming guide and near-video-on-demand (NVoD) (our pay-per-view service). During 2012, we expect to launch our full video-on-demand (VoD) service. To receive our digital services, a subscriber must rent from us a set-top box, or have an integrated digital tuner in the television set, and obtain a smart card. In some circumstances, a customer may use a CI+ module to access our digital services. A CI+ module is a small device that allows customers with a “common interface plus” (CI+) enabled television set, who subscribe to, or otherwise have access to, our digital video service, to view such services without a set-top box. A set-top box is not required to receive our analog services. Our network passes 8.7 million homes or 75% of all households in North Rhine-Westphalia and Hesse.

There are 1.7 million RGUs that subscribe to our digital products and 2.7 million RGUs that subscribe to our basic analog package of television channels. We continue to upgrade our systems to expand our digital service offerings and encourage our analog subscribers to convert to a digital service, so that customers have access to our premium digital cable services. As of December 31, 2011, the percentage of our overall video subscribers that subscribed to our digital products was 39.2%, compared to 34.2% as of December 31, 2010.

Basic and Digital Cable Services. Our basic cable digital product, “Digital TV BASIC,” offers an entry level digital cable product with up to 75 digital channels, including the analog simulcast, and 70 radio channels. Our basic analog package consists of up to 36 television channels and up to 34 radio channels. Digital TV BASIC also provides access to NVoD and HD content from public broadcasters. Three public HD channels are included in our Digital TV BASIC product. We regularly update our basic cable program offerings to reflect changes in viewer interest.

Premium Digital Cable Services. Our premium digital cable services include premium HD channel offerings, DVR functionality and premium programming channels that we assemble into packages. During February 2012, we started to offer an HD option that includes HD free-to-air content from commercial broadcasters (currently the key channels from private broadcaster ProSiebenSAT.1 group) that our digital video customers can subscribe to for an additional monthly fee if they have a suitable HD set-top box. We also offer our interactive HD DVR, which customers rent for an additional monthly fee or as part of a Unity3play bundle at a discount. In addition, to further fuel the digital conversion, we launched a CI+ module that allows those video households with an enabled HD television set to watch digital or HD content without a separate set-top box for an additional monthly subscription fee and a one-time activation fee. In December 2011, we broadened our set-top box offerings by launching our HD zapper set-top box in addition to our HD DVR, standard definition (SD) boxes and CI+ modules, which is subject to a monthly

subscription fee and a one-time activation fee. The HD zapper offers HD compatibility, includes a smart card and will enable the customer to access our VoD product when it becomes available. It does not include DVR functionality and is more affordable to rent than the HD DVR set-top boxes.

We offer two premium content packages, which can be ordered individually or bundled at discounted rates within our Unity3play offering. Digital TV HIGHLIGHTS offers 17 film, series, documentary, children and music channels. Digital TV ALLSTARS contains 53 channels, including the channels offered in Digital TV HIGHLIGHTS. In addition, subscribers to Digital TV HIGHLIGHTS or Digital TV ALLSTARS can also upgrade to premium HD packages for an additional monthly fee, including an incremental five and 13 HD channels, respectively. Our video customers may also subscribe to premium content offered by Sky Deutschland AG (Sky Deutschland) through a smart card on our network. In total, we offer 22 HD channels, including free-to-air and premium channels by public and commercial broadcasters. During 2012, we expect to expand the number of HD channels offered.

We also offer digital foreign language packages. For example, Digital TV INTERNATIONAL consists of our individual foreign language programming packages in Arabic, Bosnian, Croatian, Greek, Italian, Japanese, Polish, Portuguese/Spanish, Russian, Serbian and Turkish (Basic, Premium and Professional). Furthermore, we offer an “International Komplet” package, including a variety of foreign language packages.

Liberty Global plans to introduce a next generation set-top box platform, which we refer to as “Horizon”, in Germany in 2012. Horizon, which is currently undergoing field trials, is a multimedia home gateway based on an internet protocol-based digital television-platform that is capable of distributing video, voice and data content throughout the home and to multiple devices, such as tablets and smart phones. Horizon provides a seamless intuitive way to access live, time-shifted, on-demand and web-based content on the television. In addition, an online viewing service will be available through personal computers and will allow online viewing through IP-connected devices and smart phones. This service in conjunction with the Horizon gateway will allow subscribers to view and share their television programming on multiple screens wirelessly throughout the home.

Our Customers. We divide our basic cable subscribers into two specific market segments: residential subscribers in single-dwelling units (SDUs) and subscribers in multi-dwelling units (MDUs). Each market segment is targeted with tailored marketing, sales and advertising techniques.

In the SDU market segment, residential subscribers typically enter into standard form contracts with us. We have a direct customer relationship with our residential subscribers and deliver targeted marketing directly to this market segment.

In the MDU market segment, subscription fees are paid by housing or condominium associations, administrators, landlords and others that own or manage the MDUs. Of our basic video RGUs, 65% are with MDUs.

We generally have the billing relationship with the landlord or housing association or with a third party that operates and administers the in-building network on behalf of housing associations (Professional Operator). Many of these agreements allow us to offer our digital video, broadband internet and telephony services directly to the tenant. Professional Operators may procure the basic video signals from us at volume-based discounts and generally resell them to housing associations with whom the operator maintains the customer relationship. We have entered into agreements with Professional Operators, such as Tele Columbus Multimedia GmbH, that allow us to market our digital video, broadband internet and telephony services directly to the Professional Operator’s subscriber base. In order to provide these premium and advanced services to tenants who request them, we add a drop to connect our distribution network to the building, and upgrade the in-home wiring, on an as-needed or success-based basis.

Although the majority of our service agreements with housing associations have multi-year terms, in connection with the LGI/KBW Transaction, our company and KBW have agreed to grant early termination rights on certain agreements that our company and KBW each have with the largest housing associations and which have a remaining term of more than three years. For additional information concerning the commitments our company and KBW made to regulators in connection with the LGI/KBW Transaction, see “*Regulatory — LGI/KBW Transaction Imposed Conditions*”.

Cable Service and Subscription Fees. Subscribers in SDUs to either our analog or our basic digital access Digital TV BASIC product are charged a monthly subscriber fee. The pricing under certain multi-user contracts is based on standard rate card or on individual rates with discount reduction for lump

sum contracts. Subscription fees for our basic analog cable television services for customers with MDUs are based on our standard rate card. The rate card is based on the number of dwelling units connected to each connection point to the end-customers' premises. In order to upgrade to Digital TV BASIC or any of our premium digital cable services, tenants in MDUs have the option to enter into a direct contract with us and pay an additional monthly fee for such services. Any such fee is in addition to the basic analog cable fee that the landlord pays to us and that is passed on to the tenant as part of the monthly utility bill.

In addition to the monthly subscription fees, subscribers generally pay an activation fee upon connecting or re-connecting to our network. This activation fee is sometimes waived for larger MDU customers, for example when a subscriber is reconnecting to our network, when a customer moves into a previously connected household or as part of periodic marketing promotions.

Broadband Internet

We provide broadband internet services on a retail and a wholesale basis to 1.0 million RGUs. We have expanded the availability of our ultra high-speed broadband internet services through the deployment of EuroDOCSIS 3.0 (an international standard that defines requirements for a data transmission over a cable system) capable equipment to 97% of our two-way homes passed. We market our broadband internet services through a product portfolio under the brand name "Unitymedia" with particular focus on our "Unity3play" bundled triple-play offerings. As part of our standard internet product portfolio, we currently provide broadband internet services to our customers at a download speed of up to 128 Mbps without any time or data volume restrictions. Customers can choose between three different packages, each of which includes our broadband internet access. 1Play offers the broadband internet services on a standalone basis, 2Play offers our broadband internet services bundled with telephony access with a flat rate to national landlines, and Unity3play, our core product, offers our broadband internet services bundled with telephony access with flat rate national landline and our digital video access product Digital TV BASIC. We provide wholesale internet access services through Multimedia Anschluss (MMA). Our MMA offer is a service tailored for housing associations to purchase our broadband internet services (at download speeds up to 128 Kbps) on a bulk basis and enable their properties with plug-and-play internet access. Tenants in MMA-equipped apartments have the opportunity to upgrade to our high-speed broadband and flat rate telephony services, as well as premium digital cable services.

Subscribers to any of our internet/telephony packages receive the cable modem free of charge (except MMA customers, who pay a one-time modem fee for a service tailored for housing associations). For households located in the upgraded portion of our network who do not subscribe to our cable video services, we market and sell broadband internet and/or telephony services. In addition to monthly subscription fees, subscribers pay an activation fee as well as an installation fee upon subscribing to one of these products. To date, these one-time charges have often been waived for promotional reasons.

We also offer additional services included with our broadband internet bundled packages, including an internet security package consisting of anti-virus, anti-spy, firewall, spam protection and a child-proof lock, and other value-added services, such as an upload booster and online storage and web space. We charge the customer a monthly fee for each of these add-on services after a free trial period.

Telephony

We provide our telephony services to 1.0 million RGUs. In line with our broadband internet portfolio, we offer telephony services via voice-over-internet-protocol (VoIP) technology on a standalone basis and bundled with broadband internet services as part of our 2play and Unity3play product portfolios. The telephony products offered as part of these packages include a flat rate connection for unlimited calls to landlines in Germany. Telephony subscribers can also subscribe to "Spar International," an option that can be added to existing telephony contracts under which customers, for a fee, can benefit from significant savings on their international and fixed-to-mobile calls. In addition, we offer an international flat rate that allows subscribers to make landline calls without any time restrictions to 27 countries for a monthly subscription fee. We further provide an incremental option for our telephony subscribers, called "Telefon Flat PLUS," representing a premium router with additional functionalities such as "ISDN" compatibility and a second line for an additional monthly fee and a one time activation fee.

Our telephony services use VoIP as the method of transporting voice over our cable network. Analog voice information is digitally encoded and converted into packets, and then sent to their destinations via our own telephony switches. We pay interconnection fees to other internet and telephony providers when

our subscribers connect with another network and receive similar fees from providers when their users connect with our network through interconnection points.

Carriage Fees

We charge television broadcasters carriage fees for delivering their free-to-air television channels (as opposed to channels marketed in premium subscription packages) over our network. We have entered into feed-in agreements with all large German broadcasters (including public and commercial broadcasters) pursuant to which they pay us fees for the distribution of digital and analog signals. In general, carriage fees are charged on a monthly basis, depending on the number of subscribers. Under a collective agreement with all public broadcasters, we have flat-fee arrangements with each of the public broadcasters in connection with the transmission of their analog, digital and HD programming. Beginning in November 2011, we started to carry the HD channels from the private broadcaster ProSiebenSAT.1 group on our network and our digital cable customers that have a suitable HD set-top box or CI+ module can watch the ProSiebenSAT.1 group and kabel eins channel. As a result, the total number of HD channels we offered as of December 31, 2011 was 21. Beginning in February 2012, we started offering “Sixx” in HD, which increased the total number of HD channels we offer to 22. We are currently negotiating with broadcasters to extend our feed-in agreements to HDTV. We invoice the carriage fees directly to all broadcasters. These fees, which represented approximately 8% of our total revenue during 2011, are subject to contracts that expire or are otherwise terminable by either party at various dates ranging from 2012 through 2014. No assurance can be given that these contracts will be renewed or extended on financially equivalent terms, or at all. For more information regarding our feed-in agreements, see “— *Material Contracts* — *Other Significant Supply Agreements* — *Feed-in Agreements*”.

Business Services

In November 2011, we launched a new portfolio of broadband internet and telephony services for business-to-business (B2B) customers, targeting the small offices and homes offices segment in the market. These products are presently similar to our 1play and 2play broadband residential offerings, including 32 Mbps to 128 Mbps high-speed internet connection and fixed-line telephony services. Our product offerings to B2B customers are characterized by additional features, such as higher upload speeds, more extensive customer service and a premium pricing structure. In March 2012, the upload speed was upgraded to 10 Mbps and we also offer static IP addresses for our B2B customers. During 2012, we plan to expand the services offered to B2B customers with additional features to further differentiate these offerings from our residential products.

Mobile

In December 2011, we launched mobile telephony services to provide the full scope of quadruple services for our customers who prefer receiving all multimedia services from a single source. The mobile service is provided over the wireless network of mobile phone operator Telefónica Germany. Mobile services are presently offered as an option to our customers who subscribe to a double-play or triple-play bundle or on a standalone basis, in each case, to customers that live in our network footprint. Each household in our footprint can order up to five subscriber identification module (or SIM) cards. Calls placed by our mobile phone subscribers into our fixed and mobile network are free-of-charge. Out-of-network calls are billed according to different tariff plans, which include a per minute or monthly charge and, in certain circumstances, include unlimited mobile internet surfing with a smart phone. Our mobile phone offerings have been introduced as part of our strategy to offer our customers a full product portfolio from a single source, with the aim to increase customer loyalty and satisfaction and reduce churn.

Operations

Marketing and Sales

We market and sell our products to customers using a broad range of sales channels, including our own retail stores, third-party retailers and partner shops, web sales, inbound and outbound telemarketing and direct sales as well as informal “customer-gets-customer” promotions. The manner in which we target customers depends on the customer segment. We market all of our products and services under the “Unitymedia” brand, which according to independent research commissioned by us, is one of the brands most strongly associated with triple-play services in North Rhine-Westphalia and Hesse.

We have a team of dedicated in-house sales support managers who work exclusively with our key account customers. These include housing associations, housing administrations, real estate investors and wholesale partners and carriers, who have more than 300 units under contract. This in-house sales staff develops and cultivates close working relationships with our key account customers and works with residential sales teams to generate customer sales leads and increase retention of existing customers. In addition, this in-house sales staff develops and maintains contact with local authorities and construction companies to ensure that new buildings will be connected to our cable network in North Rhine-Westphalia and Hesse.

We promote our products and services to landlords and residential customers through direct marketing by direct sales agents working with small and medium enterprises (typically, MDUs with less than 300 units) (SME) and field sales agents working to sell our products and services to residential customers. The field sales agents are responsible for sales of our basic cable video service, digital and premium digital video offerings, broadband internet and telephony services, and also manage disconnections of services. Our direct sales agents are independent contractors who work on commission. We have over 160 Unitymedia stores and partner shops in several cities in our network coverage area including rural areas. In addition, we target residential customers through partnerships with retail outlets, such as multi-media retailers, electronics and telecommunications stores.

In addition, we started a cooperation in February 2012 with Mobilcom/Debitel group, a German telecom reseller, offering Unitymedia's products in their shops in North-Rhine Westphalia and Hesse, increasing our overall retail presence to over 310 shops. We also develop partnerships with construction companies to assist in promoting our basic cable video services and use our "Info-Mobil," a mobile point of contact for tenants in so-called "MMA buildings," to allow people to test and order our retail products.

Customer Service

The customer service function is responsible for all customer care activities, including handling customer queries and complaints. In addition, customer service also provides inbound telemarketing and sales support functions for the residential and SME segments. We operate dedicated customer service centers in Bochum and Marburg with 450 customer service agents, supplemented by outsourced call-center capacity. All of our customer service agents are skilled in multiple areas, including marketing campaigns and customer care for a variety of analog and digital products. Our customer service organization is structured as a process-oriented organization with special teams for the various processes, such as order entry, number porting and complaint management. We also have special teams in Marburg for SME sales and retail services and a department in Bochum that is dedicated solely to providing customer service to all Professional Operator customers.

Our Network

Our network passes 8.7 million homes, or 75% of the households, in the federal states of North-Rhine-Westphalia and Hesse. Our network utilizes the hybrid fiber coaxial cable and consists of approximately 141,000 kilometers of coaxial cable and approximately 3,000 kilometers of fiber cable. Average annual network availability of our network and product platforms is high, at over 99.9% for both 2010 and 2011.

The original infrastructure, which was a single direction broadcast network, was based on the homogeneous topology developed by the predecessor Deutsche Telekom AG (Deutsche Telekom) and its predecessor's companies. 96% of our homes passed are served by a two-way upgraded network with full bi-directional capability. This enables us to provide advanced bi-directional cable services such as broadband internet at very high speeds, telephony and ultimately VoD, and the distribution of digital and analog signals, including HD channels, over a 862 MHz band. During 2010 and 2011, we accelerated the roll-out of EuroDOCSIS 3.0 technology over our network to offer broadband speeds of over 100 Mbps. Of our two-way upgraded network, 97% has been upgraded to the EuroDOCSIS 3.0 standard.

Deutsche Telekom and its predecessors originally constructed both our cable television network and Deutsche Telekom's current fixed-line telephony network. Certain parts of the infrastructure (including cable ducts, towers, fiber optic transmission systems, and equipment locations) are shared by both the Deutsche Telekom telephony network and our cable television network. In general, the network is comprised of fiber and coaxial cable that is either buried in the ground (85%) or housed in cable ducts (15%). The ducts are typically owned by Deutsche Telekom, and we lease duct space for our network from Deutsche Telekom under long-term contracts. The distribution plant is powered by over 65,000 amplifiers.

With the exception of the ducts, we operate all of the distribution plant and associated electronics. We purchase the electrical power required to operate the master headend, regular headends, hubs and amplifiers through Deutsche Telekom and Vattenfall. Purchasing the power from Deutsche Telekom is necessary because, in many cases, the same power source supplies Deutsche Telekom's telephone plant and our cable plant. In general, Deutsche Telekom sells the power to us at cost plus a margin of 5%. From 2012, all feeding points for outdoor amplifiers which are currently served by Deutsche Telekom will be moved to Vattenfall. For a description of our agreements with Deutsche Telekom, see "*Material Contracts — Material Supply Contracts — Agreements with Deutsche Telekom*".

Intellectual Property

The German Act on Copyright and Related Rights (*Gesetz über Urheberrecht und verwandte Schutzrechte*) generally requires that the operators of cable networks pay royalties for the retransmission of certain radio and television programs. Claims for these royalties can be asserted exclusively by the German copyright collecting societies (*Verwertungsgesellschaften*) and not by the authors of such protected intellectual property themselves. Broadcasters have the choice, however, to assert their rights individually or via a copyright collecting society. The Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte (GEMA), one of the German copyright collecting societies, has been mandated by most of the relevant German copyright collecting societies to collect these royalties from the cable network operators. In addition, VG Media GmbH (VG Media) was mandated by some German commercial broadcasters to assert their royalty claims based on their cable retransmission rights. The amount of the royalties due is not provided for under the German Act on Copyright and Related Rights, and GEMA and VG Media have in the past each asserted royalty amounts that we disputed.

We have agreements with GEMA (and other collecting societies and public broadcasters) and VG Media regarding the payment of royalties for retransmission of television and radio programs. We entered into the agreement with GEMA in April 2009, and such agreement cannot be terminated by either party prior to December 31, 2012. Under the agreement, we pay GEMA an annual fee equal to 3.3% of our basic cable service revenue (as defined in the agreement with GEMA and generally includes the revenue we generate from the delivery of free-to-air TV programs to video subscribers, but excludes revenue we receive for premium or advanced services, or activation or equipment fees). On December 31, 2010, we signed an agreement with VG Media that requires us to pay an annual fee equal to 1% of our basic cable service revenue (as defined in the agreement with VG Media and similar to the definition in the GEMA agreement) for each year from 2006 to 2014, subject to minimum annual commitments. During the contract term, VG Media will not make any further claims against us with regard to the retransmission of television and radio programs.

In addition, GEMA may demand fees under the German Act on Copyright and Related Rights regarding the distribution of our premium channels. In December 2009, GEMA brought a claim against us in the Munich arbitration court of the German Office for Patents and Trademarks for an indeterminate amount of fees relating to the distribution of our premium channels. At this time, we are unable to predict the outcome of this litigation or estimate our potential liability. Under nearly all of our agreements with our suppliers of premium channels, we are indemnified for any payments we make to GEMA with respect to such distribution.

We also pay a license fee to the applicable content providers for the premium channels we distribute. The license fee is generally paid based on the number of subscribers to whom we make such programming available.

Legal Proceedings

From time to time, we may become involved in legal proceedings arising out of our operations in the normal course of business. We believe the ultimate resolution of any of these existing contingencies would not likely have a material adverse effect on our business, results of operations or financial condition. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and we can offer no assurances in this regard.

FCO Warning. On February 23, 2012, we received a warning letter from the FCO regarding a contract we have with the housing association GAG, Cologne, based on a complaint made in 2010 by one of our competitors, NetCologne, alleging predatory pricing by us. While not addressing the allegations of predatory pricing, the FCO indicated that the contract term of 10 years may be an infringement of European and German antitrust laws. We disagree with the FCO's assessment in this respect and will

defend our interests vigorously, but we can give no assurances that we will be successful in this regard. An adverse ruling with respect to this proceeding could have a significant impact on our ability to secure long-term revenues, and could have a material adverse effect on our business, results of operations or financial condition.

Material Contracts

The agreements described below are of material importance to us or one of our operating subsidiaries as of December 31, 2011. Agreements entered into in the ordinary course of business are not described. For a description of our material financing agreements, see “*Description of Other Indebtedness*”. The summary of each agreement set forth below is a summary of the material terms of such agreement as in effect as of the date of the Offering Memorandum.

Material Supply Contracts

Agreements with Deutsche Telekom. The various services offered by Deutsche Telekom are defined under so-called “Term Sheets” that are based on two master service agreements (MSAs), one with our subsidiary Unitymedia Hessen and one with our subsidiary Unitymedia NRW. The Term Sheets govern the co-use of cable ducts, the use of cable protection tubes, the offer of co-use of further cable ducts, the use of fiber optic transmission systems, the lease of space for broadband cable technology and the purchase of energy for broadband equipment. Except for the Term Sheets on the offer for co-use of further cable ducts, which have already expired, the terms of the Term Sheets are generally indefinite, but the Term Sheets are subject to certain termination rights and, according to German law, lease agreements are subject to a mandatory statutory termination right of either party after a term of 30 years. Furthermore, under the MSAs and most of the Term Sheets Deutsche Telekom is generally not entitled to terminate the services provided under the Term Sheets on co-use of cable ducts (not including the offer of co-use of further cable ducts), cable protection tubes, fiber optic transmission systems or lease of space for broadband cable technology. There are limited exceptions related to situations in which Deutsche Telekom discontinues the use of assets previously used for the provision of the respective services, intends to transfer the assets to a third party or intends to abandon leased space in its function as space used for technical purposes.

The charges for the individual services are set out in the Term Sheets. The MSAs include price adjustment clauses related to a change of Deutsche Telekom’s costs. Under the MSA with Unitymedia NRW, price increases may not exceed the increase of the German cost of living index and a decrease may not fall below the prices as of October 1, 2002 set out in the individual Term Sheets. From time-to-time we have disputes with Deutsche Telekom as to the charges, quality and accessibility of leased surfaces under the Term Sheets, but no litigation regarding these agreements has been initiated. We have also entered into various other license, rental and operating lease agreements with Deutsche Telekom, all of which are expensed as services are provided. In accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS), we treat these leases as operating rather than capital leases.

Other Significant Supply Agreements

Sky Deutschland. On July 19, 2007, we entered into agreements with Sky Deutschland concerning the feed-in and marketing of Sky Deutschland’s premium video packages. The agreements also removed the restrictions preventing our cable subscribers in North Rhine-Westphalia and Hesse from having access to both our digital premium channel offerings and Sky Deutschland’s content via a single smart card. This new set of agreements includes the distribution of the Sky Deutschland content in a pass-through model for a six-year term commencing January 1, 2008. We receive fees from Sky Deutschland for leasing the bandwidth to them and a monthly fee for each enabled smart card. Currently, we are renegotiating this agreement with Sky Deutschland.

Feed-in Agreements. We have entered into numerous feed-in agreements with public and commercial broadcasters for the analog and/or digital non-pay and pay carriage of their signals. The most important feed-in agreements are with the public broadcasters (ARD and ZDF), the RTL group and ProSiebenSat.1 group. These agreements have terms ranging from 2012 to 2014. Revenue from feed-in agreements accounted for approximately 8% of our revenue in 2011. ARD and ZDF have announced that they do not intend to pay any feed-in fees after January 1, 2013. The existing feed-in contract providing for carriage fees has not been terminated. We are unable to predict whether ARD or ZDF will maintain its position in this regard or what the impact of any such action will be on our financial position or results of operations.

We intend to vigorously defend our existing business model regarding the feed-in of content and related use of capacity in our network.

Agreements with Housing Associations. Of our basic cable video RGUs, 65% reside in MDUs, and the top 20 key accounts accounted for approximately 9% of our total revenue (including amounts billed directly by our company to the building occupants for premium digital cable, broadband internet and telephony services) during 2011. For these customers, our contractual relationship is with a landlord or local housing association, many of which own or represent multiple buildings that house a large number of customers. In some cases, the housing association allows us to sell digital video (including our premium digital cable services), broadband internet and telephony services directly to individual tenants. Our contracts with the housing associations are, to a significant extent, medium and long-term contracts, (current terms of the most important agreements will expire between 2012 and 2020). However, in connection with the LGI/KBW Transaction, our company and KBW have agreed to grant early termination rights on certain agreements that our company and KBW each have with the largest housing associations and which have a remaining term of more than three years. For additional information concerning the commitments Liberty Global made to regulators in connection with the LGI/KBW Transaction, see “*Regulatory — LGI/KBW Transaction Imposed Conditions*”. In addition, housing associations may terminate such agreements prematurely if, for example, the agreements are deemed to violate antitrust laws or laws governing general terms and conditions. There can be no assurance that we will be able to retain any of these customers or renew the contracts on commercially favorable terms, if at all.

Intercompany Agreements with Liberty Global

We have various related-party transactions with certain of our and Liberty Global’s affiliates and with other Liberty Global subsidiaries, including UPC Holding. These related-party transactions are reflected in operating expenses, allocated stock-based compensation expense, fees and allocations, net, and interest expense in the Unitymedia Consolidated Financial Statements. For additional information, see “*Certain Relationships and Related-Party Transactions of Unitymedia*” and note 17 to the Unitymedia Consolidated Financial Statements.

Third-Party Copyrights

We have certain agreements with GEMA and VG Media regarding the payment of royalties for the retransmission of television and radio programs protected under the German Act on Copyright and Related Rights. For a description of these arrangements, see “— *Intellectual Property*”.

Real Property

The following table sets forth certain information with respect to the facilities that Unitymedia currently operates and which Unitymedia believes are of importance to its operations. Unitymedia leases all of the following facilities.

<u>Location</u>	<u>Approximate Area (Square Meters)</u>	<u>Use of Facility</u>
Cologne	12,182	Head office
Kerpen	12,003	NOC and technical hot line
Bochum	7,810	Customer Service
Frankfurt am Main	2,270	Branch Office
Marburg	1,488	Customer Service
Krefeld	1,380	Branch Office
Kassel	1,001	Branch Office
Other offices	1,016	Branch Offices
Technical Sites	11,236	Technical Sites

We believe that Unitymedia’s facilities meet its present needs and that its properties are generally well maintained and suitable for their intended use. We believe that Unitymedia generally has sufficient space to satisfy the demand for its products in the foreseeable future, but keeps flexibility to move certain operations to alternative premises.

Employees

As of December 31, 2011, Unitymedia, including its consolidated subsidiaries, had an aggregate of approximately 1,637 employees. Unitymedia and its subsidiaries also use contract and temporary employees, which are not included in this number, for various projects. We believe that Unitymedia’s relations with employees, works councils and unions are good.

BUSINESS OF KABEL BW

For purposes of this “Business of Kabel BW” section, unless specified otherwise or the context otherwise requires, the terms “we,” “our,” “our company,” “us” and “Kabel BW” refer to Kabel BW Erste Beteiligungs GmbH and its consolidated subsidiaries without giving effect to the Transactions (as such term is defined herein in; see “The Transactions”).

Introduction

We operate a broadband cable network in the federal state of Baden-Württemberg, Germany, providing digital and analog cable television and broadband internet and telephony services to our customers. The federal state has a population and combined number of households of 10.8 million and 5.0 million, respectively, and includes the cities of Heidelberg, Karlsruhe, Mannheim and Stuttgart. We are the third largest cable operator in Germany in terms of the number of video subscribers and we are a subsidiary of Liberty Global.

We classify our customers based on our main subscription-based business activities. The following table shows our operating statistics as of December 31, 2011 and 2010.

	December 31,	
	2011	2010
Footprint		
Homes Passed ⁽¹⁾	3,771,100	3,736,500
Two-way Homes Passed ⁽²⁾	3,729,600	3,695,400
Subscribers (RGUs⁽³⁾)		
Digital Cable ⁽⁴⁾	248,000	214,800
Analog Cable ⁽⁵⁾	2,076,200	2,100,800
Total Video	2,324,200	2,315,600
Internet ⁽⁶⁾	767,000	627,100
Telephony ⁽⁷⁾	803,300	656,300
Total RGUs	3,894,500	3,599,000
Penetration		
Digital Cable as % of Total Video Subs ⁽⁸⁾	10.7%	9.3%
Internet as % of Two-way Homes Passed ⁽⁹⁾	20.6%	17.0%
Telephony as % of Two-way Homes Passed ⁽⁹⁾	21.5%	17.8%
Customer relationships		
Customer Relationships ⁽¹⁰⁾	2,397,400	2,352,700
RGUs per Customer Relationship	1.62	1.53
Customer bundling		
Single-Play	66.5%	72.1%
Double-Play	4.6%	2.8%
Triple-Play	28.9%	25.1%

- (1) Homes Passed are homes or residential multiple dwelling units that can be connected to our network without materially extending the distribution plant. Our Homes Passed counts are based on census data that can change based on either revisions to the data or from new census results.
- (2) Two-way Homes Passed are Homes Passed by those sections of our network that are technologically capable of providing two-way services, including video, internet and telephony services, up to the street cabinet, with drops from the street cabinet to the building generally added, and in-home wiring generally upgraded, on an as-needed, success-based basis.
- (3) Revenue Generating Unit or RGU is separately an Analog Cable Subscriber, Digital Cable Subscriber, Internet Subscriber or Telephony Subscriber. A home or residential multiple dwelling unit may contain one or more RGUs. For example, if a residential customer subscribed to our digital cable service, telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of Analog Cable, Digital Cable, Internet and Telephony Subscribers. RGUs generally are counted on a unique premises basis such that a given premises does not count as more

than one RGU for any given service. On the other hand, if an individual receives one of our services in two premises (e.g., a primary home and a vacation home), that individual will count as two RGUs for that service. Each bundled cable, internet or telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period.

- (4) Digital Cable Subscriber is a home, residential multiple dwelling unit or commercial unit that receives any of our digital cable offerings that require the payment of recurring monthly fees in addition to the basic cable services fee. Basic Digital Cable Subscribers are not included in the Digital Cable Subscriber count. We count a subscriber with one or more rented digital converter boxes or one or more premium digital cable services that receives our digital cable service in one premises as just one subscriber. A Digital Cable Subscriber is not counted as an Analog Cable Subscriber.
- (5) Analog Cable Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our analog or basic unencrypted digital cable service over our broadband network. In light of the fact that our digital free-to-air television channels are not encrypted, the Analog Cable Subscriber count also includes subscribers who may use a purchased set-top box or other non-verifiable means to receive our unencrypted basic digital cable channels without subscribing to any services that would require the payment of recurring monthly fees in addition to the basic analog service fee (Basic Digital Cable Subscriber). We acquired 14,300 Analog Cable Subscribers through third-party transactions during 2010.
- (6) Internet Subscriber is a home, residential multiple dwelling unit or commercial unit that receives internet services over our network. Our Internet Subscribers do not include customers that receive services from dial-up connections.
- (7) Telephony Subscriber is a home, residential multiple dwelling unit or commercial unit that receives voice services over our network. Telephony Subscribers exclude mobile telephony subscribers. As of December 31, 2011, we had 79,900 subscriber identification module (SIM) cards in use with respect to our mobile services.
- (8) Digital cable penetration is calculated by dividing digital cable RGUs by the total of digital and analog cable RGUs. Note that this calculation is intended to measure the penetration of Digital Cable Subscribers, as defined above, and not the percentage of our video RGUs that are accessing our unencrypted digital cable channels.
- (9) Internet and telephony penetration is calculated by dividing the internet and telephony RGUs by Two-way Homes Passed.
- (10) Customer Relationships are the number of customers who receive at least one of our video, internet or voice services that we count as RGUs, without regard to which, or to how many services they subscribe. Customer Relationships generally are counted on a unique premises basis. Accordingly, if an individual receives our services in two premises (e.g., primary home and vacation home), that individual will count as two Customer Relationships.

As a result of the LGI/KBW Transaction, we have changed how we count our video and telephony subscribers to conform to Liberty Global's subscriber counting policies. Previously, we counted pay-TV RGUs as incremental RGUs in addition to the underlying basic cable RGUs. Under Liberty Global's subscriber counting policies, we now split the basic cable RGUs into analog cable and digital cable categories and pay-TV RGUs are no longer separately counted as RGUs. Also, the analog cable subscriber count includes subscribers who may use a purchased set-top box or other non-verifiable means to receive our unencrypted basic digital channels without subscribing to any services that would require the payment of recurring monthly fees in addition to the basic analog service fee. With respect to telephony subscribers, we no longer include mobile telephony RGUs in our subscriber counts, although we do disclose the number of SIM cards we have in use in footnote 7 above. Prior period figures have been conformed to the new subscriber counting policies and further adjustments to our subscriber counting policies are possible as we continue the integration process with Liberty Global.

We were formed on January 27, 2006 as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) with our registered office in Heidelberg, Germany. We are registered with the commercial registry of the Mannheim local court under number HRB B 701726, Mannheim. Our principal business address is 69126 Heidelberg, Im Breitspiel 2-4, Germany.

Products and Services

We currently provide digital and analog cable television and radio services, including premium digital cable services, to customers in the federal state of Baden-Württemberg, Germany. In addition, in the upgraded portion of our network coverage area (which covers virtually all of our total network coverage area), we offer our customers access to triple-play (and, in some cases, quadruple-play) services consisting of digital cable video, broadband internet and telephony. The upgraded portion of our network provides us with full bi-directional capability that enables us to provide premium digital cable services, broadband internet service at very high speeds and telephony services. Through our partnership with Telefónica Germany GmbH & Co. OHG (Telefónica Germany) we offer our customers mobile services.

We generate revenue principally from relationships with our customers who pay subscription fees for the services provided. Subscription fees for basic cable video services are typically paid directly by single family homes (or single dwelling units) subscribing to the service or, in the case of multi-dwelling units, we enter into a bulk contract with the owner or housing association of the multi-dwelling structure based on the number of units connected. Single family home customers also pay us directly for the subscription fees associated with our premium digital cable services, as well as the broadband internet and telephony services they purchase from us. Generally, the owner of a multi-dwelling unit allows us to sell digital cable (including our premium digital cable services), broadband internet and telephony services directly to individual tenants. In addition, we are compensated by public and commercial broadcasters, which pay carriage fees for the transmission and distribution of their free-to-air television and audio signals via our network.

Video Business

We market our video services under the integrated “Kabel BW” brand and offer a full range of video services that include basic, digital and premium television offerings. Our premium digital cable services include premium subscription channels, high definition (HD) channels, digital video recorder (DVR) functionality, HD DVR, an electronic programming guide and video-on-demand (VoD). To receive our digital services, a subscriber must either purchase from a third party or us, or rent from us, a set-top box, or have an integrated digital tuner in the television set. We do not encrypt our basic digital television services; therefore, a smart card for basic digital television is not required. A smart card is required to receive certain premium digital cable services, like VoD, HD and premium subscription channels. In some circumstances, a customer may use a CI+ module to access our digital services. A CI+ module is a small device that allows customers with a “common interface plus” (CI+) enabled television set, who subscribe to, or otherwise have access to, our digital video service, to view such services without a set-top box. A set-top box is not required to receive our analog services. Our network passes 3.8 million homes or 75% of all households in Baden-Württemberg.

There are 248,000 RGUs that subscribe to our digital products and 2.1 million RGUs that subscribe to our basic package of television channels. We continue to upgrade our systems to expand our digital service offerings and encourage our analog subscribers to convert to a digital service, so that customers have access to our premium digital cable services. As of December 31, 2011, the percentage of our overall video subscribers that subscribed to our premium digital cable services was 10.7%, compared to 9.3% as of December 31, 2010.

We offer transactional VoD pursuant to an agreement with On Demand Deutschland GmbH & Co. KG (ODD). To receive VoD, a customer must have a suitable interactive receiver or set-top box and a smart card and pay a fee for each movie the customer accesses through the service. The remuneration we pay to ODD for the VoD service is based on the price paid by customers for each transaction.

Basic and Digital Cable Services. Our basic cable product offers up to 150 digital channels (including five HD channels), up to 38 analog channels and 150 radio channels. We provide basic cable services primarily via individual contracts with customers or collective contracts with landlords and housing associations. We regularly update our basic cable program offerings to reflect changes in viewer interest.

Premium Digital Cable Services. Our premium digital cable services include HD channel offerings, DVR functionality, VoD, which currently offers 1,500 movies, and premium subscription programming that we assemble into packages. We rent or sell to our basic cable subscribers HD interactive set-top boxes and HD DVR set-top boxes so they can access these premium digital cable services.

We assemble our premium subscription channels into packages. We offer four genre-based premium packages with different program contents: “MeinTV Spielfilm & Serie” offering movies and series, “MeinTV Sport & Action” including sports and adult channels, “MeinTV Doku & Lifestyle” containing documentaries and channels with lifestyle content, and “MeinTV Kids & Music” including specific content for children as well as music. Each of these premium packages can be ordered individually for a monthly fee, or they can all be bundled together for a discounted monthly fee. Discounted premium rates apply if customers subscribe to bundled services comprising premium TV and internet and telephony (“CleverFlat Entertainment”). In the aggregate, “MeinTV” offers 50 premium channels within eight genres (movies, series, documentaries, lifestyle, kids, music, sports and adult).

In addition, to further fuel the digital conversion, we launched a CI+ module that allows those video households with an enabled HD television set to watch digital or HD content without a separate set-top box for an additional monthly subscription fee. Our video subscribers can also receive up to 40 HD channels, which is the highest number of HD channel offerings among our German peers. In addition to the unencrypted five HD channels, our customers can receive eight HD channels from private broadcasters in our premium HD package “MeinTV HD Plus” for a monthly fee. The premium HD package “MeinTV HD Komplet” offers an additional 13 HD channels, and 14 HD channels can be received via the premium video packages offered by Sky Deutschland AG (Sky Deutschland) pursuant to an arrangement we have with Sky Deutschland. For more details regarding our arrangement with Sky Deutschland, see “— *Material Contracts — Other Significant Supply Agreements — Sky Deutschland*”.

We also offer foreign language packages under the brand “MeinTV International.” MeinTV International offers channels in 14 languages (Albanian, Arabic, Bosnian, Croatian, English, French, Greek, Italian, Polish, Portuguese/Spanish, Russian, Serbian and Turkish). Our video subscribers may also subscribe to premium content offered by Sky Deutschland, including *Bundesliga* and Champions League soccer, under the brand “CleverFlat Entertainment Sky” on a bundled basis, together with a 50 Mbps internet flat rate and fixed-line telephone flat rate for calls within Germany. Sky Deutschland’s premium content is also offered to our video customers on a standalone basis.

Liberty Global plans to introduce a next generation set-top box platform, which we refer to as “Horizon”, in Germany in 2012. Horizon, which is currently undergoing field trials, is a multimedia home gateway based on an internet protocol-based digital television-platform that is capable of distributing video, voice and data content throughout the home and to multiple devices, such as tablets and smart phones. Horizon provides a seamless intuitive way to access live, time-shifted, on-demand and web-based content on the television. In addition, an online viewing service will be available through personal computers and will allow online viewing through IP-connected devices and smart phones. This service in conjunction with the Horizon gateway will allow subscribers to view and share their television programming on multiple screens wirelessly throughout the home.

Our Customers. We divide our basic cable subscribers into two specific market segments: residential subscribers in single-dwelling units (SDUs) and subscribers in multi-dwelling units (MDUs). Each market segment is targeted with tailored marketing, sales and advertising techniques.

In the SDU market segment, residential subscribers typically enter into standard form contracts with us. We have a direct customer relationship to individual homes with 900,000 RGUs, or 38% of our total video RGUs, and we deliver targeted marketing directly to our residential subscribers.

In the MDU market segment, subscription fees are paid by housing or condominium associations, administrators, landlords, other third parties that own or manage the MDUs and third parties (Professional Operators) that operate and administer the in-building network on behalf of housing associations. Of our video RGUs, 62% are with MDUs. We either enter into a signal delivery agreement with a housing association or landlord under which we supply our signal to the connection point or a concession agreement that allows for exclusive provision of video, broadband internet and telephony services directly to end customers. In addition, we may also maintain and operate the network required to deliver the signal into the tenant’s home where we have entered into modernization agreements with housing or condominium associations, administrators, landlords and others under which we modernize the relevant in-house networks and receive a building cost allowance (*Baukostenzuschuss*) in some instances. In return, we have the exclusive right to use the respective in-house network and to serve the respective households with broadband cable services. In all cases, we invoice the housing association for our fees relating to basic cable services and offer our premium digital cable, broadband internet and telephony services directly to the tenants. Thus, we create a relationship with such subscribers for all our advanced services beyond the basic cable services, unless we are prohibited from doing so by the housing association.

In order to provide these advanced services to tenants who request them, we add a drop to connect our distribution network to the building and upgrade the in-home wiring, on an as-needed or success-based basis.

Within our MDU base, we also offer our services to Professional Operators, also sometimes referred to as “level 4 operators”. Professional Operators procure basic television signals from us and generally resell them to housing associations. Professional Operators generally enjoy volume-based discounts built into our standard rate card, which create incentives for these operators to cluster their subscribers behind individual connection points. Historically, our agreements with Professional Operators have included additional volume-based rate discounts to our standard rate card. Operator-specific discounts, when combined with volume-based discounts built into the standard rate card, have traditionally resulted in a substantially lower average revenue per unit within this customer segment. However, our costs associated with these customers are also lower for a variety of reasons, particularly because we are not responsible for certain activities such as customer care, which the Professional Operators provide.

Although the majority of our service agreements with housing associations have multi-year terms, in connection with the LGI/KBW Transaction, our company and Unitymedia have agreed to grant early termination rights on certain agreements that our company and Unitymedia each have with the largest housing associations and which have a remaining term of more than three years. For additional information concerning the commitments our company and Unitymedia made to regulators in connection with the LGI/KBW Transaction, see “*Regulatory — LGI/KBW Transaction Imposed Conditions*” below.

Cable Service and Subscription Fees. Subscribers in SDUs to either our analog or our basic digital access product are charged a set monthly subscriber fee. The pricing under certain multi-user contracts is based on standard rate card or on individual rates with discount reduction for lump sum contracts. Subscription fees for our basic analog cable television services for customers with MDUs are based on our standard rate card. The rate card is based on the number of dwelling units connected to each connection point to the end-customers’ premises. In order to upgrade to premium digital cable services, tenants in MDUs have the option to enter into a direct contract with us and pay an additional monthly fee for such services. Any such fee is in addition to the basic analog cable fee that the landlord pays to us and that is passed on to the tenant as part of the monthly utility bill.

In addition to the monthly subscription fees, subscribers generally pay an activation fee upon connecting or re-connecting to our network. This activation fee is sometimes waived for larger MDU customers, when a subscriber is reconnecting to our network, when a customer moves into a previously connected household or as part of periodic marketing promotions.

Broadband Internet

Virtually all of the 3.8 million homes passed in our network are upgraded for two-way communication, and we provide our broadband internet services to 767,000 RGUs. We have expanded the availability of our ultra high-speed broadband internet services through the deployment of EuroDOCSIS 3.0 (an international standard that defines requirements for a data transmission over a cable system) capable equipment.

We market our broadband internet services through a product portfolio under the brand name “Kabel BW” with particular focus on our bundled triple-play offerings. Of our customers, 29% subscribe to our cable video, broadband internet and telephony services. In addition to our basic or premium digital cable services, customers can also subscribe to our broadband internet and telephony products. For example, our CleverFlat Entertainment contains download speeds of 50 Mbps, fixed-telephony at a flat rate and either a “MeinTV” package or a Sky Deutschland premium video package. We also offer double-play bundles to customers that do not subscribe to our video products. As an example, one of these packages offers high-speed internet ranging from 12 Mbps up to 100 Mbps and a telephony flat rate to German fixed-lines. Since September 2011, the quadruple-play products “CleverAll Classic” and “CleverAll Power” have been added to our product portfolio, offering bandwidths of 32 Mbps up to 100 Mbps and including video, broadband internet, fixed-telephony and mobile services. Since September 2009, internet and telephony products can also be purchased without subscribing to our basic analog cable services.

We also offer additional services included with our broadband internet bundled packages, including an internet security package consisting of anti-virus, anti-spy, firewall, spam protection and a child-proof lock. We charge the customer a monthly fee for each of these add-on services following a free trial period.

Telephony

We provide our telephony services to 803,300 RGUs. In line with our broadband internet portfolio, we offer telephony services via voice-over-internet-protocol (VoIP) technology on a standalone basis and bundled with broadband internet services. “Clever Telefon” is our single-play product, offering a telephony German fixed-line flat rate. The telephony products offered as part of these packages include a flat rate connection for unlimited calls to landlines in Germany. Telephony subscribers can also subscribe to “International Flat” or “International Flat Plus,” an option that can be added to existing telephony contracts for an additional monthly charge. Our international flat rates “International Flat” and “International Flat Plus” allow subscribers to make landline calls without any time restrictions to 25 and 75 countries, respectively. Additional telephony options are “ISDN,” offering up to six fixed-line telephony numbers, and “Easy2Mobile,” under which customers can benefit from reduced charges for German fixed-line to German mobile lines.

Our telephony services use VoIP as the method of transporting voice over our cable network. Analog voice information is digitally encoded and converted into packets, and then sent to their destinations via our own telephony switches. We pay interconnection fees to other internet and telephony providers when our subscribers connect with another network and receive similar fees from providers when their users connect with our network through interconnection points.

Carriage Fees

We charge television broadcasters carriage fees for delivering their free-to-air television channels (as opposed to channels marketed in premium subscription packages) over our network. We have entered into feed-in agreements with all large German broadcasters (including public and commercial broadcasters) pursuant to which they pay us fees for the distribution of digital and analog signals. We also charge carriage fees for radio signals delivered over the network into subscriber homes. In general, carriage fees for digital and analog channels are charged on a monthly basis, depending on the number of subscribers.

During 2011, we started to carry the HD channels from private German commercial broadcasters ProSiebenSAT.1 group and RTL group on our network, bringing the total number of HD channels to 40. We are currently negotiating with other broadcasters to extend our feed-in agreements to HDTV. We invoice the carriage fees directly to all broadcasters. These fees, which represented approximately 5% of our total revenue during 2011, are subject to contracts that expire or are otherwise terminable by either party at various dates ranging from 2012 through 2015. No assurance can be given that these contracts will be renewed or extended on financially equivalent terms, or at all. For more information regarding our feed-in agreements, see “*Risk Factors — Risks Relatig to Our Industry and Our Business — We do not have Guaranteed Access to Programs and are Dependent on Our Relationships and Cooperation with Program Providers and Broadcasters*” and “*— Material Contracts — Other Significant Supply Agreements — Feed-in Agreements*”.

Business Services

Since April 2011, we have offered broadband internet and telephony services to home offices as well as small and medium sized enterprises. These offers are characterized by distinctive features that are included in the bundles, but not in the residential products. In particular, the features comprise more extensive customer service guarantees and technical characteristics. Our three business products, “CleverPro Starter,” “CleverPro Classic” and “CleverPro Power,” vary among download and upload speeds of 25 Mbps and 2 Mbps, over 50 Mbps and 4 Mbps and up to 100 Mbps and 6 Mbps, respectively. These offers include broadband internet and German fixed-line telephony flat rates, a static IP-address and other value-added features.

Mobile

Our full mobile service portfolio has been available since November 2010 (we initially started to offer mobile data services in July 2010) when we commenced offering a broad range of mobile services under our cooperation agreement with the mobile phone network operator Telefónica Germany. Mobile services are presently offered as an option to our broadband internet and telephony subscribers. They are not offered on a standalone basis. Calls placed by our mobile phone subscribers into our fixed-line network or our mobile network are free-of-charge. Out-of-network calls are billed according to our three different mobile offerings named “Handy Family & Friends,” “Handy Festnetz Flatrate” and “Handy Komplett Flatrate.” With mobile internet, users can surf the internet with a daily flat rate or a monthly flat rate.

Mobile internet services are offered either on a standalone basis (for laptops or tablet personal computers) or together with our mobile phone products (for smartphones). Our mobile phone and mobile internet offerings have been introduced as part of our strategy to offer our customers a complete state-of-the-art service portfolio in order to reduce churn.

Pursuant to our cooperation agreement, Telefónica Germany is our exclusive provider of mobile services and we are prohibited from reselling mobile services provided via mobile phone networks of other operators, subject to certain exceptions. We are responsible for customer support, and Telefónica Germany provides us with technical interfaces, technical infrastructure and other implementation services. We are obliged to rent a minimum of peak load capacity packages, which minimum increases over time. The initial term of the agreement is eight years.

Operations

Marketing and Sales

We have a customer-centric marketing approach based on price/performance leadership of our products, high quality, good service levels, brand and a multichannel distribution. We market and sell our products to customers using a broad range of sales channels, including retail outlets, promotion stands, web sales, inbound and outbound telemarketing, direct sales as well as informal “customer-gets-customer” promotions. The manner in which we target customers depends on the customer segment.

Our in-house business sales team serves all of the housing associations, facility managers, landlords and Professional Operators that use our network. This business sales team develops and cultivates close working relationships with these customers. In addition, a team of dedicated employees focuses on communities and real estate developers. They cooperate at a very early stage with communities and developers with the target to ensure that new buildings will be connected to our cable network. Additionally, we cooperate with real estate developers and utility service suppliers to share the cost of installing fiberglass cable networks to new buildings.

Our comprehensive trade sales organization is managed by our in-house trade sales team, and our trade sales distribution includes 40 Kabel BW branded retail outlets and additional third-party outlets, including multi-media retailers and electronics and telecommunications stores. We compensate this distribution organization on a commission basis.

Marketing and sales activities for all of our products are gradually shifting towards lower-cost web sales and inbound telemarketing. Our website contains product, service and promotional information. Our entire product portfolio can be ordered via our website. Through our customer service contacts, we seek to retain our current customers and market new enhanced products to them when they call our customer service centers.

We also make efforts to strengthen our overall brand awareness. We believe consumer awareness underpins our sales to direct subscribers, particularly single home owners. One advertising campaign in 2011 was “Twice as fast as DSL,” strengthening the high-price-performance ratio Kabel BW offers to its customers. In addition to traditional media channels, we started a new advertising campaign in September 2011 based on an agreement with ProSiebenSat.1 group, which is visible only to Kabel BW video subscribers. The campaign aims to increase brand awareness and consumer demand for our advanced services.

Customer Service

We aim to increase our customer satisfaction and decrease churn with high product quality and dedicated service. The customer care process, including installation and repair, is a significant priority of our management. We regularly conduct surveys and tests to analyze the effectiveness of our customer service and the satisfaction of our customers in various aspects of their experience with us. We believe quality and service are major assets in customer acquisition and retention.

Our customer service function is responsible for all customer care activities (from order to cancellation). We operate two dedicated inside customer service centers in Heidelberg and Villingen-Schwenningen, supplemented by three outsourced call centers in Germany. Incoming phone calls are handled by external or (during night-time) internal first level call centers. If required, customers will be referred to our second level helpline served by our technical experts. Our customer service agents are trained in multiple skills, including marketing campaigns and customer care for a variety of digital and

analog products. Our customer service organization is structured as a process oriented organization with special teams for the various processes, such as technical service, order entry, number porting and complaint management.

Our Network

Our network covers 75% of all homes in Baden-Württemberg, including the metropolitan areas of Stuttgart, Mannheim and Karlsruhe, the three most populated cities of Baden-Württemberg.

Our network consists of approximately 73,000 kilometers of fully owned coaxial cable and approximately 3,000 kilometers of fiber cable. Additionally, we possess approximately 3,000 kilometers of leased lines (two fiber connections) from local carriers. Our network passes 3.8 million homes, of which we believe the majority are located outside large urban areas. Average annual network service availability of our network and product platforms is high, at approximately 99.98% as of February 1, 2012.

The original infrastructure, a single direction broadcast network, was based on the mostly homogeneous topology developed by the predecessor of Deutsche Telekom. Due to a continuous upgrade of our distribution network, we are at present able to transmit bi-directional signals to virtually all of the homes our network passes, which enables us to deliver broadband internet, telephony and other interactive services, including HD channels and interactive TV features such as VoD, to our customers.

Deutsche Telekom and its predecessors originally constructed both our cable television network and Deutsche Telekom's current fixed-line telephony network. Certain parts of the infrastructure (including cable ducts, fiber optic transmission systems, and equipment locations) are shared by both the Deutsche Telekom telephony network and our cable television network. We lease these assets from Deutsche Telekom. In general, the network is comprised of fiber and coaxial cable that is either buried in the ground (90%) or housed in cable ducts (10%). The ducts are owned by Deutsche Telekom, as well as other carriers, and we lease duct space for our network under long-term contracts. For a description of our agreements with Deutsche Telekom, see "*— Material Contracts — Material Supply Contracts — Agreements with Deutsche Telekom*". The distribution plant is powered by over 39,000 amplifiers. With the exception of the ducts, we operate all of the distribution plant and associated electronics. We purchase the electrical power required to operate most of the master headend, hubs and amplifiers through a regional power company, MVV Energie AG.

Intellectual Property

The German Act on Copyright and Related Rights (*Gesetz über Urheberrecht und verwandte Schutzrechte*) generally requires that the operators of cable networks pay royalties for the retransmission of certain radio and television programs. Claims for these royalties can be asserted exclusively by the German copyright collecting societies (*Verwertungsgesellschaften*) and not by the authors of such protected intellectual property themselves. Broadcasters have the choice, however, to assert their rights individually or via a copyright collecting society. The Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte (GEMA), one of the German copyright collecting societies, has been mandated by most of the relevant German copyright collecting societies to collect these royalties from the cable network operators. In addition, VG Media GmbH (VG Media) was mandated by some German commercial broadcasters to assert their royalty claims based on their cable retransmission rights. The amount of the royalties due is not provided for under the German Act on Copyright and Related Rights, and GEMA and VG Media have in the past each asserted royalty amounts that we disputed.

We have agreements with GEMA (and other collecting societies and public broadcasters) and VG Media regarding the payment of royalties for retransmission of television and radio programs. We entered into the agreement with GEMA on April 6, 2009, and such agreement cannot be terminated by either party prior to December 31, 2012. Under the agreement, we pay GEMA an annual fee equal to 3.25% of our basic cable service revenue (as defined in the agreement with GEMA and generally includes the revenue we generate from the delivery of free-to-air TV programs to video subscribers, but excludes revenue we receive for premium or advanced services, or activation and equipment fees), subject to certain minimum commitments. On September 29, 2011, we entered into an agreement with VG Media that requires us to pay an annual fee equal to 1% of our basic cable service revenue (as defined in the agreement with VG Media and similar to the definition in the GEMA agreement) for each year from 2006 to 2010 and 0.64% of our basic cable service revenue for each year from 2011 to 2015, subject to certain minimum commitments. During the contract term, VG Media will not make any further claims against us with regard to the retransmission of television and radio programs.

We have also entered into an agreement with RTL group (a commercial broadcaster that asserted its rights under the German Act on Copyright and Related Rights individually), which provides for an annual payment on royalty claims of RTL group of 0.36% of our basic cable service revenue (as defined in the agreement with RTL group and similar to the definition in the GEMA agreement) for each year from 2011 to 2015, subject to certain minimum commitments.

In addition, GEMA may demand fees under the German Act on Copyright and Related Rights regarding our premium subscription service. Although GEMA has not brought such an action against us to date, they recently brought an action against Unitymedia for fees relating to Unitymedia's premium subscription service. We are currently in negotiations with GEMA relating to these matters. Under nearly all of our agreements with our premium video suppliers, we are indemnified for any payments we make to GEMA with respect to such distribution.

We also pay a license fee to the applicable content providers for the programming we make available through our premium subscription service. The license fee is generally paid based on the number of subscribers to whom we make such programming available.

Legal Proceedings

From time to time, we may become involved in legal proceedings arising out of our operations in the normal course of business. We believe the ultimate resolution of any of these existing contingencies would not likely have a material adverse effect on our business, results of operations or financial condition. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and we can offer no assurances in this regard.

Cartel Proceedings regarding the Use of Set-Top Boxes. Since February 2010, the FCO has been investigating our business policy regarding the use of set-top boxes with proprietary functions in connection with our digital platform, alleging that it amounts to an abuse of a dominant market position by us. Based on similar allegations, the FCO has also initiated individual proceedings against other cable network operators and the largest German pay-TV provider. On October 26, 2010, the FCO preliminarily suspended the proceedings against us. Even though the FCO may consider our current set-top box specifications to be unlawful, it took the view that it was not necessary to continue these proceedings if television sets equipped with a Digital Video Broadcasting-Cable tuner and a CI+ interface (IDTV) continue to be distributed as currently expected. The FCO may reopen proceedings if the sale of IDTV does not develop as currently forecasted. The FCO announced that it would review the development of IDTV sales in 2011 and decide whether to reopen proceedings against us in the second half of 2011. To date, the FCO has not reopened these proceedings. As we do not currently use basic encryption and Unitymedia will remove basic encryption as a result of the LGI/KBW Transaction, we believe that the FCO proceedings concerning the set-top box procurement strategy and the encryption technology used therein should be closed. The FCO, however, has not formally closed these proceedings and could continue to investigate these business policies. If the FCO were to continue or reopen these proceedings, there is a risk that the FCO would impose burdens and restrictions on us, which could have a material adverse effect on our business, results of operations or financial condition.

Rovi Corporation. In December 2009, we received a cease and desist letter from Rovi Corporation, a United States company (Rovi), claiming that the electronic program guide (EPG) we provide to our customers infringes on patents held by Gemstar TV Guide International, Inc., an affiliate of Rovi. Rovi demanded that we disable the EPGs and claimed that NDS Technologies France SAS, our supplier of conditional access cards, is not permitted to provide a sublicense for Rovi's alleged rights. In November 2010, Rovi submitted a presentation to us that asserted that Rovi holds a number of patents registered in Europe with respect to certain functions of the EPG. While we believe that Rovi's claims are without merit and we intend to defend ourselves vigorously, we can provide no assurances as to whether Rovi will pursue these allegations further and, if they do so, the outcome of any such proceeding.

Cartel Proceedings regarding Impermissible Pricing. On February 3, 2011, the Ministry of Economy of Baden-Württemberg, as competent anti-trust authority, initiated a proceeding to investigate an allegation of discrimination and predatory pricing that had been made against us by a Professional Operator. In connection with this proceeding, we were ordered to disclose to the Ministry of Economy certain information regarding our standard signal delivery rates and the rebates, benefits and refunds we offer to our housing association customers. While we believe these allegations to be false and intend to defend ourselves and our business practices vigorously, we can provide no assurances regarding the findings of the

Ministry of Economy. If they find certain of our pricing mechanisms unlawful, we may, under certain circumstances, be found liable for fines and damages or we may have to offer to enter into commitments that are capable of dispelling the anticompetitive concerns raised against us.

DVR Set-Top Boxes. Pursuant to agreements we have with the suppliers of our DVR set-top boxes, we are responsible for the payment of the copyright fees for such set-top boxes owed under German copyright law to a subsection of the collecting society GEMA called ZPÜ. The tariffs applicable are subject to ongoing litigation between an association of set-top box manufacturers and ZPÜ. We are unable to predict the outcome of this litigation or estimate our potential liability. Given the increasing number of set-top boxes we deploy with DVR functionality, there is a risk that we may have to pay a considerably higher amount of these copyright fees than expected.

Material Contracts

The agreements described below are of material importance to us or one of our operating subsidiaries as of December 31, 2011. Agreements entered into in the ordinary course of business are not described. The summary of each agreement set forth below is a summary of the material terms of such agreement as in effect as of the date of the Offering Memorandum.

Material Supply Contracts

Agreements with Deutsche Telekom. In July 2003, we entered into a framework service agreement with Deutsche Telekom and certain of its affiliates for the lease of cable duct space for a portion of our cable network as well as for fiber optic transmission capacity, tower and facility space and for other services. In addition, we purchase a portion of the electricity required for the operation of our network through Deutsche Telekom under such agreement. The various services and assets provided by Deutsche Telekom are specified under so called “Term Sheets” that are part of the framework service agreement. The framework service agreement is a long-term contractual arrangement and has strict guidelines regarding Deutsche Telekom’s ability to modify prices. The assets that are shared between our network and that of Deutsche Telekom include underground cable ducts used to house Deutsche Telekom’s phone network and our cable television network, facilities which house Deutsche Telekom’s phone switches and our cable television headends, fiber optic systems used to transmit both phone and cable television signals and electricity supplied to shared facilities. The term of the framework service agreement is unlimited, and Deutsche Telekom is generally not entitled to terminate the services provided under the Term Sheets on co-use of cable ducts (not including the offer of co-use of further cable ducts), cable protection tubes, fiber optic transmission systems or lease of space for broadband cable technology, except under certain circumstances. Deutsche Telekom may terminate the other services according to the applicable Term Sheets under certain circumstances. For example, if Deutsche Telekom decides to discontinue using cable ducts carrying our cables without replacing the ducts, it may terminate our rights to use such facilities. In addition, according to German law, lease agreements are subject to an ordinary termination right of either party after a term of 30 years.

Furthermore, we entered into an agreement with Deutsche Telekom for the lease of 862 MHz broadband cable systems in June 2008 and several amendment agreements thereto. The agreements have a term until June 2018 and may be terminated by Deutsche Telekom only for good cause (*wichtiger Grund*). For additional information on the potential risks associated with our agreements with Deutsche Telekom, see “*Risk Factors — Risks Relating to Our Industry and Our Business — We rely on Deutsche Telekom and certain of its affiliates for access to and the operation of a significant part of our network*”.

Other Significant Supply Agreements

Sky Deutschland. On June 29, 2009, we entered into an agreement with Sky Deutschland concerning the feed-in and marketing of Sky Deutschland’s premium video packages. The agreement has a term until December 31, 2013. The contract also contains a license until the end of season 2012/2013 to distribute the Sky Deutschland programs to all our customers who have subscribed until a certain point in time to a certain triple-play bundle including broadband internet access, a telephone flat rate and access to Sky Deutschland’s *Bundesliga* (German premier soccer league) channels. In addition, we agreed to market Sky Deutschland’s packages on a standalone basis or in bundled offers together with our services (if Sky Deutschland has given prior consent to such bundled offers), based on a shared customer relationship. We and Sky Deutschland have agreed that each party will maintain a direct contractual relationship with new customers receiving Sky Deutschland’s programming in combination with our services. We are responsible

for customer service, billing and collections for all triple-play and related services and cover bad debt risk. Sky Deutschland must assign all claims against “bad payers” to us. Furthermore, we are responsible for providing the set-top boxes and smart cards on demand by the customer for reception of our and Sky Deutschland’s offerings. We are also responsible to replace defective devices, to the extent those were delivered by us. If Sky Deutschland acquires new customers for our services, Sky Deutschland receives a commission. As compensation for our services rendered to Sky Deutschland (including feed-in and distribution), we receive a share in the revenue Sky Deutschland receives from the customers.

Feed-in Agreements. We have entered into numerous feed-in agreements with public and commercial broadcasters for the analog and/or digital non-pay and pay carriage of their signals. The most important feed-in agreements are with the public broadcasters (ARD and ZDF), the RTL group and ProSiebenSat.1 group. Revenue from feed-in agreements accounted for approximately 5% of our 2011 revenue. ARD and ZDF have announced that they do not intend to pay any feed-in fees after January 1, 2013. The existing feed-in contract providing for carriage fees has not been terminated. We are unable to predict whether ARD or ZDF will maintain its position in this regard or what the impact of any such action will be on our financial position or results of operations. We intend to vigorously defend our existing business model regarding the feed-in of content and related use of capacity in our network.

Agreements with Housing Associations. Of our basic cable video RGUs, 62% reside in MDUs, and our top 20 MDU contracts accounted for approximately 5% of our total revenue (including amounts billed directly by our company to the building occupants for premium digital cable, broadband internet and telephony services) during 2011. For these customers, our contractual relationship is with a landlord or local housing association, many of which own or represent multiple buildings that house a large number of customers. In some cases, the housing association allows us to sell digital video (including our premium digital cable services), broadband internet and telephony services directly to individual tenants. Our contracts with the housing associations are, to a significant extent, medium and long-term contracts (current terms of the most important agreements will expire between 2012 and 2020). However, in connection with the LGI/KBW Transaction, our company and Unitymedia have agreed to grant early termination rights on certain agreements that our company and Unitymedia each have with the largest housing associations and which have a remaining term of more than three years. For additional information concerning the commitments Liberty Global made to regulators in connection with the LGI/KBW Transaction, see “*Regulatory — LGI/KBW Transaction Imposed Conditions*”. In addition, housing associations may terminate such agreements prematurely if, for example, the agreements are deemed to violate antitrust laws or laws governing general terms and conditions. There can be no assurance that we will be able to retain any of these customers or renew the contracts on commercially favorable terms, if at all.

Intercompany Agreements

On March 31, 2011, we entered into the KBW Musketeer Loan Facility with KBW Musketeer pursuant to which we loaned KBW Musketeer €337.6 million in cash pursuant to a loan agreement dated March 30, 2011. The amount loaned to KBW Musketeer was discounted from the €347.6 million principal amount of the KBW Musketeer Loan Facility, with the €10.0 million discount equal to KBW Musketeer’s proportionate share of the KBW Senior Secured Notes issuance costs that were incurred by our company. This discount was being amortized as related-party interest income using the effective interest method over the term of the loan agreement. The stated interest rate of the KBW Musketeer Loan Facility was 9.5% per annum. During the remainder of 2011, we loaned an additional €148.4 million to KBW Musketeer under the KBW Musketeer Loan Facility, of which €132.6 million was a cash loan and the remaining €15.8 million was capitalized to principal in settlement of interest that was due on amounts outstanding pursuant to the KBW Musketeer Loan Facility.

In addition as part of the LGI/KBW Transaction, we entered into two notes receivable with UPC Germany HC2. The aggregate amount outstanding under those notes as of December 31, 2011 was €72.2 million.

As of December 31, 2011, our other current liabilities included €10.3 million of value-added tax liabilities payable to KBW Musketeer. KBW Musketeer remits value-added taxes on behalf of the consolidated Kabel BW group.

As a result of the 2012 Reorganization, (i) our receivables from, and payables to, KBW Musketeer and our receivables from UPC Germany HC2 were extinguished, and (ii) KBW became obligated under an

intercompany note payable to UPC Germany HC1 that arose in connection with UPC Germany HC1's assumption of KBW Musketeer's obligations under the KBW Senior Notes.

Third-Party Copyrights

We have certain agreements with GEMA, VG Media and the RTL group regarding the payment of royalties for the retransmission of television and radio programs protected under the German Act on Copyright and Related Rights. For a description of these arrangements, see "*— Intellectual Property*".

Real Property

The following table sets forth certain information with respect to the facilities that KBW currently operates and which KBW believes are of importance to its operations. KBW leases all of the following facilities.

<u>Location</u>	<u>Approximate Area (Square Meters)</u>	<u>Use of Facility</u>
Heidelberg	9,715	Head office, customer service, sales
Stuttgart	7,929	Technical support and engineering
Villingen-Schwenningen	1,584	Technical support, cable build and service
Mannheim	1,341	Network Center (Hub)
Reutlingen	502	Network Center (Hub)
Ulm	500	Network Center (Hub)
Other offices	3,651	Network Centers
Technical Sites	136	Technical Support Centers

We believe that KBW's facilities meet its present needs and that KBW's properties are generally well maintained and suitable for their intended use. We believe that KBW generally has sufficient space to satisfy the demand for its products in the foreseeable future, but keeps flexibility to move certain operations to alternative premises.

Employees

As of December 31, 2011, KBW, including its consolidated subsidiaries, had an aggregate of approximately 800 employees. KBW and its subsidiaries also use contract and temporary employees, which are not included in this number, for various projects. We believe that KBW's relations with employees, works councils and unions are good.

REGULATORY

Our business is subject to various regulatory requirements and obligations including the telecommunications and media laws, general antitrust law, as well as technical and other regulations. Relevant legislation imposes a variety of rules on us and other market participants. Certain key provisions are set forth below. This description is not intended to be a comprehensive description of all regulation in this area nor a review of specific obligations which have been imposed on us.

Telecommunications Regulation

The telecommunications business in Germany is subject to the regulatory regime of the German Telecommunications Act and certain ordinances promulgated under the German Telecommunications Act. The German Telecommunications Act covers the transport of any signal by telecommunications installations encompassing television signals, internet data transport and voice telephony, all of which we provide.

The German regulatory framework is predominantly based on the European Union (EU) regulatory framework. The body of EU law that deals with communications regulation consists of a variety of legal instruments and policies (collectively referred to as the EU Communications Regulatory Framework or Regulatory Framework). The key elements of the Regulatory Framework are various directives that require member states of the EU (Member States), of which Germany is one, to harmonize their laws, as well as certain regulations that have effect without any national transposition.

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

On December 18, 2009, the Official Journal of the EU published revisions to the Regulatory Framework. Such revisions should have already been transposed into the laws of Germany although this process is ongoing. Implementation of these revisions is expected in the second quarter of 2012. Generally, the changes to the Regulatory Framework are limited, but will affect us. Some changes are institutional. For example, a new body of European regulators has been created. Also, new powers have been given to national regulators. For example, the national regulators have rights to mandate access to ducts even on operators without significant market power. Then there will be enhanced powers for Member States to impose quality of service requirements on internet service providers. The revisions also strengthen the rights of the European Commission to participate in national regulatory procedures. Other issues addressed by the revised Regulatory Framework include shortening the time to change the fixed or mobile telephone provider to one day while keeping one's old telephone number. Furthermore, the national telecoms' authorities will have the power to set minimum quality levels for network transmission services so as to promote the same quality of service irrespective of the technology used and to prevent discrimination of services. Also, market definitions of the national regulators have to take due account of geographic areas within each Member State. In addition, national regulators may order functional separation as a last-resort remedy, requiring undertakings to place activities related to the wholesale provision of access products in an independently operated business unit. In general, pending the adoption and the transposition by the Member States of the new Directives, the existing legal situation is unchanged.

The Regulatory Body. The German Federal Network Agency (*Bundesnetzagentur*), an independent governmental body, is inter alia responsible for the regulation of the German telecommunications market. The Federal Network Agency has various powers with respect to the enforcement of telecommunications laws and ordinances. All decisions of the Federal Network Agency may be challenged before the competent administrative court (*Verwaltungsgericht*) in Cologne and further appealed at higher instances.

The Federal Network Agency informed us that the regulatory orders regulating the market for broadcasting transmission services (former market 18) issued in 2007 and 2009 were repealed. As a consequence, broadcasting transmission services are currently not subject to supervision by the Federal Network Agency but by the FCO under general competition law. However, we cannot rule out that the Federal Network Agency restores the sector-specific regulation for the market for broadcasting transmission services by adopting a new market definition and market analysis and imposing new regulatory orders against us in the future. In such event, the EU Commission has the power to veto a finding by the Federal Network Agency of significant market power (or the absence thereof).

With respect to the commercial provision of (narrowband) phone services to end-customers based on a self-operated fixed-line telecommunications network, we are deemed to have significant market power pursuant to regulatory orders issued by the Federal Network Agency in 2009 with respect to market 3 (formerly market 9) regarding call termination on individual public phone networks of alternative network operators provided at a fixed location. The fees we charge in this market are subject to ex-post regulation. In addition, certain transparency and non-discrimination requirements apply.

Notification Requirements. The German Telecommunications Act provides for an obligation to notify the Federal Network Agency of the commencement, any modification and the termination of the operation of a public telecommunications network and of the offering of telecommunications services to the public.

Interconnection and Access Obligations. Every operator of a public telecommunications network, irrespective of its market position, is obligated upon request to offer interconnection with its network to other network operators. If the parties cannot agree upon the conditions of such interconnection, the Federal Network Agency can impose on an operator that controls access to end customers the obligation to provide interconnection and other access obligations upon application by one of the parties.

The regulatory powers of the Federal Network Agency are comprehensive vis-à-vis operators with “Significant Market Power,” irrespective of their granting access to end customers. Based on a market analysis, the Federal Network Agency may impose on operators of public telecommunications networks with “Significant Market Power” various obligations to interconnect and to grant other undertakings access to their telecommunications networks for the provision of telecommunications services.

Regulation of Fees. Under the German Telecommunications Act, the fees for telecommunications access services offered by providers can be subject to pricing regulation if significant market power has been determined or if the operator controls access to end-users. The German Telecommunications Act distinguishes between fees that require prior regulatory approval (ex ante) and those that are subject to an ex post review. The way in which fees are regulated is dependent on the possession of significant market power as well as on the imposition of access obligations.

Allocation of Frequencies. In addition to the notification requirement mentioned above, in principle, a frequency allocation by the Federal Network Agency used to be required for the use of frequencies in our cable network. Due to a change of the German frequency allocation framework, the use of frequencies in our cable network is no longer subject to the German Telecommunications Act and therefore does not require a frequency allocation by the Federal Network Agency. This is also clarified by the recent amendment of the German Telecommunications Act which is expected to enter into force in the second quarter of 2012. Even though no frequency allocation is required for the operation of our cable network, its operation is subject to the German Electromagnetic Compatibility Act (*Gesetz über die elektromagnetische Verträglichkeit von Betriebsmitteln*) and a complementary ordinance (*Sicherheitsfunk-Schutzverordnung*).

Rights of Way. Operators of public telecommunications networks that wish to use public streets, squares, bridges and public waters for the laying and operating of telecommunications lines have to apply to the Federal Network Agency in order to obtain the respective rights of way. In particular, the Federal Network Agency has to determine whether the applicant has demonstrated sufficient professional expertise, reliability and financial capability to operate telecommunications lines. Both the installation of new telecommunications lines and the modification of existing telecommunications lines also require the consent of the competent road construction and maintenance authority. Due to amended provisions of the German Telecommunications Act, the Federal Network Agency may require us, other operators of public telecommunications networks as well as other owners of ducts and wirings to share certain in-house infrastructure.

Net neutrality. In the amendment to the German Telecommunication Act expected to enter into force in the second quarter of 2012, the legislature refrained from imposing any detailed net neutrality regulation. However, pursuant to a new section of the Telecommunication Act, the German government is empowered to release orders to ensure net neutrality in the future after having consulted with the Bundestag and the Bundesrat.

Media Regulation

Regulation of the media falls within the legislative competence of the German federal states (*Bundesländer*). The media laws of all 16 federal states have been partially harmonized by the State

Broadcasting Treaty (*Rundfunkstaatsvertrag*). The State Broadcasting Treaty establishes the main framework of the German regulation of broadcast. In particular, it provides for a regime designed to ensure that a diversity of opinions is secured in the mix of public and commercial radio and television channels and their respective programming. The regime affects our ability to decide how to use our digital platform and therefore may impact our business.

Nearly every German state has established its own independent regulatory body, the state media authority (*Landesmedienanstalt*), for the regulation of the private broadcasting sector. The state media authorities are primarily responsible for licensing and supervising of commercial broadcasters and the allocation of transmission capacities for radio and television channels (must-carry regulation as described below). They are also in charge of the regulation of carriage fees, conditional access systems, interfaces, electronic program guides/navigators, the bundling of programs and price regulation. Any decision of the state media authorities can be challenged before the competent administrative courts.

Broadcasters have the right to file a complaint with the relevant state media authority in the event that cable network operators refuse to carry their signals. The state media authorities are vested with the power to order the transmission of channels upon receipt of such complaints, provided that the respective broadcaster's programs enjoy a "must carry" status or that the network has sufficient excess capacity. Whether or not a broadcaster, in particular one enjoying must carry status, is entitled to claim a distribution directly from the cable network operator is unclear.

Allocation and Use of Transmission Capacities. The State Broadcasting Treaty sets forth the rules for the allocation and use of digital transmission capacities and digital playout facilities for television channels. The allocation and use of analog cable transmission capacities for both radio and television channels is governed by the laws of the respective states. The allocation and use of digital transmission capacities for digital television and radio channels are, however, primarily governed by the must carry rules of the State Broadcasting Treaty.

Regulations regarding the analog cable transmission of radio and television channels vary from state to state and cable network operators are generally not free to allocate analog channels in their networks. Rather, the state media authorities make allocation decisions regarding the programs that will be transmitted over the cable networks, in order to ensure a diversity of opinions in the mix of channels and programming. In the analog range, the specific allocation of channels varies from state to state and rules relating to the allocation of radio channels are usually less strict than those relating to television channels. The media law in the states of North-Rhine-Westphalia and Hesse require us to carry 25 and 30 analog television channels, respectively, and also limits the possibility to convert these analog television channels into digital television channels.

In the digital range, the must carry obligations currently apply for the distribution of certain digital channels (up to a maximum of one third of our digital bandwidth dedicated to broadcasting services). Practically speaking, one third of digital capacity is must carry, one third is allocated to ensure diversity and one third is for the cable operator's own choice.

Use of Conditional Access Systems. The operation of conditional access systems for television services is governed by both the State Broadcasting Treaty and the German Telecommunications Act. The provisions in the State Broadcasting Treaty on conditional access have been implemented by a specific bylaw on open access to digital services and on platform regulation (*Satzung über die Zugangsfreiheit zu digitalen Diensten und zur Plattformregulierung*), which has been adopted by the state media authorities. They provide general rules for the use of conditional access systems, interfaces, electronic program guides/navigators and the bundling of programs, whereas the German Telecommunications Act contains specific provisions for conditional access systems. Under these regulations, we must generally grant a diverse program offering and must not unfairly obstruct or discriminate against broadcasters and other content providers. Sky Deutschland made a claim against us alleging discriminatory treatment as to the provision of bandwidth and conditional access services. The Federal Network Agency, however, rejected Sky Deutschland's claim with respect to the bandwidth usage and it has not yet considered Sky Deutschland's claim on conditional access service.

Antitrust regulation

In addition to the regulation by the Federal Network Agency under the German Telecommunications Act, the FCO has powers under the German Act against Restraints of Competition (*Gesetz gegen Wettbewerbsbeschränkungen*) that prohibits the abuse of a market-dominant position as well

as the distortion of competition through agreements or collusive behavior by market participants. Similar powers are vested with the European Commission.

If the FCO or the European Commission determine that a company has a dominant position in a relevant market or distorts competition through agreements or collusive behavior, the competent authority is entitled to prohibit such practices and to impose various punitive measures, including fines or disgorgement of profits generated by such behavior. In addition, third parties may initiate civil proceedings against companies that willfully or negligently violate provisions of the German Act against Restraints of Competition to obtain compensation for damages suffered, provided that these provisions were intended to protect the interests of such third parties.

LGI/KBW Transaction Imposed Conditions

On December 15, 2011, the FCO approved the LGI/KBW Transaction, subject to Unitymedia's and KBW's agreement with the following conditions:

- The digital free-to-air television channels (as opposed to channels marketed in premium subscription packages) distributed on the networks of Unitymedia and KBW will be distributed in unencrypted form commencing January 1, 2013. This commitment is consistent with KBW's current practice and generally covers free-to-air television channels in SD and HD. If, however, free-to-air television broadcasters request their HD content to be distributed in an encrypted HD package, the encryption of free-to-air HD channels is still possible. In addition, Unitymedia and KBW made a commitment that, through December 31, 2016, the annual carriage fees received by Unitymedia and KBW for each such free-to-air television channel distributed in digital or simulcast in digital and analog would not exceed a specified annual amount, determined by applying the respective current rate card systems of Unitymedia and KBW as of January 1, 2012.
- Effective January 1, 2012, Unitymedia and KBW waived their exclusivity rights in access agreements with housing associations, with respect to the usage of infrastructures other than the in-building distribution networks of Unitymedia and KBW to provide television, broadband internet or telephony services within the building.
- Effective January 1, 2012, upon expiration of the minimum term of an access agreement with a housing association, Unitymedia or KBW, as applicable, will transfer the ownership rights to the in-building distribution network to the building owner or other party granting access. In addition, Unitymedia and KBW each waived the rights to remove in-building distribution networks.
- A special early termination right will be granted with respect to certain of Unitymedia's and KBW's existing access agreements with the largest housing associations that cover more than 800 dwelling units and have a remaining term of more than three years. The total number of dwelling units covered by the affected agreements is approximately 340,000, of which approximately 230,000 and 110,000 are located in the footprints of Unitymedia and KBW, respectively. The special termination right may be exercised on or before September 30 of each year up to the expiration of the current contract term, with termination effective as of January 1 or July 1 of the following year. If the special termination right is exercised, compensation will be paid to partially reimburse Unitymedia or KBW, as applicable, for unamortized investments in modernizing the in-building network based on an agreed formula.

In January 2012, two of our competitors, including Deutsche Telekom, each filed an appeal against the FCO regarding its decision to approve the LGI/KBW Transaction. We believe the decision will ultimately be upheld and currently intend to support the FCO in defending the decision. In addition, we do not expect that the filing of these appeals will have any impact on the ongoing integration and development of our operations. The ultimate resolution of this matter is expected to take up to four years, including the appeals process.

MANAGEMENT

The ultimate authority within Unitymedia GmbH and its subsidiaries vests with UPC Germany Holding B.V., as our sole shareholder. UPC Germany Holding B.V. is, in turn, indirectly controlled by Liberty Global Europe. All fundamental decisions regarding Unitymedia GmbH are reserved for the decision of the shareholders' meeting, including the following:

- instructions to the managing directors;
- appointment and removal of managing directors;
- granting of discharge from liabilities to the managing directors;
- determination of annual financial statements and distribution of profits;
- measures in connection with monitoring and supervising managing directors;
- amendments of the articles of incorporation;
- fundamental structural changes, e.g. mergers, a conversion or a splitting of the company; and
- consent to the conclusion of a domination or profit and loss absorption agreement. Unitymedia GmbH may expand the authority of the shareholders' meeting.

In accordance with German corporate law, we are managed by our Managing Directors (*Geschäftsführer*). Responsibilities for operations are delegated to members of senior management. Please note that after the KBW Fold-in the German Unitymedia entities will in total employ more than 2,000 employees. Consequently, the German Co-Determination Act (*Mitbestimmungsgesetz*), will apply and require the implementation of a supervisory board for the German holding company of the German Unitymedia Group with twelve members, six of which will be shareholder representatives, while the remaining six members will be employee representatives. This supervisory board will be implemented through a so called status proceeding (*Statusverfahren*). The implementation of such a supervisory board will change the corporate governance of the relevant legal entity, as — for example — the supervisory board would be competent for the appointment and removal of the managing directors.

Managing Directors

The Managing Directors are responsible for the day-to-day management of the business. Our Managing Directors and the Managing Directors of each of our subsidiaries, including the New Senior Secured Notes Issued, are appointed at a shareholders' meeting for each company. Such Managing Directors may also be removed at the applicable shareholders' meeting. The Managing Directors are obligated to report regularly to the applicable shareholders' meeting or partners' meeting, as the case may be, on the business activities and strategy of the applicable company, and the shareholders or partners, as the case may be, may request additional reports at any time. The Managing Directors must obtain prior approval from the shareholders or partners, as the case may be, with respect to certain material matters, but the shareholders or partners, as the case may be, are generally not entitled to assume management functions or interfere with the day-to-day management of the business.

We currently have four Managing Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Year First Appointed</u>
Lutz Schüler	43	Managing Director	2011
Dr. Herbert Leifker	58	Managing Director	2005
Jens Müller	40	Managing Director	2010
Jon Garrison	36	Managing Director	2010

- **Lutz Schüler** was appointed our Chief Executive Officer in January 2011. Mr. Schüler has a great track record in the German telecommunications market, with many years of strategic and operational experience and extensive experience in marketing, sales and operations across a wide range of products. He has served in several senior management roles with Telefónica Germany since 1998, lastly leading the integration of Hansenet Telekommunikation GmbH as its CEO in Hamburg, when it was acquired by Telefónica Germany in early 2010. From 2006 to 2010, he was Managing Director, Marketing & Sales for Telefónica Germany. Before joining Telefónica Germany in 1998, he worked as product manager with VIAG Interkom GmbH and T-Mobile.

After an apprenticeship in a German bank, Mr. Schüler studied business administration at the University of Augsburg and holds a masters degree in business administration.

- **Dr. Herbert Leifker** has been our (or Old Unitymedia's) Chief Commercial Officer since 2005, following the TeleColumbus acquisition. He was previously the CEO of TeleColumbus which he developed from 1990 until the merger with Old Unitymedia and subsequent sale of the regions outside North Rhine-Westphalia and Hesse. Dr. Leifker holds a doctorate in law and after completing his studies started his career in the banking industry.
- **Jens Müller** was appointed our Vice President Finance Operations and Co-CFO in July 2010. He is responsible for our finance operations, including controlling, billing, collection and procurement. Before his current role as Vice President Finance Operations and Co-CFO, Mr. Müller held various senior positions within our finance department as well as in the predecessor company ish NRW. Prior to joining ish NRW in 2001, Mr. Müller worked at several companies in the telecommunications and internet commerce industry. Mr. Müller studied economics and business administration at the universities Bochum and Helsinki.
- **Jon Garrison** was appointed our Vice President Accounting and Co-CFO in August 2010. He is responsible for our accounting, tax, treasury, investor relations, corporate development and compliance operations. Before his current role as Vice President Accounting and Co-CFO, Mr. Garrison was Liberty Global Europe's (LGE) Vice President of Technical Accounting responsible for accounting policy throughout Europe and assisted regularly in due diligence, transaction structuring, and financial integration of acquisitions. Prior to joining LGE in 2005, Mr. Garrison was a public accountant at Deloitte LLP within a variety of industries in the United States and in England. Mr. Garrison obtained his masters in accountancy at the University of Denver.

The business address of all the Managing Directors named above is Aachener Str. 746-750, 50933 Cologne.

The managing directors of Unitymedia GmbH and its subsidiaries are responsible for the daily operations of Unitymedia GmbH and its subsidiaries. However, we cannot assure you that we will be able to retain our current managing directors. See *“Risk Factors — Risks Relating to our Legal Structure, Management, Principal Shareholders and Related Parties — The loss of certain key personnel could harm our business”*.

OUR PRINCIPAL SHAREHOLDER

The New Notes Issuers are indirectly wholly-owned by UPC Germany Holding B.V. UPC Germany Holding B.V. is a wholly-owned direct subsidiary of Liberty Global Europe, which is a wholly-owned subsidiary of LG Europe. LG Europe is in turn wholly owned through a series of intermediate holding companies by Liberty Global. See “*Summary — Pro Forma Summary Corporate and Financing Structure*”. Liberty Global is a leading international cable operator offering advanced video, voice and broadband internet services to connect its customers to the world of entertainment, communications and information. As of December 31, 2011, Liberty Global’s continuing businesses operated state-of-the-art networks serving 20 million customers across 13 countries principally located in Europe and Chile. Liberty Global’s operations also include significant programming businesses such as Chellomedia in Europe.

CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS OF UNITYMEDIA

Related-Party Transactions Impacting Unitymedia's Operating Results

General

Unitymedia has various related-party transactions with certain of its and Liberty Global's affiliates and with other Liberty Global subsidiaries, including UPC Holding. These related-party transactions are reflected in operating expenses, allocated stock-based compensation expense, fees and allocations, net, and interest expense in the Unitymedia Consolidated Financial Statements. For additional information, see note 17 to the Unitymedia Consolidated Financial Statements. Following the KBW Fold-in, it is expected that Unitymedia's related-party arrangements with UPC Holding and other Liberty Global subsidiaries will be adjusted to include costs, fees and allocations related to KBW's operations.

Operating Expenses

Related-party operating expenses represent certain charges from other Liberty Global subsidiaries, including UPC Holding, to Unitymedia primarily for (i) technology-related costs based on Liberty Global's global contract for encryption services and (ii) certain backbone costs. Unitymedia recorded related-party operating expenses of €6.8 million during the year ended December 31, 2011.

Allocated Stock-Based Compensation

Liberty Global allocates stock-based compensation to Unitymedia associated with the Liberty Global stock incentive awards held by certain employees of its subsidiaries. Unitymedia recorded allocated stock-based compensation of €0.5 million during the year ended December 31, 2011.

Fees and Allocations, Net

Fees and allocations, net, represent charges from other Liberty Global subsidiaries, including UPC Holding, to Unitymedia, including charges for management, finance, legal, technology, marketing and other services that support Unitymedia's broadband communications operations. The amounts charged generally are based on Unitymedia's estimated share of the applicable costs (including personnel-related and other costs associated with the services provided) incurred by the other Liberty Global subsidiaries, plus a mark-up. The monthly amounts charged are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified. Unitymedia recorded fees and allocations, net, of €35.8 million during the year ended December 31, 2011.

Interest Expense

Related-party interest expense relates to Unitymedia's loans payable to UPC Germany Holding. Accrued interest is transferred to the loan balance annually on January 1. Unitymedia recorded related-party interest expense of €99.9 million during the year ended December 31, 2011.

Capital Expenditures

Related-party capital expenditures represent Unitymedia's purchases of network-related equipment from UPC Holding. Unitymedia recorded €5.6 million of these capital expenditures during the year ended December 31, 2011.

UPC Germany Holding Loan Receivable

Unitymedia has a loan receivable with UPC Germany Holding (€54.0 million principal amount at December 31, 2011) pursuant to a loan agreement. Unitymedia can require the repayment of all or part of this loan within five-days of providing notice to UPC Germany Holding. Amounts loaned to UPC Germany Holding pursuant to this agreement are subject to certain restrictions included in the indenture for the UM Senior Notes. The interest rate on this loan, which can be adjusted at any time with the mutual consent of the parties, was 2.25% through December 31, 2011. Interest income on this loan through December 31, 2011 was not significant.

Investment in Associate

Investment in associate represents amounts invested in UMI (€61.0 million at December 31, 2011). UMI was formed for the purpose of effecting certain asset purchase and related leasing transactions involving certain of UPC Holding's subsidiaries, including certain purchase and leaseback transactions that were initiated in December 2011. UMI is considered a special purpose entity and is consolidated by UPC Holding. Although UPC Holding has no equity or voting interest in UMI, UPC Holding has the substantive ability to direct the major activities of UMI, and all of the activities of UMI are conducted directly on behalf of UPC Holding. As such, UPC Holding is required by the provisions of EU-IFRS to consolidate UMI. As a result, Unitymedia uses the equity method to account for its investment in UMI.

Shareholder Loans Payable to UPC Germany Holding

Unitymedia has shareholder loans payable to UPC Germany Holding resulting primarily from (i) transactions that were completed in connection with the LGI/Unitymedia Transaction and (ii) fees and allocations charged from UPC Holding and other Liberty Global subsidiaries. All principal (€179.2 million at December 31, 2011) and accrued interest (€13.9 million at December 31, 2011) outstanding under these loans is due and payable on January 1, 2030. The amounts outstanding under these loans bear interest at 8.58% per annum. Accrued interest is transferred to the loan balance annually on January 1. The net decrease in the principal of the loans payable — related party during 2011 includes (i) the conversion of €1,014.0 million of principal and €86.0 million of related accrued interest to equity, (ii) the transfer of €85.8 million in non-cash accrued interest to the loan balance, (iii) cash borrowings of €82.0 million, (iv) cash payments of €82.0 million and (v) a €26.2 million non-cash increase related to the settlement of intercompany charges and allocations.

Parent Guarantee

One of Unitymedia's indirect parent companies, Liberty Global Europe, granted a financing commitment dated September 30, 2010 to Unitymedia in the amount of €75.0 million, of which €58.0 million was unused at December 31, 2011. This financing commitment expires on December 31, 2012 if not otherwise extended. The terms of any amounts loaned under this parental guarantee are the same as those for our shareholder loans payable to UPC Germany Holding, as described above.

DESCRIPTION OF OTHER INDEBTEDNESS

The following contains a summary of the material provisions of the Unitymedia Revolving Credit Facility, the UM Senior Notes, the UM Senior Secured Notes and the Intercreditor Agreement with respect to the foregoing and with respect to certain counterparties to hedging obligations relating to the Unitymedia Revolving Credit Facility. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the underlying documents. The following summary is presented as of the date hereof and without giving effect to the Transactions. Some of the terms used herein are defined in these agreements and not all such definitions have been included herein.

Unitymedia Revolving Credit Facility

The Unitymedia Revolving Credit Facility is a €80 million super senior secured revolving credit facility entered into on December 21, 2009, initially among and between, among others, UPC Germany, as borrower, certain lenders party thereto and Credit Suisse AG, London Branch as Facility Agent. The obligations of UPC Germany under the Unitymedia Revolving Credit Facility were subsequently assumed by Unitymedia Hessen and Unitymedia NRW; and Unitymedia Hessen is the borrower under the Unitymedia Revolving Credit Facility. The Unitymedia Revolving Credit Facility provides for the accession of additional borrowers. References to the “borrower” in this Description of Other Indebtedness refer to Unitymedia Hessen as borrower.

Structure

The final maturity date of the Unitymedia Revolving Credit Facility is the earliest of (i) December 31, 2014 and (ii) the date on which the Unitymedia Revolving Credit Facility has been fully repaid and cancelled. The borrowers are permitted to make drawdowns under the under the Unitymedia Revolving Credit Facility for terms of, at the relevant borrower’s election, one, two, three or six months (or any other period longer than 6 months agreed by the borrower and the lenders), but not beyond the final maturity date of the Unitymedia Revolving Credit Facility. Drawdowns under the Unitymedia Revolving Credit Facility must be repaid at the end of the term for each drawdown, and repaid amounts may be re-borrowed prior to the final maturity date.

Interest Rates and Fees

The interest rate on each loan under the Unitymedia Revolving Credit Facility for each interest period is equal to the aggregate of (x) the Margin (3.75% per annum), (y) EURIBOR and (z) any mandatory cost (which is the cost of compliance with reserve asset, liquidity, cash margin, special deposit or other like requirements). Interest accrues daily from and including the first day of an interest period and is payable on the last day of each interest period (unless the interest period is longer than six months, in which case interest is payable on the last day of each six-month period) and is calculated on the basis of a 360-day year. With respect to any available but undrawn amounts under the Unitymedia Revolving Credit Facility, the borrowers are obligated to pay a commitment fee on such undrawn amounts at 1.25 percent per annum and accruing from December 21, 2009.

Guarantees

Unitymedia GmbH, Unitymedia Hessen, Unitymedia NRW, Unitymedia Management GmbH and Unitymedia Hessen Verwaltung GmbH guarantee, on a senior basis, the obligations of each obligor under the Unitymedia Revolving Credit Facility and related finance documents. Upon consummation of the Transactions, the Unitymedia Revolving Credit Facility will also be guaranteed by UPC Germany Holdings GmbH, UPC Germany Holdco 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH, who will also be guarantors of the New Senior Secured Notes (see “*Description of the New Senior Secured Notes — Ranking of the Notes, Note Guarantees and Security*”).

Security

The Unitymedia Revolving Credit Facility is secured by (i) first ranking security over the shares of Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH and the New Senior Secured Notes Issuers; (ii) a pledge over claims under certain domination and/or profit and loss absorption agreements by Unitymedia GmbH, Unitymedia Hessen Verwaltung GmbH, Unitymedia Management GmbH and Unitymedia NRW GmbH; (iii) with respect to each of the New Senior Secured Notes Issuers, Unitymedia GmbH, Unitymedia Management GmbH and Unitymedia Hessen

Verwaltung GmbH, (a) an account pledge covering certain cash accounts, (b) security assignments of receivables and insurance claims and (c) a pledge over claims under certain intercompany loans and (iv) security transfers of substantially all of the other material tangible assets of the New Senior Secured Notes Issuers (other than the Service Level Agreements)). The Unitymedia Revolving Credit Facility is secured by the same collateral securing the UM Senior Secured Notes and, upon consummation of the Transactions, will be secured by the same Collateral securing the New Senior Secured Notes (see “*Description of the New Senior Secured Notes — Ranking of the Notes, Note Guarantees and Security*”).

Mandatory Prepayment

In addition to customary mandatory prepayment events, the Unitymedia Revolving Credit Facility must be prepaid and cancelled on the occurrence of the UPC Exchange Transaction (as defined in the indenture governing the UM Senior Secured Notes).

For so long as an event of default under the Unitymedia Revolving Credit Facility has occurred and is continuing, proceeds otherwise required to be applied in prepayment of the New Notes and the UM Senior Secured Notes shall instead be applied in cancellation and prepayment of the Unitymedia Revolving Credit Facility in priority to any other indebtedness.

Upon the occurrence of a Change of Control (as defined in the indenture governing the UM Senior Secured Notes), each Lender will have the option to cancel such Lender’s commitment and declare such Lender’s loans due and payable.

Financial Covenants, Events of Default

The Unitymedia Revolving Credit Facility requires the borrower to maintain a Consolidated Leverage Ratio, tested as of the end of each fiscal quarter of no more than 6.0 to 1 from and including the quarter ending December 31, 2011 through and including the quarter ending September 30, 2012; of no more than 5.5 to 1 from and including the quarter ending December 31, 2012 through and including the quarter ending September 30, 2013; and of no more than 5.0 to 1 for the quarter ending December 31, 2013 and for each quarter thereafter. The Unitymedia Revolving Credit Facility agreement contains certain events of default the occurrence of which, subject to certain exceptions and materiality qualifications, would allow the lenders party thereto to accelerate all outstanding loans and terminate their commitments thereunder. Pursuant to the terms of the Intercreditor Agreement described below, the proceeds of any enforcement of security or other distressed disposal of secured assets will be applied to repayment of the Unitymedia Revolving Credit Facility and certain hedging obligations prior to repayment of the Unitymedia Notes or the New Notes. As of December 31, 2011, there was €80.0 million outstanding under the Unitymedia Revolving Credit Facility.

Potential 2012 Unitymedia Facilities Agreement

Unitymedia Hessen may enter into a new 2012 Unitymedia Facilities Agreement in the second quarter of 2012 (or at a later date). The terms and structure of the 2012 Unitymedia Facilities Agreement have not yet been agreed but certain lenders are expected to provide a senior secured revolving facility to Unitymedia Hessen and others. Any incurrence of indebtedness under the 2012 Unitymedia Facilities Agreement will comply with the covenants under the New Notes and the New Indentures. The 2012 Unitymedia Facilities Agreement will rank equally with the New Senior Secured Notes, including with respect to the realization of proceeds of Collateral.

UM Senior Secured Notes

On November 20, 2009, UPC Germany issued €1,430 million principal amount of 8.125% senior secured notes due December 1, 2017 and \$845 million principal amount of 8.125% senior secured notes due 2017 (the “UM Senior Secured Notes”). On March 2, 2010, Unitymedia Hessen and Unitymedia NRW assumed, as co-issuers, the obligations of UPC Germany under the UM Senior Secured Notes.

The UM Senior Secured Notes are guaranteed on a senior secured basis by Unitymedia, Unitymedia Hessen Verwaltung GmbH, and Unitymedia Management GmbH (and any restricted subsidiary may accede to the indenture as a guarantor), and upon consummation of the Transactions, the UM Senior Secured Notes will also be guaranteed by UPC Germany Holdings GmbH, UPC Germany Holdco 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH, who will also be guarantors of the New Senior Secured Notes (see “*Description of the New Senior Secured Notes — Ranking*”).

of the Notes, Note Guarantees and Security”). The UM Senior Secured Notes are secured by the same collateral securing the Unitymedia Revolving Credit Facility and certain hedging obligations, and upon consummation of the Transactions, will be secured by these same collateral securing the New Senior Secured Notes (see “Description of the New Senior Secured Notes — Ranking of the Notes, Note Guarantees and Security”). Pursuant to the terms of the Intercreditor Agreement described below, the proceeds of any enforcement of security or other distressed disposal of secured assets will be applied to repayment of the Unitymedia Revolving Credit Facility and certain hedging obligations prior to repayment of the UM Senior Secured Notes. The UM Senior Secured Notes rank (i) *pari-passu* in right of payment with any existing and future indebtedness of Unitymedia Hessen and Unitymedia NRW that is not subordinated to the UM Senior Secured Notes and (ii) senior in right of payment to any existing and future subordinated obligations of Unitymedia Hessen and Unitymedia NRW.

At any time prior to December 1, 2012 the New Issuers may redeem the UM Senior Secured Notes by paying a specified “make-whole” premium. On or after December 1, 2012 the Issuers may redeem some or all of the UM Senior Secured Notes at certain redemption prices (expressed as a percentage of the principal amount) plus accrued interest and unpaid interest and additional amounts, if any, to the applicable redemption date. In addition, at any time prior to December 1, 2012 the New Issuers may redeem up to 35% of the UM Senior Secured Notes (at a redemption price of 108.125% of the principal amount) with the net proceeds from one or more specified equity offerings. At any time prior to November 20, 2012, the Issuers may, following the completion of a UPC Exchange Transaction redeem all, but not less than all, of the UM Senior Secured Notes at a redemption price of 102% of the principal amount. Upon the occurrence of certain changes in tax law, the Issuers may redeem all of the UM Senior Secured Notes at a price equal to the principal amount plus accrued and unpaid interest.

As of December 31, 2011, there was €2,082 million (equivalent) in aggregate principal amount of UM Senior Secured Notes outstanding.

UM Senior Notes

On November 20, 2009, UPC Germany issued €665 million principal amount of 9.625% senior notes due December 1, 2019 (the “UM Senior Notes”). On March 2, 2010, Unitymedia GmbH assumed the obligations of UPC Germany GmbH, as issuer, under the UM Senior Notes. On September 16, 2010, Unitymedia GmbH was merged with and into UPC Germany GmbH (subsequently renamed “Unitymedia GmbH” and referred to herein as “Unitymedia”), and Unitymedia assumed the obligations of Unitymedia GmbH, as issuer, under the UM Senior Notes.

The UM Senior Notes are guaranteed on a senior subordinated basis by the Senior Secured Notes Guarantors, and will be guaranteed by each other subsidiary that guarantees the Unitymedia Revolving Credit Facility. The UM Senior Notes are secured by a first-priority share pledge over Unitymedia, junior priority share pledges over all the capital stock of Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH and Unitymedia Hessen, and a junior pledge over claims under certain domination and/or profit and loss absorption agreements. The UM Senior Notes rank *pari-passu* in right of payment with any existing and future indebtedness of Unitymedia that is not subordinated to the UM Senior Notes, and senior in right of payment to any existing and future subordinated obligations of Unitymedia.

At any time prior to December 1, 2014 Unitymedia may redeem the UM Senior Notes by paying a specified “make-whole” premium. On or after December 1, 2014 Unitymedia may redeem some or all of the UM Senior Notes at certain redemption prices (expressed as a percentage of the principal amount) plus accrued interest and unpaid interest and additional amounts, if any, to the applicable redemption date. In addition, at any time prior to December 1, 2012 Unitymedia may redeem up to 35% of the UM Senior Notes (at a redemption price of 109.625% of the principal amount) with the net proceeds from one or more specified equity offerings. At any time prior to November 20, 2012, Unitymedia may, following the completion of a UPC Exchange Transaction redeem all, but not less than all, of the UM Senior Notes at a redemption price of 102% of the principal amount. Upon the occurrence of certain changes in tax law, the Unitymedia may redeem all of the UM Senior Notes at a price equal to the principal amount plus accrued and unpaid interest.

As of December 31, 2011, there was €665 million in aggregate principal amount of UM Senior Notes outstanding.

Intercreditor Agreement

The obligors under the UM Senior Notes, the UM Senior Secured Notes, the Unitymedia Revolving Credit Facility and certain counterparties to hedging obligations relating to the foregoing entered into an intercreditor agreement (the “Intercreditor Agreement”), dated November 20, 2009, with the creditors of the Unitymedia Revolving Credit Facility, creditors under certain hedging agreements, the Trustee for the UM Senior Notes (the “UM Senior Notes Trustee”) on behalf of the holders of the UM Senior Notes (the “Existing Senior Noteholders”), the Trustee for the UM Senior Secured Notes (the “UM Senior Secured Notes Trustee”) on behalf of the holders of the UM Senior Secured Notes (the “Existing Senior Secured Noteholders” and, together with the Existing Senior Noteholders, the “UM Senior Notes Creditors”), certain Investors (upon accession), Credit Suisse, London Branch, as security trustee (the “Security Trustee”), and Credit Suisse, London Branch, as senior facility agent (the “Senior Facility Agent”). Each of the New Senior Secured Notes Trustee and the New Senior Notes Trustee (together with the UM Senior Secured Notes Trustee and the UM Senior Notes Trustee, the “Notes Trustees”) has acceded to the Intercreditor Agreement. The New Senior Secured Notes and the New Senior Notes have been designated by the New Issuers as “Senior Debt” and “Senior Subordinated Debt”, respectively, in accordance with the terms of the Intercreditor Agreement. Following the accession to the Intercreditor Agreement by their respective Trustee, each series of New Notes enjoys the same rights and priorities as the relevant comparable series of Unitymedia Notes as are currently outstanding (i.e., the New Senior Secured Notes are treated as the UM Senior Secured Notes are currently treated, and the New Senior Notes are treated as the UM Senior Notes are currently treated; and their relevant representatives are situated as the representatives for the relevant Unitymedia Notes are). In order to understand how the New Notes, holders of New Notes and representatives of holders of New Notes are treated under the Intercreditor Agreement, you should refer to references to the relevant series of Unitymedia Notes, as well as “Senior Debt” and “Senior Subordinated Debt” (as applicable), contained in this description of the Intercreditor Agreement.

The Intercreditor Agreement provides that future indebtedness may be incurred by Unitymedia and its subsidiaries, subject to the terms of the Intercreditor Agreement and the finance documents relating to the UM Senior Notes, the UM Senior Secured Notes, the Unitymedia Revolving Credit Facility, the New Senior Secured Notes and the New Senior Notes. Future Super Priority Debt may, however, only be in the form of a revolving credit facility, working capital facility or hedging indebtedness to the extent permitted by the terms of the respective indenture relating to the New Notes, the UM Senior Notes and the UM Senior Secured Notes.

For purposes of the Intercreditor Agreement, the creditors of each class of debt vote together and a representative trustee or agent of debt within that class of debt (a “Representative”) may act on the instructions of the majority of creditors of that class of debt (or, in the case of the Super Priority Debt, on the instructions of 66⅔% of creditors of that class of debt) (a “Relevant Majority”). For example, in a vote of the creditors of Senior Debt (as defined below) (the “Senior Creditors”), the holders of the Existing UM Senior Secured Notes and the New Senior Secured Notes vote with the creditors of any future Senior Debt and the UM Senior Secured Notes Trustee and the New Senior Secured Notes Trustee may act on behalf of the Relevant Majority of the Senior Creditors if so instructed. Accordingly, the Intercreditor Agreement provides for the accession to the agreement of creditors of future indebtedness without the need for consent of the holders of the Unitymedia Notes or the New Notes. Further, except as provided therein, the Intercreditor Agreement provides that no Obligor (as defined below) or any subsidiary of an Obligor may make payments on the UM Senior Notes or the New Senior Notes if, two days prior to the date of payment, a default resulting from the failure to pay amounts due in connection with the UM Senior Secured Notes, the New Senior Secured Notes or the Unitymedia Revolving Credit Facility is outstanding, or a Stop Notice (as defined below) has been served and is in force.

Order of Priority

Priority of Debts

The Intercreditor Agreement will provide for the following order of priority to apply to the satisfaction of the obligations of Unitymedia Hessen, Unitymedia NRW, Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH and any future obligors under indebtedness that is subject to the

terms of the Intercreditor Agreement (other than any indebtedness owed by Unitymedia) (each, an “Obligor”):

- first, all money and liabilities now or in the future due, owing or incurred under the Unitymedia Revolving Credit Facility (including the guarantees thereof) (the “RCF Debt”) and permitted hedging indebtedness (including the guarantees thereof) (the “Hedging Debt” and together, with such debt as may finance the foregoing, the “Super Priority Debt”), and all money and liabilities now or in the future due, owing or incurred under the UM Senior Secured Notes and the guarantees relating to the UM Senior Secured Notes, all money and liabilities now or in the future due, owing or incurred under the UM Senior Notes and the guarantees relating to the UM Senior Notes and all other money and liabilities now or in the future due, owing or incurred that is designated in accordance with the terms of the Intercreditor Agreement as Senior Debt (including the New Senior Secured Notes) (the “Senior Debt” and together with the Super Priority Debt, the “Senior Secured Debt”), without any preference among them;
- second, the guarantees relating to the UM Senior Notes (the “UM Senior Note Guarantees”) and all other money and liabilities now or in the future due, owing or incurred that is designated in accordance with the terms of the Intercreditor Agreement as Senior Subordinated Debt (including the New Senior Secured Notes) (collectively, the “Senior Subordinated Debt”);
- third, intercompany debt (which consists of all liabilities now or in the future due, owing or incurred by any Obligor to Unitymedia or any of its subsidiaries (collectively, the “Senior Group”) (the “Intercompany Debt”); and
- fourth, investor debt (which consists of all liabilities now or in the future due, owing or incurred by any Obligor to any investor or any shareholder in Unitymedia or any of its affiliates that is not a member of the Senior Group under or in connection with the investor debt documents) (the “Investor Debt” and together with the Intercompany Debt, the “Subordinated Debt”).

The Intercreditor Agreement will also provide for the following order of priority to apply to the satisfaction of the obligations of Unitymedia:

- first, all money and liabilities now or in the future due, owing or incurred under Senior Secured Debt and the obligations of Unitymedia under Senior Subordinated Debt without any preference among them;
- second, intercompany debt (which consists of all liabilities now or in the future due, incurred by Unitymedia; and
- third, investor debt (which consists of all liabilities now or in the future due, owing or incurred by Unitymedia to any investor or any shareholder in Unitymedia or any of its affiliates that is not a member of the Senior Group under or in connection with the investor debt documents).

Priority of Security

The Intercreditor Agreement provides that security granted to secure the Senior Secured Debt and/or the Senior Subordinated Debt (other than the pledge of the capital stock of Unitymedia) (the “Security”) will rank in right and priority of payment in the following order:

- first, all money and liabilities now or in the future due, owing or incurred under the RCF Debt, Hedging Debt and any Senior Debt, provided that the Super Priority Debt will be repaid (*pari passu*, without any preference between such debt) prior to the repayment of any Senior Debt (*pari passu*, without any preference between such debt); and
- second, the debt under the UM Senior Notes and any other Senior Subordinated Debt (*pari passu*, without any preference between such debt).

The share pledge over the shares of Unitymedia to secure the obligations under the UM Senior Notes and the New Senior Notes will not constitute “Security” for purposes of the Intercreditor Agreement.

Restrictions

Subject to certain limited exceptions and subject to the provisions set forth under the captions “— *Permitted Payments; Suspension of Permitted Payments*” and “— *Limitations on Enforcement*” below, while any Senior Secured Debt is outstanding, the Intercreditor Agreement restricts (to the extent not

otherwise (i) permitted by each of the Unitymedia Revolving Credit Facility, the indenture governing the UM Senior Secured Notes and the indenture governing the Senior Notes or (ii) consented to by the relevant Representative of each the Super Priority Debt, Senior Debt and, to the extent relevant, the Senior Subordinated Debt), among other things:

- the ability of the Obligors and their subsidiaries to create or permit to exist any security interest over any of their assets for any debt owed to the creditors of Senior Subordinated Debt (the “Senior Subordinated Creditors”) and the creditors of Subordinated Debt (the “Subordinated Creditors”);
- the ability of the Obligors and their subsidiaries to pay, purchase, redeem or acquire any of the Senior Subordinated Debt or Subordinated Debt, or otherwise to provide financial support in relation to such liabilities, except in respect of any Senior Subordinated Debt in connection with any such payment or acquisition of any Senior Subordinated Debt by Unitymedia; and
- the ability of the creditors of the Senior Subordinated Debt and Subordinated Debt to enforce the Senior Subordinated Debt and the Subordinated Debt and the security relating thereto, to demand or receive payments toward the discharge of any Senior Subordinated Debt or Subordinated Debt or to apply money or property toward the discharge of any Senior Subordinated Debt or Subordinated Debt.

In addition, the Intercreditor Agreement provides that the Security and guarantees relating to the Senior Secured Debt and the Senior Subordinated Debt will be released in certain circumstances. Moreover, certain proceeds received by the Senior Creditors, the Senior Subordinated Creditors or the Subordinated Creditors must be turned over to the Security Trustee pursuant to the Intercreditor Agreement for application in accordance with the Intercreditor Agreement (as described under “— *Turnover*” below).

For the avoidance of doubt, the above restrictions will not be applicable with respect to any obligations of Unitymedia under or with respect to the UM Senior Notes.

Limitation of Credit Support

Pursuant to the Intercreditor Agreement, the Obligors will be prohibited from granting any security in favor of any Senior Secured Debt unless that security is given in favor of the Security Trustee to hold for the benefit of all other Senior Secured Debt. The Obligors will also be prohibited from granting any security in favor of the Senior Subordinated Debt or the Subordinated Debt except (in respect of the Senior Subordinated Debt) for security that is permitted under the indentures governing the Senior Secured Notes and given in favor of the Security Trustee to hold for the benefit of all other Senior Secured Debt, and other security agreed by the Relevant Majority of the Super Priority Creditors and the Relevant Majority of the Senior Creditors or otherwise required by the relevant debt documents. The Intercreditor Agreement will regulate the ranking of the various pledges granted by Unitymedia and its subsidiaries over their respective equity interests in any entity in which they may from time to time hold an equity interest, in favor of the Security Trustee and the relevant Representatives (as co-creditors) as evidenced on closing by the various pledge agreements. In addition, the Intercreditor Agreement will limit the giving of guarantees in support of Senior Subordinated Debt or the Subordinated Debt, except for guarantees originally provided for, or otherwise required by, the applicable indenture.

Permitted Payments; Suspension of Permitted Payments

Prior to the discharge date for the Senior Secured Debt, no Obligor may pay, whether in cash or in kind, any amount of Senior Subordinated Debt; unless (i) (if prior to the discharge date of the Super Priority Debt) the Representative representing the Relevant Majority of the Super Priority Debt and (if prior to the discharge date of the Senior Debt) the Representative representing the Relevant Majority of the Senior Debt agree or (ii) each of the following conditions is satisfied: (a) the payment is either (1) a Permitted Payment (as defined below) or (2) is not otherwise prohibited under the terms of the Senior Secured Debt finance documents, (b) on the date falling two days prior to the date of payment, there is no outstanding payment default with respect to the Senior Secured Debt, and (c) no Stop Notice is outstanding. A Stop Notice is in force during the period from the date on which a Representative with respect to any Senior Secured Debt serves a notice (a “Stop Notice”) on the respective issuer and the relevant trustee that an event of default (other than a payment default) is outstanding under a Super Priority Debt document or Senior Debt document and suspending payment of the Senior Subordinated

Debt until the earliest of (i) the date 179 days after the giving of the Stop Notice, (ii) if a Standstill Period (as defined below) is in effect at the time of delivery of the Stop Notice, the date on which that Standstill Period expires, (iii) the date on which the event of default under the relevant Super Priority Debt document or Senior Debt document is cured, remedied, waived or otherwise ceases to be outstanding, (iv) the date on which each Representative that served the Stop Notice cancels such Stop Notice, (v) the date on which the creditors with respect to the Senior Subordinated Debt takes enforcement action in accordance with, and as permitted by, the Intercreditor Agreement, and (vi) the date the Senior Secured Debt is no longer outstanding. The Stop Notice is to be issued within 45 days of receipt of notice of such default and only one such notice may be served within any 360 day period and not more than one Stop Notice may be served in respect of the same event or set of circumstances. The issuance of a Stop Notice is subject to certain other limitations set forth in the Intercreditor Agreement such as timing considerations, administrative considerations and certain other procedural requirements. Notwithstanding the forgoing, the UM Senior Notes Trustee will be entitled to receive and retain amounts payable for its own account.

For purposes of the Intercreditor Agreement, “Permitted Payments” is defined to include certain customary permitted payments which include scheduled payments of interest; additional amounts payable pursuant to the agreements governing Senior Subordinated Debt (including the UM Senior Notes and the New Senior Notes); fees, costs, expenses and taxes incurred in respect of the issuance and offering of any Senior Subordinated Debt or the ordinary day-to-day administration of the any Senior Subordinated Debt; principal amount of any Senior Subordinated Debt upon or after their originally scheduled maturity; any other amount not exceeding an agreed amount in any 12-month period; note trustee amounts and note security costs; certain permitted defeasance trust payments; funded from the proceeds of issuance of, or exchanged for or converted into certain defined permitted junior securities; any other amounts consented to by the Representatives of each of the Super Priority Debt and Senior Debt.

Limitations on Enforcement

The Senior Subordinated Creditors and the Subordinated Creditors will not (without the consent of the Representative of the Relevant Majority of the Super Priority Creditors and the Representative of the Relevant Majority of the Senior Creditors or unless otherwise permitted under the Intercreditor Agreement) be permitted, while the Senior Secured Debt is outstanding, to (i) demand payment of any Senior Subordinated Debt or Subordinated Debt, (ii) accelerate any of the Senior Subordinated Debt or Subordinated Debt or otherwise declare any of the Senior Subordinated Debt or Subordinated Debt prematurely due or payable on an event of default or otherwise, (iii) enforce any of the Senior Subordinated Debt or Subordinated Debt by attachment, set-off, execution or otherwise, (iv) (in the case of the Senior Subordinated Creditors) enforce (or give instructions to the Security Trustee to enforce) the Security relating to the Senior Subordinated Debt, (v) petition for (or vote in favor of any resolution for), initiate, support or take any steps with a view to any insolvency or any voluntary arrangement or assignment for the benefit of creditors or any similar proceedings involving an Obligor, (vi) sue or bring or support any legal proceedings against any Obligor (or any of its subsidiaries) or (vii) otherwise exercise any remedy for the recovery of any Senior Subordinated Debt or Subordinated Debt; provided that the following shall not constitute a prohibited enforcement actions (a) the taking of any action necessary to preserve the validity and existence of claims (including the registration of such claims before any court or governmental authority or administrator, (b) the taking of any action against any creditor to challenge the basis on which any sale or disposal is to take place pursuant to powers granted to such persons under any security document; (c) the bringing of proceedings solely for injunctive relief to restrain any actual or punitive breach of the agreements governing any Senior Subordinated Debt or any Senior Subordinated Debt and security documents; or (d) legal proceedings or allegations against any person in connection with violations of securities laws or securities or listing regulations or fraud.

Despite the limitations on enforcement discussed above, while the Senior Secured Debt is outstanding, the Senior Subordinated Creditors will be permitted under the Intercreditor Agreement to take any of the actions that would otherwise be prohibited, provided that (i) payment of any of the Senior Secured Debt has been accelerated, or liabilities under such debt have been declared prematurely due and payable or payable on demand (and demand has been made), in each case under the relevant debt documents, or the Representative of the Relevant Majority of the Super Priority Creditors or the Representative of the Relevant Majority of the Senior Creditors has taken any enforcement action under the security documentation relating to such debt, (ii) certain insolvency, liquidation or other similar events have occurred with respect to an Obligor (other than an Obligor that is not a borrower or guarantor under any Senior Secured Debt) and such actions are taken with respect to such Obligor, (iii) there is an event of

default under the Senior Subordinated Debt for failure to pay principal at its originally scheduled maturity, (iv) the proposed enforcement action has been consented to by the Representative for the Relevant Majority of each of the Super Priority Debt and the Senior Debt or (v) a period (the “Standstill Period”) of not less than 179 days has elapsed from the date any Representative of the Relevant Majority of either the Super Priority Debt or the Senior Debt received an enforcement notice from a Representative of the Relevant Majority of Senior Subordinated Debt relating to an event of default (other than certain cross-defaults) under the applicable documents relating to such Senior Subordinated Debt and such event of default is outstanding at (and has not been waived prior to) the end of the Standstill Period.

The Intercreditor Agreement will require the Security Trustee to give prompt notice to the Representative of the Senior Subordinated Debt if the Security Trustee is instructed by a Representative of the Relevant Majority of the Super Priority Debt or the Representative of the Relevant Majority of the Senior Debt (in each case, acting on behalf of its respective creditors) to enforce the security over the equity interests in any Subsidiary Guarantor that secures the Senior Secured Debt (a “Senior Enforcement”). During the period from the giving of that notice to the date that the Security Trustee ceases to use all reasonable commercial efforts to carry out that Senior Enforcement as expeditiously as reasonably practicable having regard to the circumstances:

- the Security Trustee will not be permitted to enforce any Security over such equity interests in a manner that would adversely affect such Senior Enforcement; and
- no Senior Subordinated Creditor will be permitted to take, or will be permitted to give any instructions to the Security Trustee to take, any enforcement action prohibited by the preceding bullet; provided that the foregoing will not prejudice any other rights of the Senior Subordinated Creditors to take any enforcement action against any other Obligor that are permitted under the Intercreditor Agreement. The Intercreditor Agreement will require the Security Trustee to give prompt notice to the Representative of Senior Subordinated Debt of its ceasing to carry out a Senior Enforcement.

Enforcement Instructions

The Security Trustee may refrain from enforcing the Security unless otherwise instructed:

- by, while the Super Priority Debt is outstanding, the Representative of the Super Priority Creditors or the Representative of the Senior Creditors;
- by, after the Super Priority Debt has been discharged but while any Senior Debt is outstanding, the Representative of the Relevant Majority of the Senior Creditors; or
- by, after the Senior Secured Debt has been discharged (or if permitted to do so as described above under “— *Limitations on Enforcement*”), the Representative of the Relevant Majority of the Senior Subordinated Creditors.

The Security Trustee may disregard any instructions from any other person to enforce the Security and may disregard any instructions to enforce any Security if those instructions are inconsistent with the Intercreditor Agreement. The Security Trustee is not obliged to enforce the Security if it is not appropriately indemnified by the relevant creditors.

Consultation

Subject to the immediately following paragraph, if each of the Super Priority Debt and the Senior Debt are outstanding, before giving any instructions to the Security Trustee to enforce the Security or to accelerate any debt owing to any of the creditors, the Representative for the Super Priority Debt and the Representative of the Senior Creditors shall consult with one another and with the Security Trustee in good faith, with a view to coordinating those instructions, for a period of up to 30 days or such shorter period as the Representative of the Super Priority Debt and the Representative of the Senior Creditors may agree.

The Representative of the Super Priority Debt and the Representative of the Senior Creditors shall not be obliged to consult in accordance with the preceding paragraph if:

- (i) the Security has become enforceable as a result of an insolvency event relating to such obligor against whom such enforcement action has been taken or such debt accelerated;

- (ii) the Representative of the Super Priority Debt or the Representative of the Senior Creditors determines in good faith (and notifies the other agent(s) or representative(s) and the Security Trustee) that to enter into such consultations and thereby delay the commencement of enforcement of the Security could reasonably be expected to have an adverse effect on:
 - (a) their ability to enforce any of the Security; or
 - (b) the realization proceeds of any enforcement of the Security in any material respect.

The Security Trustee shall inform the Representative of the Super Priority Debt and the Representative of the Senior Creditors on receiving any instructions under the Intercreditor Agreement to enforce the Security.

Manner of Enforcement; Competing Instructions

Subject to the immediately following paragraph, any instructions given to the Security Trustee by a person entitled to give those instructions will override any conflicting instructions given by any other parties to the Intercreditor Agreement and the Security Trustee is entitled to rely on and comply with any such instructions.

Before the Super Priority Discharge Date, if the instructions given to the Security Trustee by the Representative of the Super Priority Debt and the Representative of the Senior Creditors conflict with one another:

- (i) the Security Trustee shall promptly notify the Representative of the Super Priority Debt and the Representative of the Senior Creditors; and
- (ii) following such notification, the Representative of the Super Priority Creditors and the Representative of the Senior Creditors will consult with one another in good faith for at least 15 days (the “Additional Consultation Period”) with a view to resolving the conflict in such instructions, provided that the Additional Consultation Period shall end immediately if:
 - (A) the Security has become enforceable as a result of certain defined insolvency events; and
 - (B) the Representative of the Super Priority Creditors or the Representative of the Senior Creditors determines in good faith (and notifies one another and the Security Trustee) that such consultations and the delay caused by such consultations in the enforcement of the Security could reasonably be expected to have an adverse effect on: (1) their ability to enforce any Security; or (2) the realisation proceeds of any enforcement of the Security in any material respect.

If, following the end of the Additional Consultation Period, the Security Trustee has not received consistent instructions from the Representative of the Super Priority Creditors and the Representative of the Senior Creditors:

- (i) if the Security Trustee has received instructions from either the Representative of the Super Priority Creditors or the Representative of the Senior Creditors to enforce the Security and unless the Security Trustee determines an alternative course of action, the Security Trustee shall enforce the Security in order to best achieve the Security Enforcement Objective (as defined below) (in its absolute discretion); and
- (ii) the Security Trustee may (but shall not be obliged to) follow such instructions as it (in its absolute discretion) determines are in the best interests of achieving the Security Enforcement Objective or, if it determines (in its absolute discretion) that it has received no instructions which are in the best interests of achieving the Security Enforcement Objective, the Security Trustee may (but shall not be obliged to) act as it sees fit, in order to best achieve a maximizing, so far as is consistent with a prompt and expeditious enforcement of the Security, the recovery of the Senior Secured Creditors treating all creditors equally (the “Security Enforcement Objectives”) (in its absolute discretion).

In making a determination under the preceding clause (ii), the Security Trustee may retain the services of an internationally recognized reputable and independent restructuring advisor (the “Restructuring Advisor”). The Restructuring Advisor shall be instructed to advise on the optimal method of enforcing the Security so as to achieve the Security Enforcement Objective. Unitymedia and the

guarantors must jointly and severally indemnify the Security Trustee on demand against the fees and expenses payable by the Security Trustee to any Restructuring Advisor.

Notwithstanding any other described above, if there is a proposed enforcement of any Security over all of the shares of Unitymedia Hessen or its subsidiaries or a business of Unitymedia or its subsidiaries, the Security Trustee shall comply with the requirements of the second paragraph described below under the caption “— *Release of Security and Guarantees.*”

Subordination on Insolvency; Filing of Claims

After the occurrence of an insolvency event of default in relation to any Obligor (the “Insolvent Obligor”), the Senior Subordinated Debt owed by the Insolvent Obligor will be subordinate in right of payment to the Senior Secured Debt owed by such Insolvent Obligor.

Moreover, the Intercompany Debt and the Investor Debt and, unless otherwise required by the Representative of the Relevant Majority of the Super Priority Creditors and the Representative of the Relevant Majority of the Senior Creditors, the Intercompany Debt owed by the Insolvent Obligor will be subordinate in right of payment to the Senior Secured Debt and the Senior Subordinated Debt owed by such Insolvent Obligor.

The Senior Subordinated Creditors and the Subordinated Creditors each irrevocably authorizes the Security Trustee (acting on the instructions of the Representative of the Relevant Majority of the Super Priority Creditors and the Representative of the Relevant Majority of the Senior Creditors) after the occurrence of certain specified insolvency events in relation to any Obligor to (i) claim, enforce and prove for any Senior Subordinated Debt or Subordinated Debt owed by the Insolvent Obligor, (ii) except as set forth below with respect to the holders of Senior Subordinated Debt, exercise all powers of convening meetings, voting and representation in respect of the Senior Subordinated Debt and Subordinated Debt owed by the Insolvent Obligor and each Representative of Senior Subordinated Debt and each Subordinated Creditor will provide all forms of proxy and of representation requested by the Security Trustee for that purpose, (iii) file claims and proofs, give receipts and take all such proceedings and do all such things as the Security Trustee considers reasonably necessary to recover any Senior Subordinated Debt or Subordinated Debt owed by the Insolvent Obligor and (iv) receive all payments of or in respect of any Senior Subordinated Debt or Subordinated Debt owed by the Insolvent Obligor for application in accordance with the provisions set forth under “— *Application of Proceeds.*” Notwithstanding the foregoing, nothing shall (i) entitle any creditor or Representative to exercise or require the trustee under any Senior Subordinated Debt or the holders of Senior Subordinated Debt to exercise such power of voting or representation to waive, reduce, discharge, extend the due date for payment of or reschedule any of the Senior Subordinated Debt; or (ii) be deemed to require either the trustee under any Senior Subordinated Debt or the holders of Senior Subordinated Debt to hold a meeting or pass any resolution at such meeting or give any consent pursuant to the terms of the agreements governing any Senior Subordinated Debt Indenture, or (iii) authorize any party to take any action against Unitymedia on behalf of the trustee under any Senior Subordinated Debt or the holders of Senior Subordinated Debt.

If the Security Trustee is not entitled or does not take any of the actions referred to above, the Representatives of the Senior Subordinated Debt and the Subordinated Creditors (i) will each do so promptly when requested by the Security Trustee (acting on the instructions of the Representative of the Relevant Majority of Super Priority Debt and the Representative of the Relevant Majority of Senior Debt) subject, in the case of Senior Subordinated Debt only, to either or both the Super Priority Creditors or the Senior Creditors giving an appropriate indemnity for any costs and expenses which may be reasonably incurred by the Senior Subordinated Creditors and their Representative in doing or taking the actions so requested; and (ii) may each do so to the extent permitted as described under “— *Limitations on Enforcement.*”

Release of Security and Guarantees

Except as provided in the immediately following paragraph, if a disposal to a person or persons of any asset (including, without limitation, shares in any subsidiaries of Unitymedia) owned by Unitymedia and its subsidiaries is:

- (i) permitted by the finance documents for the Super Priority Debt (if prior to the discharge date for the Super Priority Debt), the finance documents for the Senior Debt (if prior to the discharge

date for the Senior Debt) and the finance documents for the Senior Subordinated Debt (if prior to the discharge date for the Senior Subordinated Debt);

- (ii) being effected at the request of the Representative of the Relevant Majority of the Super Priority Creditors, the Representative of the Relevant Majority of the Senior Creditors or, to the extent that the assets are subject to the shared Security, Representative of the Relevant Majority of the Subordinated Creditors or the Security Trustee acting on behalf of any of them in accordance with the Intercreditor Agreement, in circumstances where the creditors of the Super Priority Debt, the creditors of the Senior Debt and/or, in respect of assets subject to shared Security, the creditors of the Senior Subordinated Debt are entitled to take enforcement action under the Intercreditor Agreement and (unless the Representative of the Relevant Majority of the Super Priority Creditors, the Representative of the Relevant Majority of the Senior Creditors and/or the Representative of the Relevant Majority of the Subordinated Creditors (as applicable) have otherwise agreed) the Security Trustee is satisfied that the disposal is consistent with certain principals relating to the Security Enforcement Objective; or
- (iii) being effected pursuant to enforcement action taken to enforce any Security in accordance with the Intercreditor Agreement (including, without limitation, any disposal of any Security pursuant to a liquidation in connection with an insolvency), the Security Trustee is, to the extent legally possible, irrevocably authorised to and shall execute on behalf of each creditor (including the holders of the Unitymedia Notes) and each of Unitymedia and/or the Obligor and their subsidiaries, as applicable (and at the cost of Unitymedia and/or the relevant Obligor, as the case maybe):
 - (a) a release of any Security and any other claim (including, without limitation, any guarantees in respect thereof) under the relevant finance documents over that asset; and
 - (b) if that asset comprises all of the shares in the capital of an Obligor or any of its subsidiaries which are the subject of Security, a release of that subsidiary and its subsidiaries from all present and future obligations and liabilities (both actual and contingent and including any liability under any guarantee (including, without limitation, the guarantees) and/or to any other obligor by way of contribution or indemnity) under the relevant finance documents and a release of any Security granted by Unitymedia to the extent it is a pledge of the shares of any Obligor) or any of its subsidiaries (or its direct or indirect parent entity, if applicable) over any of their respective assets, provided that (1) in the case of clause (i) above, the proceeds of that disposal are applied in accordance with any requirements under the relevant finance documents relating to mandatory prepayment, redemption and/or cancellation from the proceeds of disposals (in respect of which application the Security Trustee is entitled to rely on a certificate from Unitymedia); and (2) in the case of clauses (ii) and (iii) above, the proceeds of that disposal are applied in accordance with the priority set forth below under the caption “— *Application of Proceeds*”.

In the case of any release of any Security or any obligation or liability under any finance document (including, without limitation, any guarantee) in connection with a disposal falling within clauses (ii) or (iii) of the preceding paragraph above which constitutes a disposal of all of the shares of an Obligor or its subsidiaries or a business of the Obligor or its subsidiaries, the creditors of the Super Priority Debt, the creditors of the Senior Debt (including the holders of the UM Senior Secured Notes and the New Senior Secured Notes) and (in the case of assets subject to shared security) the creditors of the Senior Subordinated Debt shall only be obliged to release and only authorise the release set out in clause (a) of the preceding paragraph in respect of the relevant Security and guarantees if the relevant asset is disposed of in the circumstances referred to in clauses (ii) or (iii) of the preceding paragraph and:

- (A) the proceeds of such disposal received by the Security Trustee are in the form of cash (or substantially all cash);
- (B) either (I) such disposal is made pursuant to a public auction or (II) in connection with such disposal, a Restructuring Advisor selected by the Security Trustee has delivered an opinion to the Representative of the Relevant Majority of the Super Priority Creditors, the Representative of the Relevant Majority of the Senior Creditors and (in the case of assets subject to the shared Security) the Representative of the Relevant Majority of the Subordinated Creditors that the disposal price of such asset is fair from a financial point of view after taking into account all relevant circumstances;

- (C) on completion of such disposal, the relevant asset and, if such asset comprises all of the shares in the capital of the relevant Obligor or its subsidiaries which are the subject of Security in favor of the Security Trustee, such Obligor and its subsidiaries are simultaneously and unconditionally released from all present and future obligations and liabilities in respect of the debt (or such debt is sold or otherwise disposed of by the creditors of the Super Priority Debt, the creditors of the Senior Debt and/or (applicable) the creditors of the Senior Subordinated Debt to the purchaser of the relevant Obligor or its subsidiaries) and such obligations are not assumed by the purchaser or an affiliate of such purchaser; and
- (D) the proceeds are applied in accordance with the priority set forth below under the caption “— *Application of Proceeds*”.

Each creditor (in the case of any Notes Trustee, without the need for any further referral to or authority from the holders of the UM Senior Secured Noteholders, the UM Senior Noteholders or the New Senior Secured Notes or the New Senior Notes (as the case may be), but subject to its costs and expenses being paid or indemnified) and each Obligor will promptly execute any documents as may be necessary to give effect to such releases as the Security Trustee may reasonably require to give effect to these release provisions.

Turnover

If any Senior Secured Creditor (with respect to proceeds from the enforcement of security only), Senior Subordinated Creditor or Subordinated Creditor receives or recovers a payment in cash or in kind (including by way of set-off or combination of accounts) of any of the Senior Secured Debt, Senior Subordinated Debt or Subordinated Debt which is prohibited by the Intercreditor Agreement or not made in accordance with the provisions described below under “— *Application of Proceeds*”, the receiving or recovering creditor will promptly notify the Security Trustee. Each such creditor shall hold any amount on trust for each of the creditors with a prior ranking claim and, upon demand by the Security Trustee, pay that amount to the Security Trustee or, if lower, the amount of debt owed to the relevant category of creditor, in each case less the third-party costs and expenses (if any) reasonably incurred in receiving or recovering such amount, for application by the Security Trustee in accordance with the order of priority described under “— *Application of Proceeds*”.

Application of Proceeds

All amounts from time to time received pursuant to the provisions described under “— *Turnover*” or otherwise recovered by the Security Trustee (or any other creditors) in connection with the realization or enforcement of all or any part of the Security in favor of the Senior Secured Debt or Senior Subordinated Debt, the sale of any asset of any Obligor pursuant to an insolvency event or, an enforcement action, judicial supervised or sanctioned reorganization or administrative work-out restructuring or otherwise paid to the Security Trustee under the Intercreditor Agreement for application as set forth below shall be held by the Security Trustee on trust and applied in the following order:

- first, in payment of the following amounts in the following order of priority: (i) firstly, *pari passu* and pro rata to the Security Trustee, and the Notes Trustees of any notes trustee amounts payable to the Security Trustee or the Notes Trustees, as the case may be; and (ii) secondly, *pari passu* and pro rata to each Representative of Super Priority Debt, each Representative of Senior Debt and each Representative of Senior Subordinated Debt (to the extent not included in (i) above) of the fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant finance documents) of each such Representative and any receiver, attorney or agent appointed by such Representative under the security documents or the Intercreditor Agreement (to the extent such security has been given in favor of such obligations);
- second, in payment of the balance of the costs and expenses of each Super Priority Creditor in connection with such enforcement;
- third, in payment *pari passu* and pro rata to the Representative of Super Priority Debt for application towards the balance of the Super Priority Debt;
- fourth, in payment of the balance of the costs and expenses of each Senior Creditor in connection with such enforcement;

- fifth, in payment *pari passu* and pro rata to each Representative of Senior Debt for application towards the balance of the Senior Debt;
- sixth, in payment of the balance of the costs and expenses of each Senior Subordinated Creditor in connection with such enforcement;
- seventh, in payment *pari passu* and pro rata to each Senior Subordinated Creditor for application towards the balance of the Senior Subordinated Debt; and
- eighth, the payment of the surplus (if any) to the Obligor or other person entitled to it.

Amendment to Intercreditor Agreement

Waivers, consents or amendments to or in relation to the Intercreditor Agreement must be agreed by the Representative of the Relevant Majority of the Super Priority Creditors (if prior to the discharge date for the Super Priority Debt), the Representative of the Relevant Majority of the Senior Creditors (if prior to the discharge date for the Senior Debt) and the Representative of the Relevant Majority of the Subordinated Creditors (if prior to the Subordinated Debt), provided that each party acknowledges and agrees that to the extent that an amendment to the Intercreditor Agreement only affects the rights and obligations of one or more parties or class of parties to the Intercreditor Agreement, and could not reasonably be expected to be adverse to the interests of the other parties, only the parties or class of parties affected by such amendment need to agree to the amendments.

DESCRIPTION OF THE NEW SENIOR SECURED NOTES

Unitymedia Hessen GmbH & Co. KG (“Unitymedia Hessen” or the “Company”) and Unitymedia NRW GmbH (“Unitymedia NRW”) will issue, as co-issuers the Notes (as defined below) under the Indenture (the “Indenture”), to be dated as of the Issue Date, between, among others, the Issuers, The Bank of New York Mellon, London Branch, as trustee (the “Trustee”) and the Security Trustee. You will find the definitions of capitalized terms used in this description under the heading “— *Certain Definitions*”.

KBW Fold-In

In connection with the offering of the Notes, UPC Germany Holding B.V., the parent company of Unitymedia GmbH and of UPC Germany Holdings GmbH, will contribute all the shares of Unitymedia GmbH into a new subsidiary (“Newco 1”), and will then sell all the shares of UPC Germany Holdings GmbH to Unitymedia GmbH. Unitymedia GmbH will then sell or contribute, directly or indirectly, all the shares of UPC Germany Holdings GmbH which it acquired from UPC Germany Holding B.V. to Unitymedia Hessen. The foregoing transactions are referred to collectively as the “KBW Fold-in”.

General

For purposes of this description, references to the “Issuer” or “Issuers” refer only to Unitymedia Hessen and/or Unitymedia NRW, as the context may require, and not to any Subsidiary of Unitymedia Hessen or Unitymedia NRW, and references to the “Company”, “we”, “our” and “us” refer only to Unitymedia Hessen and not to any of its Subsidiaries. For the avoidance of doubt, any references to the “Issuer” or “Issuers” in the covenants and related definitions shall be references to Unitymedia Hessen and/or Unitymedia NRW, as the context may require, and not to any of their respective Subsidiaries.

The Indenture is unlimited in aggregate principal amount, but the aggregate principal amount of Notes issued in this offering is limited to €800 million fixed rate senior secured notes (the “Fixed Rate Euro Notes”), €420 million senior secured floating rate notes (the “Floating Rate Notes” and, together with the Fixed Rate Euro Notes, the “Euro Notes”) and \$500 million fixed rate senior secured notes (the “Fixed Rate Dollar Notes” and, together with the Fixed Rate Euro Notes, the “Fixed Rate Notes”). The Fixed Rate Notes together with the Floating Rate Notes are referred to herein as the “Notes”. The Issuers may issue an unlimited amount of additional notes having identical terms and conditions to the Notes under the Indenture (the “Additional Notes”). The Issuers will only be permitted to issue such Additional Notes if, at the time of such issuance, they are in compliance with the covenants contained in the Indenture. Any Additional Notes will be part of the same issue as the Notes we are currently offering and will vote on all matters with the holders of the Notes. Unless expressly stated otherwise, in this Description of the New Senior Secured Notes, when we refer to the Notes, the reference includes the Floating Rate Notes and the Fixed Rate Notes, as well as any Additional Notes.

Except as otherwise stated herein, the Notes will be treated as a single class of Notes under the Indenture, including with respect to waivers and amendments. As a result, among other things, holders of each series of Notes will not have separate and independent rights to give notice of a Default or to direct the Trustee to exercise remedies in the event of a Default with respect to the Notes or otherwise.

The Issuers will apply to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade on the Euro MTF of the Luxembourg Stock Exchange (the “Euro MTF”).

This Description of the New Senior Secured Notes is intended to be a useful overview of the material provisions of the Notes, the Indenture and the Security Documents. As this Description of the New Senior Secured Notes is only a summary, you should refer to the Indenture and the Security Documents for a complete description of the obligations of the Issuers and your rights. Copies of the Indenture and the Security Documents are available as set forth under “*Listing and General Information*”.

General

The Notes

The Floating Rate Notes will mature on March 15, 2018 and will initially be guaranteed by the Subsidiaries of the Company and secured by the assets and security interests described below under “— *Ranking of the Notes, Guarantees and Security*”.

The Fixed Rate Notes will mature on March 15, 2019 and will initially be guaranteed by the Subsidiaries of the Company and secured by the assets and security interests described below under “— *Ranking of the Notes, Guarantees and Security*”.

The Issuers will issue the Euro Notes in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof and the Fixed Rate Dollar Notes in minimum denominations of \$150,000 and integral multiples of \$1,000 in excess thereof.

Interest

Interest on the Fixed Rate Euro Notes will accrue at the rate of 7.500% per annum and interest on the Fixed Rate Dollar Notes will accrue at the rate of 7.500% per annum and, in each case, will be payable in the currency in which such Notes are denominated semi-annually in arrears on March 15 and September 15, commencing on September 15, 2012. Interest will be deemed to accrue from March 15, 2012, as if such Fixed Rate Notes had been issued on such date. The Issuers will make each interest payment to the holders of record of the Fixed Rate Notes on the immediately preceding March 1 and September 1. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the Floating Rate Notes will accrue at a rate per annum (the “Applicable Rate”), reset quarterly, equal to EURIBOR, in each case, plus 4.25% as determined by the calculation agent (the “Calculation Agent”), which will initially be The Bank of New York Mellon, London Branch. Interest on the Floating Rate Notes will be payable quarterly in arrears on March 15, June 15, September 15 and December 15, commencing on September 15, 2012. Interest will be deemed to accrue from March 15, 2012, as if such Floating Notes had been issued on such date. The Issuers will make each interest payment to the holders of record of the Floating Rate Notes on the immediately preceding March 1, June 1, September 1 and December 1. Interest on the Floating Rate Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from and including the Issue Date.

“Determination Date,” with respect to an Interest Period relating to EURIBOR, will be the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

“EURIBOR,” with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euros for a three month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Telerate Page 248 as of 11:00 a.m., London time, on the Determination Date. If Telerate Page 248 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the Euro-zone inter-bank market, as selected by the Calculation Agent, to provide such bank’s offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., London time, on such Determination Date, to prime banks in the Euro-zone interbank market for deposits in a Representative Amount in euro for a three month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Calculation Agent (“Reference Banks”), to provide such bank’s rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euros to leading European banks for a three month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period.

“Euro-zone” means the region comprised of member states of the European Union that adopt the euro.

“Interest Period” means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period will be deemed to commence on and include the March 15, 2012 and end on and include June 15, 2012.

“Representative Amount” means the greater of (a) €1,000,000 and (b) an amount that is representative for a single transaction in the relevant market at the relevant time.

“TARGET Settlement Day” means any day on which the Trans European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

“Telerate Page 248” means, the display page so designated on Bridge’s Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

The Calculation Agent will, as soon as practicable after 11:00 a.m. (London time) on each Determination Date, determine the Applicable Rate, and calculate the aggregate amount of interest payable on the Floating Rate Notes in respect of the following Interest Period (the “Interest Amount”). The Interest Amount will be calculated by applying the Applicable Rate to the principal amount of each Floating Rate Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 360.

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g. 4.876545% (or .04876545) being rounded to 4.87655% (or .487655)). All euro amounts used in or resulting from such calculations will be rounded to the nearest euro cent (with one-half euro cent being rounded upwards). The determination of the Applicable Rate and the Interest Rate Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be binding on all parties. In no event will the rate of interest on the Floating Rate Notes be higher than the maximum rate permitted by applicable law.

Payments on the Notes

Principal, premium, if any, interest, and Additional Amounts, if any, on the Global Notes will be payable, and the Global Notes may be exchanged or transferred, at the corporate trust office or agency of the Trustee in London, England except that, at the option of the Issuers, payment of interest may be made by check mailed to the address of the holders of the Notes as such address appears in the Note register. Payments on the Euro Global Notes will be made to the common depositary as the registered holder of the Euro Global Notes and payments on the Dollar Global Notes will be made to Cede & Co. as the registered holder of the Dollar Global Notes.

The Issuers will pay interest on the Notes to Persons who are registered holders at the close of business on the record date immediately preceding the interest payment date for such interest. Such holders must surrender their Notes to a Paying Agent to collect principal payments.

Paying Agent and Registrar

The Issuers will maintain one or more paying agents (each, a “Paying Agent”) for the Notes in each of (i) the City of London (the “Principal Paying Agent”) and (ii) the Borough of Manhattan, City of New York. The Bank of New York Mellon, London Branch will initially act as Paying Agent in London and New York.

The Issuers will also maintain one or more registrars (each, a “Registrar”) for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require. The Issuers will also maintain a transfer agent. The initial Registrar will be The Bank of New York Mellon (Luxembourg) S.A.. The initial transfer agent will be The Bank of New York Mellon, London Branch. The Registrar and the transfer agent will maintain a register on behalf of the Issuers for so long as the Notes remain outstanding reflecting ownership of Definitive Registered Notes (as defined elsewhere in these Listing Particulars) outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Issuers. In the event that the Notes are no longer listed, the Issuers or their agent will maintain a register reflecting ownership of the Notes.

The Issuers may change a Paying Agent or Registrar for the Notes without prior notice to the holders of Notes, and an Issuer may act as Paying Agent or Registrar for the Notes. In the event that a Paying Agent, Registrar or transfer agent is replaced, the Company will provide notice thereof in accordance with the procedures described under “— Notices”.

In addition, the Issuers undertake that they will ensure that they maintain a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the European Council of Economics and Finance Ministers (“ECOFIN”) meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Transfer and Exchange

The Notes will be issued in the form of several registered notes in global form, without interest coupons, as follows:

- Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “144A Global Notes”).
 - The 144A Global Notes representing the Fixed Rate Dollar Notes (the “Dollar 144A Global Note”) will, on the Issue Date, be deposited with a custodian for The Depository Trust Company (“DTC”) and registered in the name of Cede & Co., as nominee of DTC.
 - The 144A Global Notes representing the Euro Notes (the “Euro 144A Global Note”), will, on the Issue Date, be deposited with and registered in the name of the common depository for the accounts of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”).
- Each series of Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “Regulation S Global Notes,” and together with the 144A Global Notes, the “Global Notes”).
 - During the 40-day “distribution compliance period” (as such term is defined in Rule 902 of Regulation S under the Securities Act), the Regulation S Global Notes representing the Fixed Rate Dollar Notes (the “Dollar Regulation S Global Note,” and together with the Dollar 144A Global Note, the “Dollar Global Notes”) will initially be credited within DTC for the accounts of Euroclear and Clearstream. After the 40-day distribution compliance period ends, investors may also hold their interests in the permanent Dollar Regulation S Global Note through organizations other than Clearstream or Euroclear that are DTC participants.
 - The Regulation S Global Notes representing the Euro Notes (the “Euro Regulation S Global Note,” and together with the Euro 144A Global Note, the “Euro Global Notes”) will, on the closing date, be deposited with and registered in the name of the common depository for the accounts of Euroclear and Clearstream.

During the 40-day distribution compliance period, book-entry interests in the Regulation S Global Note may be (1) held only through Euroclear and Clearstream or through DTC for the account of Euroclear and Clearstream, and (2) transferred only to non-U.S. persons under Regulation S or qualified institutional buyers under Rule 144A.

Ownership of interests in the Global Notes (“Book-Entry Interests”) will be limited to persons that have accounts with Euroclear, Clearstream or DTC, as applicable, or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “*Transfer Restrictions*”. In addition, transfers of Book-Entry Interests between participants in Euroclear, participants in Clearstream or participants in DTC will be effected by Euroclear, Clearstream or DTC, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear, Clearstream or DTC, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Notice to Investors*” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred.

Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 or \$150,000 principal amount, as the case may be, and integral multiples of €1,000 in excess thereof or \$1,000 in excess thereof, as the case may be, upon receipt by the applicable Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear, Clearstream or DTC, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuers to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Transfer Restrictions*”.

Subject to the restrictions on transfer referred to above, Euro Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof and Fixed Rate Dollar Notes issued as Definitive Registered Notes may be transferred or exchanged in whole or in part, in minimum denominations of \$150,000 in principal amount and integral multiples of \$1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear, Clearstream or DTC, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuers are not required to register the transfer of any Definitive Note in registered form:

- (1) for a period of 15 calendar days prior to any date fixed for the redemption of the Notes;
- (2) for a period of 15 calendar days immediately prior to the date fixed for selection of Notes to be redeemed in part;
- (3) for a payment period of 15 calendar days prior to the record date with respect to any interest payment date; or
- (4) that the registered holder of Notes has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

Ranking of the Notes, Note Guarantees and Security

General

The Notes will:

- be general senior obligations of each Issuer;
- rank *pari passu* in right of payment with any existing and future Indebtedness of each Issuer that is not subordinated to the Notes (including any Additional Notes, the Existing Senior Secured Notes and the Revolving Credit Facility);
- rank senior in right of payment to any existing and future subordinated obligations of each Issuer (including the senior subordinated guarantee given by each Issuer in favor of the Senior Notes);
- be guaranteed by the Guarantors (as described under “— *Guarantees*”);
- have the benefit of security as described below under “— *Security*”; and
- be effectively subordinated to any existing and future Indebtedness of the Issuers that is secured by Liens senior to the Liens securing the Notes, or secured by property and assets that do not

secure the Notes, to the extent of the value of the property and assets securing such Indebtedness.

As of December 31, 2011, on an as-adjusted basis after giving effect to the KBW Fold-In and the issuance of the Notes, the Company and its consolidated Restricted Subsidiaries would have had outstanding €3,767.8 million (equivalent) aggregate principal amount of Indebtedness.

Guarantees

General

On the Issue Date, UPC Germany Holdings GmbH, UPC Germany HoldCo 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH will guarantee the Notes (each, a “Subsidiary Guarantor”). Each Subsidiary Guarantor will, jointly and severally, irrevocably guarantee (the “Subsidiary Guarantees”), as primary obligors and not merely as sureties, on a senior basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, all payment obligations of the Issuers under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise. In addition, Unitymedia GmbH, Unitymedia Management and Unitymedia Verwaltung (the “Parent Guarantors” and together with the Subsidiary Guarantors, the “Guarantors”) will, jointly and severally, irrevocably guarantee (the “Parent Guarantees”, and together with the Subsidiary Guarantees, the “Note Guarantees”), as primary obligors and not merely as sureties, on a senior basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, all payment obligations of the Issuers under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise.

The Note Guarantee of each Guarantor will be a general obligation of that Guarantor and will:

- rank *pari passu* in right of payment with any existing and future indebtedness of that Guarantor that is not subordinated to such Guarantor’s Note Guarantee (and if such Note Guarantee is given by Unitymedia GmbH, *pari passu* to the obligations of Unitymedia GmbH under the Senior Notes);
- rank senior in right of payment to any existing and future subordinated obligations of that Guarantor (and if such Note Guarantee is given by a subsidiary of Unitymedia GmbH, senior to the senior subordinated guarantee given by that Guarantor in favor of the Senior Notes);
- have the benefit of security as described below under “— *Security*”; and
- be effectively subordinated to any existing and future Indebtedness of that Guarantor that is secured by Liens senior to the Liens securing that Guarantor’s Note Guarantee or secured by property and assets that do not secure that Guarantor’s Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness.

The Issuers, Unitymedia Management GmbH, Unitymedia Hessen Verwaltung GmbH, UPC Germany Holdings GmbH, UPC Germany HoldCo 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH will be guarantors of the Senior Notes on a senior subordinated basis. The obligations of the Guarantors and the Issuers under the guarantees of the Senior Notes will be contractually limited under the applicable guarantees to reflect limitations under applicable law, including, among other things, with respect to maintenance of share capital applicable to the Guarantors, the Issuers and their respective shareholders, directors and general partners. See “*Risk Factors — Risks Relating to the New Notes*.”

As of December 31, 2011, on an as-adjusted basis after giving effect to the KBW Fold-In and the issuance of the Notes, the Issuers and the Subsidiary Guarantors would have had outstanding €3,767.8 million (equivalent) aggregate principal amount of Indebtedness, other than the Guarantees of the Senior Notes. As of December 31, 2011, on an as-adjusted basis after giving effect to the KBW Fold-In and the issuance of the Notes, the Issuers and the Guarantors represented more than 95% of the consolidated total assets as of December 31, 2011 and more than 95% of the consolidated EBITDA of the Unitymedia Group for the year ended December 31, 2011.

Additional Subsidiary Guarantees

The Company may from time to time designate a Restricted Subsidiary as an additional guarantor of the Notes (an “Additional Guarantor”) by causing it to execute and deliver to the Trustee a supplemental

indenture in the form attached to the Indenture (and with such documentation relating thereto as the Trustee may reasonably require, including Opinions of Counsel as to the enforceability of its Subsidiary Guarantee), pursuant to which such Restricted Subsidiary will become a Guarantor.

Each Additional Guarantor will, jointly and severally, with the Guarantors and each other Additional Guarantor, irrevocably guarantee (each guarantee, an “Additional Subsidiary Guarantee”), as primary obligor and not merely as surety, on a senior basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuers under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise. The obligations of any Additional Guarantor will be contractually limited under its Additional Subsidiary Guarantee to reflect limitations under applicable law, including, among other things, with respect to maintenance of share capital applicable to such Additional Guarantor and its shareholders, directors and general partner. Any Additional Subsidiary Guarantee shall be issued on substantially the same terms as the Subsidiary Guarantees. For purposes of the Indenture and this “*Description of the New Senior Secured Notes*”, references to the Subsidiary Guarantees include references to any Additional Subsidiary Guarantees and references to the Guarantors include references to any Additional Guarantors.

Releases

A Note Guarantee will be released:

- in the case of a Subsidiary Guarantee, upon the sale of all or substantially all the Capital Stock of the relevant Subsidiary Guarantor pursuant to an Enforcement Sale as provided for in the Intercreditor Agreement;
- in the case of a Subsidiary Guarantee, upon the sale or other disposition (including through merger or consolidation but other than pursuant to an Enforcement Sale) in compliance with the Indenture of the Capital Stock of the relevant Subsidiary Guarantor (whether directly or through the disposition of a parent thereof), following which such Subsidiary Guarantor is no longer a Restricted Subsidiary (other than a sale or other disposition to an Issuer or any of its Restricted Subsidiaries);
- in the case of a Parent Guarantee, pursuant to an Enforcement Sale as provided for in the Intercreditor Agreement;
- upon the defeasance or discharge of the Notes as provided in “— *Defeasance*” or “— *Satisfaction and Discharge*”, in each case in accordance with the terms and conditions of the Indenture; or
- with respect to an Additional Subsidiary Guarantee given under the covenant captioned “— *Certain Covenants — Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries*”, upon release of the guarantee that gave rise to the requirement to issue such Additional Subsidiary Guarantee so long as no Event of Default would arise as a result and no other Indebtedness that would give rise to an obligation to give an Additional Subsidiary Guarantee is at that time guaranteed by the relevant Subsidiary Guarantor.

In addition, if a Guarantor is designated as an Unrestricted Subsidiary in compliance with the covenant entitled “— *Certain Covenants — Limitation on Restricted Payments*”, the relevant Guarantor will be released from all its obligations under its Subsidiary Guarantee.

Notwithstanding any of the foregoing, in all circumstances a Note Guarantee shall only be released if (a) the relevant Guarantor has delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for in the Indenture relating to such transaction have been complied with and (b) such Guarantor is released from its guarantees of the Revolving Credit Facility and the Senior Notes.

The Trustee shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement, to effectuate any release in accordance with these provisions, subject to customary protections and indemnifications.

Security

General

The Notes and the Note Guarantees will initially be secured by the following property and assets of the Issuers, Unitymedia GmbH, Unitymedia Management and Unitymedia Verwaltung, in each case, that are provided as collateral under the Revolving Credit Facility, and the Existing Senior Secured Notes, including (collectively, the “Unitymedia Collateral”):

- (1) share pledges of all the Capital Stock of Unitymedia Management, Unitymedia Verwaltung, and the Issuers;
- (2) a pledge over claims under certain domination and/or profit and loss absorption agreements by Unitymedia GmbH, Unitymedia Verwaltung, Unitymedia Management and Unitymedia NRW;
- (3) account pledges covering the cash accounts of the Issuers, Unitymedia GmbH, Unitymedia Management and Unitymedia Verwaltung;
- (4) a pledge over claims under certain intercompany loans by the Issuers, Unitymedia GmbH, Unitymedia Management and Unitymedia Verwaltung;
- (5) a security assignment of the Receivables and insurance claims of the Issuers, Unitymedia GmbH, Unitymedia Management and Unitymedia Verwaltung; and
- (6) a security transfer of substantially all of the other material tangible assets (other than our SLA Agreements) of the Issuers. Due to contractual restrictions, we are unable to grant security over our interests in the SLA Agreements.

No later than 180 calendar days following the Issue Date, the Notes and the Note Guarantees will also be secured by (collectively, the “KBW Collateral” and together with, the Unitymedia Collateral, the “Collateral”):

- (1) share pledges of all the capital stock of UPC Germany Holdings GmbH, UPC Germany HoldCo 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH;
- (2) pledges over claims under certain intercompany loans by UPC Germany HoldCo 1 GmbH and, to the extent applicable, Kabel BW GmbH;
- (3) account pledges covering certain cash accounts by each of UPC Germany Holdings GmbH, UPC Germany HoldCo 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH;
- (4) security assignments of receivables and insurance claims by Kabel BW GmbH; and
- (5) security transfers of substantially all of the other material tangible assets of Kabel BW GmbH (other than the SLAs) as specified in further detail in a security transfer agreement in relation thereto.

The Collateral will also secure any Additional Notes. The Collateral will also secure the Revolving Credit Facility and the Existing Senior Secured Notes and certain Hedging Obligations related thereto and to the Notes and the Senior Notes. The agreements to be entered into between, *inter alios*, the Security Trustee, the Issuers and the other Grantors pursuant to which security interests in the Collateral are granted to secure the Notes and the Note Guarantees from time to time are referred to as the “Security Documents”.

Our German counsel has advised us that as a matter of German law, the share pledges over the capital stock of Unitymedia Management, Unitymedia Verwaltung and the Issuers granted to secure the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee under the Notes will, because they are being granted at a later point in time, rank junior to (i) the first ranking share pledge over such capital stock granted to secure the obligations under the Revolving Credit Facility, certain hedging obligations and the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to the Existing Senior Secured Notes and (ii) the second ranking share pledge over such capital stock granted to secure the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to the Existing Senior Notes. Similarly, each of (i) the pledge over claims under certain domination and/or profit and loss absorption agreements by Unitymedia GmbH, Unitymedia Verwaltung, Unitymedia Management and Unitymedia NRW, (ii) the account pledge covering cash accounts of each of the Issuers, Unitymedia GmbH, Unitymedia

Management and Unitymedia Verwaltung and (iii) the pledge over claims under certain intercompany loans held by each of the Issuers, Unitymedia GmbH, Unitymedia Management and Unitymedia Verwaltung granted to secure the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee under the Notes will, as a matter of German law, rank junior to (i) the pledge over such assets granted to secure the obligations under the Revolving Credit Facility, certain hedging obligations and the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to Existing Senior Secured Notes and (ii) the pledge over the claims under certain domination and/or profit and loss absorption agreements granted to secure the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to the Existing Senior Notes.

However, the terms of the Intercreditor Agreement (which is also applicable to the Revolving Credit Facility, certain hedging obligations, the Existing Senior Secured Notes and the Existing Senior Notes) provides that the benefit of the first and junior ranking pledges over the Unitymedia Collateral be (i) shared equally by the Notes, the Existing Senior Secured Notes, certain hedging obligations and the Revolving Credit Facility and (ii) senior to the second ranking pledge in favor of the Existing Senior Notes and the new junior ranking pledge in favour of the New Senior Notes. Please note that this contractual arrangement is subject to certain limitations under German law. Further, under the terms of the Intercreditor Agreement, the proceeds of any enforcement of the Collateral will be applied to repayment of the Revolving Credit Facility and certain Hedging Obligations prior to being applied to repayment of the Notes and the Existing Senior Secured Notes.

In addition, the Capital Stock in the Company, Unitymedia Management, Unitymedia Verwaltung and Unitymedia NRW (collectively, the “Share Collateral”) will each be pledged to secure the Notes and the Note Guarantees. The Capital Stock in Unitymedia GmbH will be pledged to secure the Senior Notes, and the Share Collateral (other than with respect to Unitymedia NRW) has been pledged to secure the Senior Notes on a junior ranking basis pursuant to the terms of the Intercreditor Agreement.

Any other additional security interests that may in the future be pledged to secure obligations under the Notes and the Indenture would also constitute Collateral.

The Trustee, acting on behalf of the holders of the Notes, will accede to the Intercreditor Agreement. The Indenture will also provide that each holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

Subject to certain conditions, including compliance with the covenant described under “— *Certain Covenants — Impairment of Security Interest*”, the Issuers are permitted to pledge the Collateral in connection with future issuances of its Indebtedness, including any Additional Notes, or Indebtedness of Restricted Subsidiaries, in each case permitted under the Indenture and on terms consistent with the relative priority of such Indebtedness. In addition to the release provisions described below, the security interests over the Collateral will cease to exist by operation of law or will be released, depending on the type of security interest, upon the defeasance or discharge of the Notes as provided in “— *Defeasance*” or “— *Satisfaction and Discharge*”, in each case in accordance with the terms and conditions of the Indenture.

The security interests over some or all of the Collateral may also be released in circumstances described under “— *Releases*”.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuers in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral remaining after sharing with other creditors entitled to share in such proceeds would be sufficient to satisfy the obligations owed to the holders of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral will be able to be sold in a short period of time, if at all. In addition, the Intercreditor Agreement places limitations on the ability of the Security Trustee to release the security interests in some of the Collateral, by reference to the interests of other creditors, including the holders of the Senior Notes. These limitations may include requirements that some or all of the Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See “*Description of Other Indebtedness — Intercreditor Agreement*”.

The creditors under the Revolving Credit Facility, the trustees under the Existing Senior Secured Notes and the Senior Notes, the counterparties to the Hedging Obligations secured by the Collateral and

the Trustee have, and by accepting a Note, each holder will be deemed to have, irrevocably appointed the Security Trustee to act as its agent and security trustee under the Intercreditor Agreement and the Security Documents). The creditors under the Revolving Credit Facility, the trustees under the Existing Senior Secured Notes and the Senior Notes, the counterparties to the Hedging Obligations secured by the Collateral and the Trustee have, and by accepting a Note, each holder will be deemed to have, irrevocably authorized the Security Trustee to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Trustee on its behalf.

All Security granted by a German subsidiary of an Issuer will be subject to contractual limitations with respect to maintenance of share capital to the extent there is not an uninterrupted chain of profit and loss absorption agreements or domination agreements in effect between the respective Subsidiary and the topmost Issuer.

Priority

The relative priority among (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations secured by the Collateral, (c) the holders of the Existing Senior Secured Notes, (d) the holders of the Senior Notes and (e) the Trustee and the holders under the Indenture with respect to the security interest in the Collateral that is created by the Security Documents and secures obligations under the Notes or the Note Guarantees and the Indenture (the “Security Interest”) is established by the terms of the Intercreditor Agreement, the Indenture, the Security Documents, and the security documents relating to our Revolving Credit Facility, such Hedging Obligations, the Existing Senior Secured Notes and the Senior Notes, which provide that:

- (1) the obligations under the Notes, the Existing Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations are secured equally and ratably by a first-priority interest in the Collateral, *provided that* any liabilities in respect of obligations under the Revolving Credit Facility and such Hedging Obligations will receive priority with respect to any proceeds received upon any enforcement action over any Collateral; and
- (2) the obligations under the Senior Notes will be secured by a junior-priority interest in the Share Collateral under the Intercreditor Agreement.

Please see the section entitled “*Description of Other Indebtedness — Intercreditor Agreement*”. In addition, pursuant to Additional Intercreditor Agreements entered into after the Issue Date in compliance with the Indenture, the Collateral may be pledged to secure other Indebtedness. See “— *Certain Covenants — Impairment of Security Interest*”.

Security Documents

On the basis of German law restrictions relating to security interests in the form of pledges, the Security Documents providing for such security interests will secure a debt obligation owed to the Security Trustee as a joint and several creditor under the Notes and the abstract acknowledgment of debt (*abstraktes Schuldanerkenntnis*) granted to the Security Trustee in relation to the Notes. See “*Risk Factors — Risks Relating to the New Notes — The ability of the Security Agent to enforce the Collateral is subject to uncertainties under German Law.*” When entering into the Security Documents, the Security Trustee acts in its own name, but for the benefit of the holders from time to time. Under the Intercreditor Agreement, the Security Trustee will also act on behalf of the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations (who will have the equal and ratable benefit of the same Collateral), the holders of the Existing Senior Secured Notes, the Trustee and holders of the Senior Notes. The Security Trustee will also act on behalf of certain future secured creditors.

Each Security Document is governed by German law and provides that the rights under such Security Document must be exercised by the Security Trustee. Since the holders are not parties to the Security Documents, holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The holders may only act by instructing the Trustee to act through the Security Trustee.

Our German counsel has advised us that there is some uncertainty under German law (i) as to whether obligations owing to beneficial owners of the Notes that are not identified as registered holders in

the Security Documents providing for security interests in the form of pledges will be validly secured and (ii) as to the validity of any security interest created in favor of the Security Trustee to secure the obligations represented by a joint and several creditor obligation and the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the Security Trustee in relation to the New Notes. Also, under German law, in the event that any Issuer or Guarantor enters into insolvency proceedings, the security interests created under the Security Documents to which such Issuer or Guarantor is a party or the joint and several creditor obligation and the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the Security Trustee in relation to the New Notes could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under German rules regarding avoidance of transactions under the German Insolvency Code (*Insolvenzordnung*). Outside of insolvency proceedings, third-party creditors of such Issuer or Guarantor may in certain circumstances have an avoidance right under the German Code on Avoidance (*Anfechtungsgesetz*). If any challenge to the validity of the security interests is successful, the holders may not be able to recover any amounts under the Security Documents. Please see the section entitled “*Risk Factors — Risks Relating to the New Notes*”.

Releases

The security interests created by the relevant Security Documents will be released: (a) so long as there is no Default outstanding under the Indenture, in the event of a sale or disposition of assets included in the Collateral, upon the provision of an Officer’s Certificate and Opinion of Counsel to the Trustee and the Security Trustee to the effect that such sale or disposition is in compliance with the Indenture, including but not limited to the provisions described under “*Certain Covenants — Limitation on Sales of Assets and Subsidiary Stock*,” or (b) following a Default under the Indenture or a default under any other Indebtedness secured by the Collateral, pursuant to an Enforcement Sale. See “*Description of Other Indebtedness — Intercreditor Agreement — Limitations on Enforcement*”.

In addition, the Security Interests created by the Security Documents will be released in accordance with the Intercreditor Agreement or if the applicable Subsidiary of which such Capital Stock or assets are pledged or assigned is redesignated as an Unrestricted Subsidiary in compliance with the covenant entitled “*— Certain Covenants — Limitations on Restricted Payments*” upon the provision of an Officer’s Certificate and Opinion of Counsel to the Trustee and the Security Trustee. The Security Interests will be released upon the defeasance or discharge of the Notes as provided in “*— Defeasance*” or “*— Satisfaction and Discharge*”, in each case, in accordance with the terms and conditions of the Indenture.

Upon certification by the respective Issuers, the Trustee and the Security Trustee shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement, to effectuate any release in accordance with these provisions, subject to customary protections and indemnifications. The Security Trustee and/or Trustee (as applicable) will agree to any release of the Security Interests created by the Security Documents that is in accordance with the Indenture and the Intercreditor Agreement without requiring any consent of the holders.

Enforcement of Security Interest

The ability of the Security Trustee to enforce any Security Interests is restricted by the terms of the Intercreditor Agreement by reference to the interests of the lenders under the Revolving Facility Agreement, the counterparties to certain Hedging Obligations, the holders of the Existing Senior Secured Notes and the holders of the Senior Notes. See “*Description of Other Indebtedness — Intercreditor Agreement*”. It may also be restricted by similar arrangements in relation to future Indebtedness that is secured by the Collateral in compliance with the Indenture.

Similar provisions may be included in any Additional Intercreditor Agreement entered into in compliance with “*— Certain Covenants — Additional Intercreditor Agreements*”.

The Intercreditor Agreement contains procedures with respect to the coordination of instructions from representatives of holders of debt secured by the Priority Liens (including the Revolving Credit Facility and certain Hedging Obligations) (the “Priority Representative”) with respect to the Security Interests, including a mandatory consultation period. If the instructions given to the Security Trustee by the Priority Representatives conflict with those of the representatives of the majority of the lenders under the Revolving Credit Facility, the holders of the Existing Senior Secured Notes and the Notes, and such conflict is not resolved in a mandatory consultation period (that ends under certain circumstances), the Security Trustee will enforce the Security Interests in accordance with certain enforcement principles, which provide for the maximizing, so far as is consistent with prompt and expeditious enforcement of the

Security Interests, the recovery of the creditors in respect of the indebtedness secured by the Priority Liens and the Senior Indebtedness. See “*Description of Other Indebtedness — Intercreditor Agreement*”.

The Indenture will also provide that each holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

Optional Redemption

Fixed Rate Notes

Optional Redemption on or after March 15, 2015

Except as described below and under “—*Redemption for Taxation Reasons*”, the Fixed Rate Notes are not redeemable until March 15, 2015. On or after March 15, 2015, the Issuers may redeem all, or from time to time a part, of the Fixed Rate Euro Notes and/or the Fixed Rate Dollar Notes upon not less than 30 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on March 15 of the years set out below:

Year	Redemption Price	
	Fixed Rate Euro Notes	Fixed Rate Dollar Notes
2015	103.750%	103.750%
2016	101.875%	101.875%
2017 and thereafter	100.000%	100.000%

In each case above, any such redemption and notice may, in the Issuers’ discretion, be subject to satisfaction of one or more conditions precedent.

Optional Redemption prior to March 15, 2015

At any time prior to March 15, 2015, the Issuers may also redeem all, or from time to time a part, of the Fixed Rate Euro Notes and/or the Fixed Rate Dollar Notes upon not less than 30 nor more than 60 days’ notice, at a price equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued but unpaid interest and Additional Amounts, if any, to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

In each case above, any such redemption and notice may, in the Issuers’ discretion, be subject to satisfaction of one or more conditions precedent.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuers.

Floating Rate Notes

Optional Redemption

The Issuers may redeem all, or from time to time a part, of the Floating Rate Notes upon not less than 30 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the periods set out below:

Year	Floating Rate Notes Redemption Price
Issue Date through March 14, 2013	101.000%
March 15, 2013 and thereafter	100.000%

In each case above, any such redemption and notice may, in the Issuers' discretion, be subject to satisfaction of one or more conditions precedent.

Optional Redemption upon Equity Offerings

At any time, or from time to time, prior to March 15, 2014, the Issuers may, at their option, use the Net Cash Proceeds of one or more Equity Offerings (except for sales of Capital Stock of a Parent the proceeds of which are contributed as Subordinated Shareholder Loans) to redeem, upon not less than 30 nor more than 60 days' notice, up to 35% of the principal amount of the Fixed Rate Notes issued under the Indenture (including the principal amount of any Additional Notes) at a redemption price of 107.500% of the principal amount of the Fixed Rate Euro Notes and 107.500% of the principal amount of the Fixed Rate Dollar Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided that:

- (1) at least 65% of the principal amount of each of the Fixed Rate Euro Notes and the Fixed Rate Dollar Notes (which includes Additional Notes, if any) issued under the Indenture remains outstanding immediately after any such redemption; and
- (2) the Issuers make such redemption not more than 90 days after the consummation of any such Equity Offering.

In each case above, any such redemption and notice may, in the Issuers' discretion, be subject to satisfaction of one or more conditions precedent.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuers.

Special Optional Redemption upon UPC Exchange Transaction

At any time prior to the 36-month anniversary of the original issue date of the Existing Senior Secured Notes, the Issuers may, at their option, following completion of a UPC Exchange Transaction, redeem all, but not less than all, of the Notes issued under the Indenture upon not less than 30 nor more than 60 days' notice (which notice of redemption shall be given no later than 10 business days following the completion of such UPC Exchange Transaction), at a redemption price (expressed as a percentage of the principal amount thereof) of 102%, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Any such redemption and notice may, in the Issuers' discretion, be subject to satisfaction of one or more conditions precedent.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuers.

Selection and Notice

In the case of any partial redemption, selection of the Notes for redemption will be made by the Trustee on a pro rata basis (or, in the case of Notes issued in global form, based on a method that most nearly approximates a pro rata selection, as the Trustee deems fair and appropriate) unless otherwise required by law or applicable stock exchange or depositary requirements, although no Euro Notes of €100,000 or less or Fixed Rate Dollar Notes of \$150,000 or less can be redeemed in part. The Trustee will not be liable for selections made by it in accordance with this paragraph. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note.

For Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

Redemption for Taxation Reasons

The Issuers may redeem the Notes in whole, but not in part, at any time upon giving not less than 30 nor more than 60 days' notice to the holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "**Tax Redemption Date**") (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), and Additional Amounts (as defined below under "*— Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuers determine that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below under "*— Withholding Taxes*") affecting taxation; or
- (2) any change in position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) (each of the foregoing in clauses (1) and (2), a "Change in Tax Law"),

the Issuers are, or on the next interest payment date in respect of the Notes would be, required to pay more than *de minimis* Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to it (including, without limitation, by appointing a new or additional paying agent in another jurisdiction). The Change in Tax Law must become effective on or after the date of the Offering Memorandum. In the case of a successor to the Issuers, the Change in Tax Law must become effective after the date that such entity first makes payment on the Notes. Notice of redemption for taxation reasons will be published in accordance with the procedures described in the Indenture as described under "*— Notices*". Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuers will deliver to the Trustee (a) an Officers' Certificate stating that the Issuers are entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right to so redeem have been satisfied and that it cannot avoid the obligations to pay Additional Amounts by taking reasonable measures available to it; and (b) an opinion of an independent tax counsel reasonably satisfactory to the Trustee to the effect that the circumstances referred to above exist. The Trustee will accept such Officers' Certificate and opinion as sufficient evidence of the existence of satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

The foregoing provisions will apply *mutatis mutandis* to any successor to the Issuers after such successor person becomes a party to the Indenture.

Redemption at Maturity

On March 15, 2018, the Issuers will redeem the Floating Rate Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). On March 15, 2019, the Issuers will redeem the Fixed Rate Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Withholding Taxes

All payments made by the Issuers, any Guarantor or any successors thereto (a "Payor") on the Notes (including any Note Guarantee for the purposes of this covenant) will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") unless the withholding or deduction of such Taxes is then required by law or

by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) The Federal Republic of Germany or any political subdivision or governmental authority thereof or therein having power to tax;
- (2) any jurisdiction from or through which payment on the Notes is made, or any political subdivision or governmental authority thereof or therein having the power to tax; or
- (3) any other jurisdiction in which a Payor is organized or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a “Relevant Taxing Jurisdiction”),

will at any time be required from any payments made with respect to the Notes, including payments of principal, redemption price, interest or premium, the Payor will pay (together with such payments) such additional amounts (the “Additional Amounts”) as may be necessary in order that the net amounts received in respect of such payments by each holder of the Notes, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts) equal the amounts which would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable with respect to:

- (a) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder or beneficial owner and the Relevant Taxing Jurisdiction imposing such Taxes (other than the mere ownership or holding of such Note or enforcement of rights thereunder or under the Indenture or the receipt of payments in respect thereof);
- (b) any Taxes that would not have been so imposed if the holder had made a declaration of non-residence or any other claim or filing for exemption to which it is entitled (*provided* that (x) such declaration of non-residence or other claim or filing for exemption is required by the applicable law of the Relevant Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or a part of any such Taxes and (y) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption is required under the applicable law of the Relevant Taxing Jurisdiction, the relevant holder at that time has been notified (in accordance with the procedures set forth in the Indenture) by the Payor or any other person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption is required to be made);
- (c) any Note presented for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented during such 30-day period);
- (d) any Taxes that are payable otherwise than by withholding from a payment of the principal of, premium, if any, or interest on the Notes;
- (e) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
- (f) any withholding or deduction imposed on a payment to an individual and required to be made pursuant to the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive; or
- (g) any Taxes which could have been avoided by the presentation (where presentation is required) of the relevant Note to another Paying Agent in a member state of the European Union.

Such Additional Amounts will also not be payable where, had the beneficial owner of the Note been the holder of the Note, it would not have been entitled to payment of Additional Amounts by reason of any of clauses (a) to (g) inclusive above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies (or, if certified copies are not available despite reasonable efforts of the Payor, other evidence of payment reasonably satisfactory to the Trustee) to each holder. The Payor will attach to each certified copy (or other evidence) a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per €1,000 or \$1,000 principal amount of the Notes, as the case may be. Copies of such documentation will be available for inspection during ordinary business hours at the office of the Trustee by the holders of the Notes upon request and will be made available at the offices of the Paying Agent if the Notes are then listed on the Luxembourg Stock Exchange.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable (unless such obligation to pay Additional Amounts arises shortly before or after the 30th day prior to such date, in which case it shall be promptly thereafter), if the Payor will be obligated to pay Additional Amounts with respect to such payment, the Payor will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable, the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to holders on the payment date. Each such Officers' Certificate shall be relied upon until receipt of a further Officers' Certificate addressing such matters. The Trustee shall be entitled to rely solely on each such Officers' Certificate as conclusive proof that such payments are necessary.

Wherever mentioned in the Indenture, the Notes or this Description of the New Senior Secured Notes, in any context: (1) the payment of principal, (2) purchase prices in connection with a purchase of Notes, (3) interest, or (4) any other amount payable on or with respect to the Notes, such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery or registration of any Notes or any other document or instrument referred to therein (other than a transfer of the Notes), or the receipt of any payments with respect to the Notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside the United Kingdom, Grand Duchy of Luxembourg, the Federal Republic of Germany or any jurisdiction in which a Paying Agent is located, other than those resulting from, or required to be paid in connection with, the enforcement of the Notes, the Security or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized or any political subdivision or taxing authority or agency thereof or therein.

Certain Covenants

Change of Control

If a Change of Control shall occur at any time, the Issuers shall, pursuant to the procedures described below and in the Indenture, offer (the "Change of Control Offer") to purchase all Notes in whole or in part in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, in the case of the Euro Notes, and in denominations of \$150,000 and in integral multiples of \$1,000 in excess thereof, in the case of the Fixed Rate Dollar Notes, at a purchase price (the "Change of Control Purchase Price") in cash in an amount equal to 101% of the principal amount of such Notes, plus any Additional Amounts and accrued and unpaid interest, if any, to the date of purchase (the "Change of Control Purchase Date") (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date); provided, however, that the Issuers shall not be obliged to repurchase Notes as described under this subsection "— Change of Control" in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "— Optional Redemption" or all conditions to such redemption have been satisfied or waived. No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below €100,000, in the case of the Euro Notes, and \$150,000, in the case of the Fixed Rate Dollar Notes.

Unless the Issuers have unconditionally exercised their right to redeem all the Notes as described under “— *Optional Redemption*” or all conditions to such redemption have been satisfied or waived, within 30 days of any Change of Control, the Issuers shall notify the Trustee thereof and give written notice of such Change of Control to each holder of Notes by first-class mail, postage prepaid, at such holder’s address appearing in the security register, stating, among other things:

- that a Change of Control has occurred and the date of such event;
- the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to *pro forma* historical income, cash flow and capitalization after giving effect to the Change of Control);
- the purchase price and the purchase date which shall be fixed by the Issuers on a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the Exchange Act;
- that any Note not tendered will continue to accrue interest and unless the Issuers default in payment of the Change of Control Purchase Price, any Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Purchase Date; and
- certain other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Issuers shall cause to be published the notice described above in a leading newspaper having a general circulation in London (which is expected to be the *Financial Times*) or through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency). In addition, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Company will publish a public announcement with respect to the results of any Change of Control Offer in a leading newspaper of general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange. The ability of the Issuers to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. See “*Risk Factors — Risks Relating to the New Notes — We may not be able to obtain enough funds necessary to finance an offer to repurchase your New Notes upon the occurrence of certain events constituting a change of control (as defined in the New Indentures) as required by the New Indentures*”.

The Trustee will promptly authenticate and deliver a new note or notes equal in principal amount to any unpurchased portion of Notes surrendered, if any, to the holder of Notes in global form or to each holder of certificated notes; *provided* that each such new note will be in a principal amount of €100,000 or \$150,000 and in integral multiples of €1,000 or \$1,000 in excess thereof. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The Issuers will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuers and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

The term “all or substantially all” as used in the definition of “Change of Control” has not been interpreted under New York law (which is the governing law of the Indenture) to represent a specific quantitative test. As a consequence, in the event the holders of the Notes elect to exercise their rights under the Indenture and the Issuers elect to contest such election, there could be no assurance as to how a court interpreting New York law would interpret the phrase.

The provisions of the Indenture will not afford holders of the Notes the right to require the Issuers to repurchase the Notes in the event of a highly leveraged transaction, certain transactions with the Company’s management or their Affiliates or certain other sale transactions, including a reorganization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of the Company by management or its affiliates) involving the Issuers that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control.

The provisions under the Indenture related to the Issuers' obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the holders of a majority in principal amount of the Notes prior to the occurrence of a Change of Control.

The Issuers will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws or regulations in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this covenant (other than the obligation to make an offer pursuant to this covenant), the Issuers will comply with the securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

Limitation on Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuers and any Subsidiary Guarantors may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving effect thereto on a *pro forma* basis the Consolidated Leverage Ratio for the Company and its Restricted Subsidiaries would not exceed 4.00 to 1.00.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

- (1) Indebtedness of the Company and any of its Restricted Subsidiaries under Credit Facilities in the aggregate principal amount at any one time outstanding not to exceed an amount equal to €80 million;
- (2) Indebtedness of the Company owing to and held by any Restricted Subsidiary (other than a Receivables Entity) or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any other Restricted Subsidiary (other than a Receivables Entity); *provided, however*, that:
 - (a) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary (other than a Receivables Entity) of the Company; and
 - (b) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary (other than a Receivables Entity) of the Company,shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be; provided, further, that, if a Restricted Subsidiary that is not a Subsidiary Guarantor owns or holds such Indebtedness and an Issuer, the Company or any Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations of the Issuers with respect to the Notes or of the Company or such Guarantor with respect to its Note Guarantee, as the case may be;
- (3) (a) Indebtedness of the Issuers represented by the Notes (other than any Additional Notes issued after the Issue Date) and the Existing Senior Secured Notes and (b) Indebtedness of the Guarantors represented by the Note Guarantees, *provided* that the guarantee of any such Indebtedness is subject to the terms of the Intercreditor Agreement, and (c) Indebtedness represented by the Security Documents, including, with respect to each such Indebtedness "parallel debt" obligations created under the Intercreditor Agreement and the Security Documents;
- (4) any Indebtedness (other than the Indebtedness described in clauses (1), (2), (3), (6), (8), (9), (10), (11) and (15)) outstanding on the Issue Date;
- (5) any Refinancing Indebtedness Incurred in respect of any Indebtedness described in clause (3), clause (4), this clause (5), clause (6), clause (8), clause (15) or clause (16) or Incurred pursuant to the first paragraph of this covenant;
- (6) Indebtedness of a Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary was acquired by the Company (other than Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Company or (b) otherwise in connection with, or in contemplation of,

such acquisition); *provided, however*, that immediately following the consummation of the acquisition of such Restricted Subsidiary by the Company, the Consolidated Leverage Ratio of the Company would not be greater than immediately prior to such acquisition;

- (7) Indebtedness under Currency Agreements and Interest Rate Agreements; *provided*, that in the case of Currency Agreements, such Currency Agreements are related to business transactions of the Company or its Restricted Subsidiaries entered into in the ordinary course of business or in the case of Currency Agreements and Interest Rate Agreements, such Currency Agreements and Interest Rate Agreements are entered into for *bona fide* hedging purposes of the Company or its Restricted Subsidiaries or Unitymedia and its Restricted Subsidiaries to the extent the Indebtedness being hedged is guaranteed by the Company or its Restricted Subsidiaries (as determined in good faith by the Board of Directors or senior management of the Company) and substantially correspond in terms of notional amount, currencies and interest rates, as applicable, to Indebtedness of the Company or its Restricted Subsidiaries or Unitymedia and its Restricted Subsidiaries to the extent the Indebtedness being hedged is guaranteed by the Company or its Restricted Subsidiaries;
- (8) Indebtedness represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations with respect to assets other than Capital Stock or other Investments, in each case Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvements of property used in the business of the Company or such Restricted Subsidiary, in an aggregate principal amount not to exceed €50.0 million at any time outstanding;
- (9) Indebtedness Incurred in respect of (a) workers' compensation claims, self-insurance obligations, performance, bid, surety, tax guarantors or other similar bonds and completion guarantees and warranties provided by a Restricted Subsidiary Incurred in the ordinary course of business and (b) letters of credit, bankers' acceptances or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business;
- (10) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, obligations in respect of earnouts or adjustment of purchase price or similar obligations, in each case, Incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Restricted Subsidiary, *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds (including the fair market value of non-cash proceeds) actually received by the Company and its Restricted Subsidiaries in connection with such disposition;
- (11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (12) guarantees by the Company or any Guarantor of Indebtedness or any other obligation or liability of the Company or any Restricted Subsidiary (other than of any Indebtedness Incurred by such Restricted Subsidiary in violation of this covenant); *provided, however*, that if the Indebtedness being guaranteed is subordinated in right of payment to the Notes or any Note Guarantee, then such guarantee shall be subordinated substantially to the same extent as the relevant Indebtedness guaranteed;
- (13) Indebtedness of the Company and its Restricted Subsidiaries in any Qualified Receivables Transaction;
- (14) Subordinated Shareholder Loans Incurred by the Company;
- (15) Indebtedness of the Issuers and any Guarantor Incurred pursuant to (a) the guarantees of the Senior Notes issued on or before the Issue Date, and (b) any guarantees of Indebtedness of Unitymedia or any Parent Guarantor *provided* that for purposes of this clause (b): (i) on the date of such incurrence and after giving effect thereto on a *pro forma* basis the Consolidated Leverage Ratio for the Company would not exceed 5.00 to 1.00 (for the avoidance of doubt, outstanding Indebtedness for the purpose of calculating the Consolidated Leverage Ratio shall include any Indebtedness represented by guarantees by the Company or any of its Restricted Subsidiaries of Indebtedness of Unitymedia or any Parent Guarantor) and (ii) such guarantees shall be subordinated to the Notes and the Subsidiary Guarantees pursuant to the Intercreditor

Agreement or any Additional Intercreditor Agreement to substantially the same extent, and on substantially the same terms, as the guarantees of the Senior Notes issued on or before the Issue Date are subordinated on the Issue Date pursuant to the terms of the Intercreditor Agreement; and

- (16) in addition to the items referred to in clauses (1) through (15) above, Indebtedness of the Company and any of its Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (16) and then outstanding, will not exceed €50.0 million at any time outstanding.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, will classify and, from time to time, may reclassify such Indebtedness, in any manner that complies with this covenant and such item of Indebtedness will be treated as having been Incurred pursuant to only one of such clauses of the second paragraph of this covenant or pursuant to the first paragraph of this covenant;
- (2) any borrowings under the Revolving Credit Facility may only be Incurred under clause (1) of the second paragraph of this covenant and may not be reclassified;
- (3) guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (4) if obligations in respect of letters of credit are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1) of the second paragraph above and the letters of credit relate to other Indebtedness, then such other Indebtedness shall not be included;
- (5) the principal amount of any Disqualified Stock of the Company, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and
- (7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock and increases in the amount of Indebtedness due to a change in accounting principles will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (ii) the principal amount or liquidation preference thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

In addition, the Company will not permit any of its Unrestricted Subsidiaries to Incur any Indebtedness or issue any shares of Disqualified Stock, other than Non-Recourse Debt. If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this “— *Limitation on Indebtedness*” covenant, the Company shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent principal amount of Indebtedness denominated in a foreign currency shall be (1) calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; provided that if such Indebtedness is Incurred to refinance other Indebtedness

denominated in a foreign currency, and such refinancing would cause the applicable euro-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced and (2) if and for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the swapped rate of such Indebtedness as of the date of the applicable swap. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company and the Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

The Company will not Incur, and will not permit any Issuer or any Guarantor to Incur, any Indebtedness that is contractually subordinated in right of payment to any other Indebtedness of the Company or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and, if applicable, the Guarantee of the person Incurring such Indebtedness, on substantially identical terms (as determined in good faith by the Board of Directors of the Company); provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Company, any Guarantor or any other Restricted Subsidiary solely by virtue of being unsecured or secured on a junior Lien basis or by virtue of not being Guaranteed; provided further, however, that lenders under any Credit Facility may provide for an ordering of payments under the various tranches of that Credit Facility.

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly:

- (1) to declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:
 - (a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or Subordinated Shareholder Loans; and
 - (b) dividends or distributions payable to the Company or a Restricted Subsidiary of the Issuer (and if such Restricted Subsidiary is not a Wholly Owned Subsidiary, to its other holders of common Capital Stock on a pro rata basis);
- (2) to purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any Parent of the Company held by Persons other than the Company or a Restricted Subsidiary of the Company;
- (3) to purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than (x) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement or (y) Indebtedness permitted under clause (2) of the second paragraph under the covenant described under “— *Limitation on Indebtedness*”); or
- (4) to make any Restricted Investment in any Person;

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (4) are referred to herein as a “Restricted Payment”), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

 - (a) a Default shall have occurred and be continuing (or would result therefrom); or
 - (b) the Issuers are not able to Incur an additional €1.00 of Indebtedness pursuant to the first paragraph under the covenant described under “— *Limitation on Indebtedness*”, after giving effect, on a *pro forma* basis, to such Restricted Payment; or

- (c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made subsequent to the Issue Date and not returned or rescinded would exceed the sum of:
 - (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the beginning of the first fiscal quarter commencing after the original issue date of the Existing Senior Secured Notes to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which financial statements are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit);
 - (ii) 100% of the aggregate Net Cash Proceeds and the fair market value, as determined in good faith by the Board of Directors of the Company, of marketable securities received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock) or Subordinated Shareholder Loans or other capital contributions subsequent to the original issue date of the Existing Senior Secured Notes (other than (x) Net Cash Proceeds received from an issuance or sale of such Capital Stock to a Restricted Subsidiary of the Company or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Company or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination or (y) Excluded Contributions);
 - (iii) 100% of the aggregate Net Cash Proceeds and the fair market value, as determined in good faith by the Board of Directors of the Company, of marketable securities received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary of the Company) by the Company or any Restricted Subsidiary subsequent to the original issue date of the Existing Senior Secured Notes of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock) or Subordinated Shareholder Loans; and
 - (iv) the amount equal to the net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries resulting from:
 - (A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Company or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Company or any Restricted Subsidiary; or
 - (B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary,
 which amount in each case under this clause (iv) was included in the calculation of the amount of Restricted Payments; *provided, however*, that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income.

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by the Company.

The provisions of the preceding paragraph will not prohibit:

- (1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Subordinated Shareholder Loans or Subordinated Obligations of the Company made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock, Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Company or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of

determination), Subordinated Shareholder Loans or a substantially concurrent capital contribution to the Company; *provided, however*, that (a) such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments and (b) the Net Cash Proceeds from such sale or issuance of Capital Stock or Subordinated Shareholder Loans or from such capital contribution will be excluded from clause (c)(ii) of the preceding paragraph;

- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations of the Company or a Restricted Subsidiary made by exchange for, or out of the proceeds of the substantially concurrent sale of, Subordinated Obligations of the Company or such Restricted Subsidiary that is permitted to be Incurred pursuant to the covenant described under “— *Limitation on Indebtedness*” and that in each case constitutes Refinancing Indebtedness; *provided, however*, that such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Company or such Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “— *Limitation on Indebtedness*” and that in each case constitutes Refinancing Indebtedness; *provided, however*, that such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments;
- (4) dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this provision; *provided, however*, that such dividends will be included in subsequent calculations of the amount of Restricted Payments;
- (5) the purchase, repurchase, defeasance, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock of the Company or any Restricted Subsidiary of the Company or any parent of the Company held by any existing or former employees or management of the Company or any Subsidiary of the Company or their assigns, estates or heirs, in each case in connection with the repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees; *provided* that such redemptions or repurchases pursuant to this clause will not exceed an amount equal to €3.0 million in the aggregate during any calendar year (with any unused amounts in any preceding calendar year being carried over to the succeeding calendar year); *provided, however*, that the amount of any such repurchase or redemption will be included in subsequent calculations of the amount of Restricted Payments;
- (6) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “— *Limitation on Indebtedness*” above;
- (7) purchases, repurchases, redemptions, defeasance or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other convertible securities if such Capital Stock represents a portion of the exercise price thereof; *provided, however*, that such repurchases will be excluded from subsequent calculations of the amount of Restricted Payments;
- (8) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Obligation (i) at a purchase price not greater than 101% of the principal amount of such Subordinated Obligation in the event of a Change of Control in accordance with provisions similar to the “— *Change of Control*” covenant or (ii) at a purchase price not greater than 100% of the principal amount thereof in accordance with provisions similar to the “— *Limitation on Sales of Assets and Subsidiary Stock*” covenant; *provided* that, prior to or simultaneously with such purchase, repurchase, redemption, defeasance or other acquisition or retirement, the Issuers have made the Change of Control Offer or Asset Disposition Offer, as applicable, as provided in such covenant with respect to the Notes and have completed the repurchase or redemption of all Notes validly tendered for payment in connection with such Change of Control Offer or Asset Disposition Offer; and *provided, further*, that such purchase,

redemption or other acquisition will be excluded from subsequent calculations of the amount of Restricted Payments;

- (9) dividends, loans, advances or distributions to any Parent or other payments by the Company or any Restricted Subsidiary in amounts equal to:
 - (i) the amounts required for any Parent to pay Parent Expenses;
 - (ii) the amounts required for any Parent to pay Public Offering Expenses; (iii) the amounts required for any Parent to pay Related Taxes; and
 - (iii) amounts constituting payments satisfying the requirements of clauses (11) and (12) of the second paragraph of the covenant described under “— *Limitation on Affiliate Transactions*”, *provided*, that the Company or any Restricted Subsidiary receives a corporate benefit as the result of any such dividend, loan, advance or distribution or other payment; and *provided further* that such dividends, loans, advances, distributions or other payments will be excluded from subsequent calculations of the amount of Restricted Payments;
- (10) Investments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause, *provided* that the amount of such Investments will be excluded from subsequent calculations of the amount of Restricted Payments;
- (11) payments by the Company, or loans, advances, dividends or distributions to any parent company of the Company to make payments to holders of Capital Stock of the Company or any parent company of the Issuer in lieu of the issuance of fractional shares of such Capital Stock; *provided* that the net amount of such payments will be excluded from subsequent calculations of the amount of Restricted Payments;
- (12) so long as no Default or Event of Default of the type specified in clauses (1) or (2) under “— *Events of Default*” has occurred and is continuing, Restricted Payments to be applied to scheduled cash interest payments on Indebtedness of any Parent to the extent that such Indebtedness is guaranteed by the Company pursuant to a guarantee otherwise permitted to be Incurred under the Indenture; *provided, however*, that the amount of such payments will be included in subsequent calculations of the amount of Restricted Payments;
- (13) so long as no Default or Event of Default of the type specified in clauses (1) or (2) under “— *Events of Default*” has occurred and is continuing, the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Capital Stock or Subordinated Shareholder Loans held by, or the making of any dividends, loans, advances or distributions to, any Parent to the extent that, after giving *pro forma* effect to any such purchase, repurchase, redemption, defeasance, other acquisition or retirement, dividend, loan, advance or distribution, the Consolidated Leverage Ratio for the Company and its Restricted Subsidiaries would not exceed 4.00 to 1.00, *provided* that the net amount of such payments will be included in subsequent calculations of the amount of Restricted Payments;
- (14) Restricted Payments in an aggregate amount at any time outstanding, when taken together with all other Restricted Payments made pursuant to this clause (14), not to exceed €25.0 million in the aggregate in any calendar year (with any unused amounts in any preceding calendar year being carried over to the succeeding calendar year); *provided* that the amount of such Restricted Payments will be included in subsequent calculations of the amount of Restricted Payments; and
- (15) payments permitted by the Intercreditor Agreement or any Additional Intercreditor Agreement for purposes of making corresponding payments on the Senior Notes.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount and any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Company acting in good faith.

Limitation on Liens

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness or trade payables upon any of their property or assets, now owned or hereafter acquired, except (1) in the case of any property or asset that does not constitute Collateral, Permitted Liens and (2) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary;
- (2) make any loans or advances to the Company or any Restricted Subsidiary; or
- (3) transfer any of its property or assets to the Company or any Restricted Subsidiary;

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock and (y) the subordination of (including but not limited to, the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

The preceding provisions will not prohibit:

- (1) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the date of the Indenture, including, without limitation, the Indenture, the Existing Senior Secured Notes Indenture, the Senior Indentures, the Revolving Credit Facility, the Intercreditor Agreement and the Security Documents, in each case, as in effect on the Issue Date;
- (2) any encumbrance or restriction pursuant to an agreement or instrument of a Person relating to any Capital Stock or Indebtedness of a Person, Incurred on or before the date on which such Person was acquired by or merged or consolidated with or into the Company or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged or consolidated with or into the Company or any Restricted Subsidiary or in contemplation of such transaction) and outstanding on such date, *provided*, that any such encumbrance or restriction shall not extend to any assets or property of the Company or any other Restricted Subsidiary other than the assets and property so acquired and *provided, further*, that for the purposes of this clause, if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Company;
- (3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refunding, replacement or refinancing of Indebtedness Incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement referred to in clause (1) or (2) of this paragraph or this clause (3) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement are no less favorable in any material respect to the holders of the Notes than the encumbrances and restrictions contained in such agreements referred to in clauses (1) or (2) of this paragraph (as determined in good faith by the Company);
- (4) in the case of clause (3) of the first paragraph of this covenant, any encumbrance or restriction:
 - (i) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any such lease, license or other contract;

- (ii) contained in Liens permitted under the Indenture securing Indebtedness of the Company or a Restricted Subsidiary to the extent such encumbrances or restrictions restrict the transfer of the property subject to such mortgages, pledges or other security agreements; or
- (iii) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;
- (5) any encumbrance or restriction pursuant to (a) purchase money obligations for property acquired in the ordinary course of business and (b) Capitalized Lease Obligations permitted under the Indenture, in each case that impose encumbrances or restrictions of the nature described in clause (3) of the first paragraph of this covenant on the property so acquired;
- (6) any Purchase Money Note or other Indebtedness or contractual requirements Incurred with respect to a Qualified Receivables Transaction relating exclusively to a Receivables Entity that, in the good faith determination of the Board of Directors, are necessary to effect such Qualified Receivables Transaction;
- (7) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (8) customary provisions in leases, joint venture agreements and other agreements and instruments entered into by the Company or any Restricted Subsidiary in the ordinary course of business;
- (9) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;
- (10) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;
- (11) any encumbrance or restriction pursuant to Currency Agreements or Interest Rate Agreements; and
- (12) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “— *Limitation on Indebtedness*” if (a) the encumbrances and restrictions taken as a whole are not materially less favorable to the holders of the Notes than the encumbrances and restrictions contained in the Revolving Credit Facility and the Intercreditor Agreement, in each case, as in effect on the Issue Date (as determined in good faith by the Company) or (b) such encumbrances and restrictions taken as a whole are not materially more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Company) and, in each case, either (x) the Company reasonably believes that such encumbrances and restrictions will not materially affect the Company’s ability to make principal or interest payments on the Notes as and when they come due or (y) such encumbrances and restrictions applies only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness.

Limitation on Sales of Assets and Subsidiary Stock

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition *unless*:

- (1) the Company or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Company (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;
- (2) unless the Asset Disposition is a Permitted Asset Swap, at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness)

received by the Company or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents; and

- (3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Company or such Restricted Subsidiary, as the case may be:
- (a) to the extent the Company or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness), to prepay, repay or purchase Senior Indebtedness of the Company (including the Notes) or any Subsidiary Guarantor or Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (in each case other than Indebtedness owed to the Company or an Affiliate of the Company) within 335 days from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; *provided, however*, that, in connection with any prepayment, repayment or purchase of Bank Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Bank Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or
 - (b) to the extent the Company or such Restricted Subsidiary elects to invest in or commit to invest in Additional Assets within 335 days from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; *provided, however*, that any such reinvestment in Additional Assets made pursuant to a definitive agreement or a commitment approved by the Board of Directors of the Company that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 6 months of such 335th day;

provided that pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied as provided in the preceding paragraph will be deemed to constitute “Excess Proceeds”. On the 336th day after an Asset Disposition, if the aggregate amount of Excess Proceeds exceeds €50.0 million, the Issuers will be required to make an offer (“Asset Disposition Offer”) to all holders of Notes and to the extent required by the terms of other Indebtedness of an Issuer, the Company or any Subsidiary Guarantor that does not constitute Subordinated Obligations, to all holders of such other Indebtedness outstanding with similar provisions requiring such Issuer, the Company or such Subsidiary Guarantor to make an offer to purchase such Indebtedness with the proceeds from any Asset Disposition (“Other Asset Disposition Indebtedness”), to purchase the maximum principal amount of Notes and any such Other Asset Disposition Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount of the Notes and Other Asset Disposition Indebtedness plus accrued and unpaid interest to the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Other Asset Disposition Indebtedness, as applicable, in each case in a principal amount of €100,000 and in integral multiples of €1,000 in excess thereof, in the case of the Euro Notes, and \$150,000 and in integral multiples of \$1,000 in excess thereof, in the case of the Fixed Rate Dollar Notes.

To the extent that the aggregate amount of Notes and Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of Notes surrendered by holders thereof and Other Asset Disposition Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and Other Asset Disposition Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Other Asset Disposition Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuers or the Company that is within the Asset Disposition Offer Period. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

The Asset Disposition Offer, insofar as it relates to the Notes, will remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by

applicable law (the “Asset Disposition Offer Period”). No later than five Business Days after the termination of the Asset Disposition Offer Period (the “Asset Disposition Purchase Date”), the Company will purchase the principal amount of Notes and Other Asset Disposition Indebtedness required to be purchased pursuant to this covenant (the “Asset Disposition Offer Amount”) or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Other Asset Disposition Indebtedness validly tendered in response to the Asset Disposition Offer.

Any Net Available Cash payable in respect of the Notes pursuant to this covenant will be apportioned between the Euro Notes and the Fixed Rate Dollar Notes in proportion to the respective aggregate principal amounts of Euro Notes and Fixed Rate Dollar Notes validly tendered and not withdrawn, based upon the Euro Equivalent of such principal amount of Fixed Rate Dollar Notes determined as of a date selected by the Company that is within the Asset Disposition Offer Period. To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuers upon converting such portion into such currency.

If the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to holders who tender Notes pursuant to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuers will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Other Asset Disposition Indebtedness or portions of Notes and Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn, in each case in a principal amount of €100,000 and in integral multiples of €1,000 in excess thereof, in the case of the Euro Notes, and in denominations of \$150,000 and in integral multiples of \$1,000 in excess thereof, in the case of the Fixed Rate Dollar Notes. The Company will deliver to the Trustee an Officers’ Certificate stating that such Notes or portions thereof were accepted for payment by the Issuers in accordance with the terms of this covenant. The Issuers or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering holder of Notes or holder or lender of Other Asset Disposition Indebtedness, as the case may be, an amount equal to the purchase price of the Notes or Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuers for purchase, and the Issuers will promptly issue a new Note, and the Trustee, upon delivery of an Officers’ Certificate from the Company will authenticate and mail or deliver such new Note to such holder, in a principal amount equal to any unpurchased portion of the Note surrendered; provided that each such new Note will be in a principal amount of € 100,000 and in integral multiples of €1,000 in excess thereof, in the case of the Euro Notes, and in denominations of \$150,000 and in integral multiples of \$1,000 in excess thereof, in the case of the Fixed Rate Dollar Notes. In addition, the Issuers will take any and all other actions required by the agreements governing the Other Asset Disposition Indebtedness. Any Note not so accepted will be promptly mailed or delivered by the Issuers to the holder thereof. The Company will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

For the purposes of this covenant, the following will be deemed to be cash:

- (1) the assumption by the transferee of Indebtedness (other than Subordinated Obligations) of any Issuer or any Subsidiary Guarantor or Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor and the release of such Issuer, such Subsidiary Guarantor or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition (in which case the Issuers will, without further action, be deemed to have applied such deemed cash to Indebtedness in accordance with clause (3)(a) above);
- (2) securities, notes or other obligations received by the Company or any Restricted Subsidiary of the Company from the transferee that are promptly converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents;
- (3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Company and each other Restricted Subsidiary are

released from any guarantee of payment of the principal amount of such Indebtedness in connection with such Asset Disposition; and

- (4) consideration consisting of Indebtedness of the Company or any Restricted Subsidiary.

The Issuers will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (an “Affiliate Transaction”) involving aggregate consideration in excess of €5.0 million for such Affiliate Transactions in any fiscal year, *unless*:

- (1) the terms of such Affiliate Transaction are no less favorable, taken as a whole, to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction in arm’s-length dealings with a Person who is not such an Affiliate;
- (2) in the event such Affiliate Transaction involves an aggregate consideration in excess of €10.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Company; and
- (3) in the event such Affiliate Transaction involves an aggregate consideration in excess of €30.0 million, the Company has received a written opinion from an independent investment banking, accounting or appraisal firm of internationally recognized standing (as determined by the Company in good faith, who shall deliver a copy of the same to the Trustee) that such Affiliate Transaction either is fair, from a financial standpoint, to the Company and its Restricted Subsidiaries or is not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arm’s length basis from a Person that is not an Affiliate.

The preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under “— *Limitation on Restricted Payments*” or any Permitted Investment (except with respect to clause (16)(b) of the definition of “Permitted Investment”, which will be subject to clause (6) below);
- (2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultant plans (including, without limitation, valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) and/or indemnities provided on behalf of officers, employees or directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;
- (3) loans or advances to employees, officers or directors in the ordinary course of business of the Company or any of its Restricted Subsidiaries but in any event not to exceed €10.0 million in the aggregate outstanding at any one time with respect to all loans or advances made since the Issue Date;
- (4) any transaction between or among the Company and a Restricted Subsidiary or between or among Restricted Subsidiaries and any guarantees issued by the Company or a Restricted Subsidiary for the benefit of the Company or a Restricted Subsidiary, as the case may be, in accordance with “— *Limitation on Indebtedness*”;

- (5) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Company or the senior management of the Company or the relevant Restricted Subsidiary, as applicable, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (6) any transaction in the ordinary course of business between the Company or any Restricted Subsidiary and any Affiliate of the Company controlled by the Company that is a joint venture or similar entity; *provided*, any transaction described in this clause (6) will both:
 - (a) be subject to the requirements of clause (1) and (2) of the first paragraph of this covenant; and
 - (b) either (i) comply with the provisions of clause (3) of the first paragraph of this covenant (substituting €50.0 million for €30.0 million) or (ii) be substantially identical to a transaction between such Affiliate and a non-Affiliated third party which involves aggregate consideration in an amount substantially identical to the aggregate consideration involved in such substantially identical transaction;
- (7) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, directors of the Company or any Restricted Subsidiary of the Company;
- (8) the performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any agreement to which the Company or any of its Restricted Subsidiaries is a party as of or on the Issue Date, as these agreements may be amended, modified, supplemented, extended or renewed from time to time; *provided, however*, that any future amendment, modification, supplement, extension or renewal entered into after the Issue Date will be permitted to the extent that its terms are not more disadvantageous to the holders of the Notes than the terms of the agreements in effect on the Issue Date;
- (9) sales or other transfers or dispositions of accounts receivable and other related assets customarily transferred in an asset securitization transaction involving accounts receivable to a Receivables Entity in a Qualified Receivables Transaction, and acquisitions of Permitted Investments in connection with a Qualified Receivables Transaction;
- (10) the issuance of Capital Stock or any options, warrants or other rights to acquire Capital Stock (other than Disqualified Stock) of the Company to any Affiliate;
- (11) the payment to any Permitted Holder of all reasonable out-of-pocket expenses Incurred by any Permitted Holder in connection with its direct or indirect investment in the Company and its Subsidiaries and unpaid amounts accrued for prior periods (but after the Issue Date);
- (12) the payment to any Parent or Permitted Holder (1) of Management Fees (a) on a bona fide arm's-length basis in the ordinary course of business or (b) of up to €5.0 million in any calendar year or (2) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including without limitation in connection with acquisitions or divestitures, which payments are approved by a majority of Disinterested Directors;
- (13) guarantees issued in accordance with the “— *Limitation on Indebtedness*” covenant;
- (14) if otherwise permitted under the Indenture, the issuance of Capital Stock (other than Disqualified Stock) or Subordinated Shareholder Loans (including the payment of cash interest thereon; *provided* that, after giving *pro forma* effect to any such cash interest payment, the Consolidated Leverage Ratio for the Company and its Restricted Subsidiaries would not exceed 4.00 to 1.00) of the Company to any direct Parent of the Company or any Permitted Holder for cash or marketable securities; and
- (15) arrangements with customers, suppliers, contractors, lessors or sellers of goods or services that are negotiated with an Affiliate, in each case, which are otherwise in compliance with the terms of the Indenture; *provided* that the terms and conditions of any such transaction or agreement as applicable to the Company and its Restricted Subsidiaries, taken as a whole (a) are fair to the Company and its Restricted Subsidiaries and are on terms not materially less favorable to the Company and its Restricted Subsidiaries than those that could have reasonably been obtained in respect of an analogous transaction or agreement that would not constitute an Affiliate

Transaction (in each case, as determined in good faith by the Board of Directors of the Company or the senior management of the Company), (b) the performance by the Company and any of its Restricted Subsidiaries in respect of any such arrangements are for its own behalf and in its own name and (c) the Company and its Restricted Subsidiaries do not assume, and are otherwise not liable for any performance or breach in respect of, any such arrangements by the relevant Affiliate.

Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries

No Restricted Subsidiary (other than an Issuer or a Guarantor) shall guarantee or otherwise become obligated under any Indebtedness under the Revolving Credit Facility, the Existing Senior Secured Notes, the Senior Secured Notes Indentures, the Senior Notes or the Senior Indentures or guarantee any other Indebtedness of an Issuer or a Guarantor in an amount in excess of €5.0 million unless such Restricted Subsidiary is or becomes an Additional Guarantor on the date on which such other guarantee or Indebtedness is Incurred (or as soon as reasonably practicable thereafter) and, if applicable, executes and delivers to the Trustee a supplemental Indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide an Additional Subsidiary Guarantee (which Additional Subsidiary Guarantee shall be senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness); *provided that*,

- (1) if such Restricted Subsidiary is not a Significant Subsidiary, such Restricted Subsidiary shall only be obligated to become an Additional Guarantor if such Indebtedness is Indebtedness of an Issuer or Public Debt of a Guarantor;
- (2) an Additional Guarantor's Additional Subsidiary Guarantee may be limited in amount to the extent required by fraudulent conveyance, thin capitalization, corporate benefit, financial assistance or other similar laws (but, in such a case (A) each of the Company and its Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal limit and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit and (B) the relevant guarantee shall be given on an equal and ratable basis with the guarantee of any other Indebtedness giving rise to the obligation to guarantee the Notes); and
- (3) for so long as it is not permissible under applicable law for a Restricted Subsidiary to become an Additional Guarantor, such Restricted Subsidiary need not become an Additional Guarantor (but, in such a case, each of the Company and its Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal prohibition precluding the giving of the guarantee and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant legal prohibition, and shall give such guarantee at such time (and to the extent) that it thereafter becomes permissible).

The preceding paragraph shall not apply to: (1) the granting by such Restricted Subsidiary of a Permitted Lien under circumstances which do not otherwise constitute the guarantee of Indebtedness of the Issuer; or (2) the guarantee by any Restricted Subsidiary of Indebtedness that refinances Indebtedness which benefited from a guarantee by any Restricted Subsidiary Incurred in compliance with this covenant immediately prior to such refinancing.

Reports

The Company will provide to the Trustee and will post on its website (or make similar disclosure) and shall make available to potential investors:

- (1) for so long as the Ultimate Parent files an Annual Report on Form 10-K with the SEC, a copy of such Annual Report within 120 days after the end of the Ultimate Parent's year end;
- (2) within 150 days after the end of each fiscal year ending subsequent to the Issue Date, an annual report of Unitymedia, containing the following information: (a) audited combined or consolidated balance sheets of Unitymedia as of the end of the two most recent fiscal years and audited combined or consolidated income statements and statements of cash flow of Unitymedia for the three most recent fiscal years, in each case prepared in accordance with IFRS, including appropriate footnotes to such financial statements, and a report of the independent public accountants on the financial statements; (b) to the extent relating to such annual periods, an operating and financial review of the audited financial statements, including a discussion of the

results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; and (c) a description of the business, management and shareholders of Unitymedia, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; *provided, however*, that such reports need not (i) contain any segment data other than as required under IFRS or as provided by the Ultimate Parent in its financial reports with respect to the period presented, (ii) include any exhibits, or (iii) include separate financial statements for any Affiliates of the Issuer or any acquired businesses;

- (3) within 60 days after each of the first three fiscal quarters in each fiscal year, a quarterly report of Unitymedia containing the following information: (a) unaudited consolidated income statements of Unitymedia for such period, prepared in accordance with IFRS, and (b) a financial review of such period (including a comparison against the prior year's comparable period), consisting of a discussion of (i) the financial condition and results of operations of Unitymedia on a consolidated basis, and material changes between the current period and the period of the prior year, (ii) material developments in the business of Unitymedia and its Restricted Subsidiaries, (c) financial developments and trends in the business in which Unitymedia and its Restricted Subsidiaries is engaged and (d) information with respect to any material acquisition or disposal during the period *provided, however*, that such reports need not (i) contain any segment data other than as required under IFRS or as provided by the Ultimate Parent in its financial reports with respect to the period presented, (ii) include any exhibits, or (iii) include separate financial statements for any Affiliates of the Company or any acquired businesses; and
- (4) within 10 days after the occurrence of such event, information with respect to (a) any change in the independent public accountants of the Company or any of its Restricted Subsidiaries, (b) any material acquisition or disposal, and (c) any material development in the business of the Issuer and its Restricted Subsidiaries.

If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries constitute Significant Subsidiaries of the Company, then the annual and quarterly information required by the first two clauses of this covenant shall include a reasonably detailed presentation, either on the face of the financial statements, in the footnotes thereto or in a separate report delivered therewith, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of such Unrestricted Subsidiaries.

If the Issuer elects to apply for all purposes of the Indenture, in lieu of IFRS, GAAP pursuant to the definition of IFRS set forth below under “— *Certain Definitions*” then the annual and quarterly information required by the first two clauses of this covenant shall include a reconciliation, either in the footnotes thereto or in a separate report delivered therewith, of such GAAP presentation to the corresponding IFRS presentation of such financial information.

To the extent that Unitymedia is the reporting entity and material differences exist between the management, business, assets, shareholding or results of operations or financial condition of the Company and Unitymedia, the annual and quarterly reports shall give a reasonably detailed description of such differences and include an unaudited reconciliation of the Company's financial statements to Unitymedia's financial statement; *provided, however*, that if the total revenues, Consolidated EBITDA or Total Assets of Unitymedia and its Subsidiaries for any applicable period (on either a historical or pro forma basis) would deviate from any such measurement of the Company and its Restricted Subsidiaries by 5% or more, then a separate annual or quarterly report, as the case may be, shall be provided for the Company (in which case no report need be provided for Unitymedia).

Contemporaneously with the furnishing of each such report discussed above, a press release with the appropriate internationally recognized wire services in connection with such report will also be filed. The Company will also make available copies of all reports required by clauses (2) through (4) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, at the offices of the Paying Agent in Luxembourg or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Luxembourg Stock Exchange.

In addition, so long as the Notes remain outstanding and during any period during which the Issuers are not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b) of the Exchange Act, the Issuers shall furnish to the holders of the Notes and to

prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Merger and Consolidation

No Parent Guarantor will consolidate with, or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the “Successor Company”) will be a corporation, partnership, trust or limited liability company organized and existing under the laws of any member of the state of the European Union that is a member of the European Union on the date of the Indenture, or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not such Parent Guarantor) will expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of such Parent Guarantor under the Notes and the Indenture and expressly assumes all obligations of such Parent Guarantor under the Security Documents to which it is a party and the Intercreditor Agreement pursuant to agreements reasonably satisfactory to the Trustee;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) either immediately after giving effect to such transaction, the Issuers would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “— *Limitation on Indebtedness*”; and
- (4) the Company shall have delivered to the Trustee an Officers’ Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and that the supplemental indenture, the Indenture and the Notes are legal, valid and binding obligations of the Successor Company, enforceable (subject to customary exceptions and exclusions) in accordance with their terms.

No Issuer will consolidate with, or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

- (1) Successor Company will be a corporation, partnership, trust or limited liability company organized and existing under the laws of any member of the state of the European Union that is a member of the European Union on the date of the Indenture, or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not such Issuer) will expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of such Issuer under the Notes and the Indenture and expressly assumes all obligations of such Issuer under the Security Documents to which it is a party and the Intercreditor Agreement pursuant to agreements reasonably satisfactory to the Trustee;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) either (a) immediately after giving effect to such transaction, the Issuers would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the first paragraph of the covenant described under “— *Limitation on Indebtedness*” or (b) such Person is Unitymedia Management; and
- (4) such Issuer shall have delivered to the Trustee an Officers’ Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and that the supplemental indenture, the Indenture and the Notes are legal, valid and binding obligations of the Successor Company, enforceable (subject to customary exceptions and exclusions) in accordance with their terms.

A Subsidiary Guarantor will not consolidate with, or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, other than the Company or another Subsidiary Guarantor

(other than in connection with a transaction that does not constitute an Asset Disposition or a transaction that is permitted under “— *Limitation on Sales of Assets and Subsidiary Stock*”), unless:

- (1) immediately after giving effect to that transaction, no Default or Event of Default shall have occurred and be continuing; and
- (2) either:
 - (a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under its Subsidiary Guarantee, the Indenture, the Intercreditor Agreement and the Security Documents to which such Guarantor is a party pursuant to agreements reasonably satisfactory to the Trustee; or
 - (b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company or a Issuer, as the case may be, under the Indenture, and upon such substitution, the predecessor Company or Issuer will be released from its obligations under the Indenture and the Notes, but, in the case of a lease of all or substantially all its assets, the predecessor Company or Issuer will not be released from the obligation to pay the principal of and interest on the Notes.

Although there is a limited body of case law interpreting the phrase “substantially all”, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

Notwithstanding clause (3) of the second paragraph of this covenant (which does not apply to transactions referred to in this paragraph), (x) any Restricted Subsidiary (including Unitymedia NRW) may consolidate with, merge into or transfer all or part of its properties and assets to the Company or another Restricted Subsidiary and (y) the Company may merge with an Affiliate incorporated solely for the purpose of reincorporating the Company in another jurisdiction to realize tax benefits; *provided* that, in the case of a Restricted Subsidiary that merges into the Company, the Company will not be required to comply with clause (4) of the second paragraph of this covenant.

Impairment of Security Interests

No Grantor shall and the Company shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the holders, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Trustee, for the benefit of the Trustee and the holders and the other beneficiaries described in the Security Documents, any interest whatsoever in any of the Collateral, except that the Company or its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged and released in accordance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement; *provided, however*, that, except with respect to any discharge or release of Collateral in accordance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement or in connection with the Incurrence of Liens for the benefit of the Trustee and holders of Notes or otherwise as described in the second to last paragraph under “*Description of Other Indebtedness — Intercreditor Agreement — Release of the Security and Guarantees*”, no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless contemporaneously with any such action, the Company delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (2) an Opinion of Counsel,

in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the Security Documents, as applicable, so amended, extended, renewed, restated, supplemented, modified or replaced, are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement. In the event that the Company complies with the requirements of this covenant, the Trustee shall (subject to customary protections and indemnifications from the Issuer) consent to such amendments without the need for instructions from the holders.

Additional Security Interests

The Company will, and will cause its Restricted Subsidiaries to, ensure that all bank accounts (subject to materiality thresholds and certain exceptions) of the Company and its Restricted Subsidiaries (whether now existing or hereinafter created) are subject to valid first-ranking Security Interests for the benefit of the Trustee and the holders of the Notes.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Company, in connection with the Incurrence by the Issuer or any Subsidiary Guarantor of any (a) Indebtedness permitted pursuant to the first paragraph of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*” or clause (1), (7) (in the case of (7), to the extent such Indebtedness is Incurred under an Interest Rate Agreement or Currency Agreement in respect of Indebtedness Incurred under any such other paragraph or clause referred to in the preceding part of this clause (1)), or (16) of the second paragraph of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*”, (b) Indebtedness represented by the Senior Notes and any Indebtedness that is permitted to be Incurred pursuant to clause (15) of the second paragraph of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*” and (c) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a) and (b), the Issuer, the relevant Guarantors and the Trustee shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement, including a restatement, amendment or other modification of an existing intercreditor agreement (an “Additional Intercreditor Agreement”), on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the holders), including containing substantially the same terms with respect to the subordination, payment blockage, limitation on enforcement and release of Guarantees, priority and release of the Security Interest or other terms which become customary for similar agreements; *provided, further*, that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or adversely affect the personal rights, duties, liabilities or immunities of the Trustee under the Indenture or the Intercreditor Agreement.

The Indenture will also provide that, in relation to the Intercreditor Agreement or an Additional Intercreditor Agreement, the Trustee shall consent on behalf of the holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described under “— *Certain Covenants — Limitation on Restricted Payments*”.

Suspension of Covenants on Achievement of Investment Grade Status

If, during any period after the Issue Date, the Notes have achieved and continue to maintain Investment Grade Status and no Event of Default has occurred and is continuing (such period hereinafter referred to as an “Investment Grade Status Period”), then the covenants in the Indenture described under “— *Limitation on Indebtedness*”, “— *Limitation on Restricted Payments*”, “— *Limitation on Restrictions on Distributions from Restricted Subsidiaries*”, “— *Limitation on Sales of Assets and Subsidiary Stock*”, “— *Limitation on Affiliate Transactions*”, and under “— *Change of Control*”, the provisions of clause (3) of the first paragraph of the covenant described under “— *Merger and Consolidation*” and any related default provisions of the Indenture will be suspended and will not, during such Investment Grade Status Period, be applicable to the Issuer and its Restricted Subsidiaries. As a result, during any such Investment Grade Status Period, the Notes will lose the covenant protection initially provided under the Indenture. No action taken during an Investment Grade Status Period or prior to an Investment Grade Status Period in compliance with the covenants then applicable will require reversal or constitute a default under the Notes in the event that suspended covenants are subsequently reinstated or suspended, as the case may be. An

Investment Grade Status Period will terminate immediately upon the failure of the Notes to maintain Investment Grade Status. The Company will promptly notify the Trustee in writing of any failure of the Notes to maintain Investment Grade Status.

Events of Default

Each of the following is an “Event of Default” under the Indenture:

- (1) default in any payment of interest or Additional Amounts on any Note when due, which has continued for 30 days;
- (2) default in the payment of principal of or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase or otherwise;
- (3) failure by any Issuer or any Guarantor to comply with its obligations under “— *Certain Covenants — Merger and Consolidation*”;
- (4) failure by any Issuer or any Guarantor to comply for 30 days after notice with any of its obligations under the covenants described under “*Certain Covenants*” above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above and other than a failure to comply with “— *Certain Covenants — Merger and Consolidation*” which are covered by clause (3) above);
- (5) failure by any Issuer or any Guarantor to comply for 60 days after notice with its other agreements contained in the Notes or the Indenture;
- (6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by an Issuer, a Guarantor or any of the Restricted Subsidiaries (or the payment of which is guaranteed by an Issuer, a Guarantor or any of the Restricted Subsidiaries), other than Indebtedness owed to an Issuer, a Guarantor or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default:
 - (a) is caused by a failure to pay principal of such Indebtedness at its Stated Maturity prior to the expiration of the grace period provided in such Indebtedness (“payment default”); or
 - (b) results in the acceleration of such Indebtedness prior to its maturity (the “cross acceleration provision”);and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25.0 million or more;
- (7) certain events of bankruptcy, insolvency or reorganization of an Issuer, a Guarantor or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the “bankruptcy provisions”);
- (8) failure by an Issuer, a Guarantor or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary, to pay final judgments aggregating in excess of €25.0 million (net of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days (the “judgment default provision”);
- (9) any Subsidiary Guarantee of a Significant Subsidiary ceases to be in full force and effect (except in accordance with the terms of the Indenture) or is declared invalid or unenforceable in a judicial proceeding and such Default continues for ten days after the notice specified in the Indenture; or
- (10) any Collateral having a fair market value of in excess of €20.0 million shall, at any time, cease to be in full force and effect other than as a result of its release in accordance with the Indenture and the Security Documents or any security interest created thereunder shall be declared invalid or unenforceable in a judicial proceeding and such Default continues for ten days after the notice specified in the Indenture.

However, a default under clauses (4), (5), (9) or (10) of this paragraph will not constitute an Event of Default until the Trustee or the holders of 25% in principal amount of the outstanding Notes notify the Company of the default and the Company does not cure such default within the time specified in clauses (4), (5), (9) or (10) of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (7) above) occurs and is continuing, the Trustee by notice to the Company, or the holders of at least 25% in principal amount of the outstanding Notes by notice to the Company and the Trustee, may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, if any, and Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest and Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (6) under “*Events of Default*” has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (6) shall be remedied or cured by the Company or a Restricted Subsidiary of the Company or waived by the holders of the relevant Indebtedness within 20 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest and Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived. If an Event of Default described in clause (7) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest and Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders. The holders of a majority in principal amount of the outstanding Notes may waive all past defaults (except with respect to non-payment of principal, premium, interest or Additional Amounts) and rescind any such acceleration with respect to the Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the non-payment of the principal of, premium, if any, interest and Additional Amounts, if any, on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and (3) the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses, disbursements and advances.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, interest or Additional Amounts, if any, when due, no holder of Notes may pursue any remedy with respect to the Indenture or the Notes *unless*:

- (1) such holder of Notes has previously given the Trustee written notice that an Event of Default is continuing;
- (2) holders of at least 50% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such holders of Notes have offered the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture provides that in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use under the circumstances in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder of Notes or that would involve the Trustee in personal liability. Prior to taking any action

under the Indenture, the Trustee will be entitled to security or indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The Indenture provides that if a Default occurs and is continuing and is actually known to the Trustee, the Trustee must give notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of principal of, premium, if any, interest or Additional Amounts, if any, on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the holders. In addition, the Company is required to deliver to the Trustee, within 90 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Company is taking or proposing to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions, the Indenture, the Notes, the Intercreditor Agreement and the Security Documents may be amended or supplemented with the consent of the holders of a majority in principal amount of the Notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any past default or compliance with any provisions of the Indenture, the Notes, the Intercreditor Agreement and the Security Documents may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) *provided, however* that if any amendment, waiver or other modification will only affect the Floating Rate Notes, the Euro Fixed Rate Notes or Dollar Fixed Rate Notes only the consent of the holders of at least a majority in principal amount of the then outstanding Floating Rate Notes, Euro Fixed Rate Notes or Dollar Fixed Rate Notes (and not the consent of at least a majority of all Notes then outstanding), as the case may be, shall be required. However, unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (*provided, however* that if any amendment, waiver or other modification will only affect the Floating Rate Notes, the Euro Fixed Rate Notes or Dollar Fixed Rate Notes only the consent of the holders of at least 90% of the aggregate principal amount of the then outstanding Floating Rate Notes, Euro Fixed Rate Notes or Dollar Fixed Rate Notes (and not the consent of at least 90% of the aggregate principal amount of all Notes then outstanding)), an amendment may not:

- (1) reduce the principal amount of Notes whose holders must consent to an amendment or waiver;
- (2) reduce the stated rate of or extend the stated time for payment of interest or Additional Amounts on any Note;
- (3) reduce the principal of or extend the Stated Maturity of any Note;
- (4) whether through an amendment or waiver of provisions in the covenants, definitions or otherwise (i) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed as described above under “— *Optional Redemption*” or (ii) reduce the premium payable upon repurchase of any Note or change the time at which any Note is to be repurchased as described under “— *Certain Covenants — Change of Control*” or “— *Certain Covenants — Limitation on Sales of Assets and Subsidiary Stock*” at any time after the obligation to repurchase has arisen;
- (5) make any Note payable in money other than that stated in the Note;
- (6) impair the right of any holder to receive payment of, premium, if any, principal of or interest or Additional Amounts, if any, on such holder’s Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder’s Notes;
- (7) release any Guarantor that is a Significant Subsidiary or a Parent Guarantor from any of its obligations (or modify such obligations in any manner adverse to the holders) under any Note Guarantee or the Indenture, as applicable, except in accordance with the terms of the Indenture and the Intercreditor Agreement;
- (8) release the security interest granted for the benefit of the holders in any Collateral (to the extent any Collateral so released in any transaction or series of transactions has a fair market value in excess of €20.0 million) other than pursuant to the terms of the Security Documents, the

Intercreditor Agreement, any applicable Additional Intercreditor Agreement or as otherwise permitted by the Indenture; or

- (9) make any change in the amendment or waiver provisions described in this sentence.

Notwithstanding the foregoing, without the consent of any holder, the Issuers, the Company and the Trustee may amend the Indenture, the Notes, the Intercreditor Agreement and the Security Documents to:

- (1) cure any ambiguity, omission, defect or inconsistency;
- (2) provide for the assumption by a Successor Company of the obligations of an Issuer under the Indenture, the Notes, the Intercreditor Agreement and the Security Documents;
- (3) provide for uncertificated Notes in addition to or in place of certificated Notes;
- (4) add guarantees with respect to the Notes;
- (5) secure the Notes;
- (6) add to the covenants of the Issuers for the benefit of the holders or surrender any right or power conferred upon the Issuers;
- (7) in the case of the Indenture, make any change that does not adversely affect the rights of any holder;
- (8) release the Security as provided by the terms of the Indenture;
- (9) issue Additional Notes;
- (10) give effect to Permitted Collateral Liens;
- (11) evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof; or
- (12) to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is permitted by the Indenture and the Security Documents.

In formulating its opinion on such matters, the Trustee shall be entitled to require and rely on such evidence as it deems appropriate, including an Opinion of Counsel and an Officers' Certificate.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender. After an amendment under the Indenture becomes effective, the Company is required to mail to the holders a notice briefly describing such amendment. For so long as the Notes are listed on the Luxembourg Stock Exchange and the guidelines of such Stock Exchange so require, the Company will notify the Luxembourg Stock Exchange of any such amendment, supplement and waiver.

Defeasance

The Issuers at any time may terminate all their obligations under the Notes and the Indenture ("legal defeasance"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes.

The Issuers at any time may terminate their obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) under the second paragraph of "*— Certain Covenants — Merger and Consolidation*") and the default provisions relating to such covenants under "*— Events of Default*" above, the operation of the cross- default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision described under "*— Events of Default*" above and the limitations contained in clauses (3) and (4) under the second paragraph of "*— Certain Covenants — Merger and Consolidation*" above ("covenant defeasance").

The Issuers may exercise their legal defeasance option notwithstanding their prior exercise of their covenant defeasance option. If the Issuers exercise their legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuers exercise their covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clauses (4), (5), (6), (7) (with respect only to Significant Subsidiaries), (8) or (9) under

“— *Events of Default*” above or because of the failure of any Issuer to comply with clauses (3) or (4) under the second paragraph of “— *Certain Covenants — Merger and Consolidation*” above.

In order to exercise either defeasance option, the Issuers must irrevocably deposit in trust (the “defeasance trust”) with the Trustee euro, euro-denominated European Government Obligations or a combination thereof (in the case of the Euro Notes) and dollars, dollar-denominated U.S. Government Obligations or a combination thereof (in the case of the Fixed Rate Dollar Notes) for the payment of principal, premium, if any, interest and Additional Amounts, if any, on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including, among other things, delivery to the Trustee of an Opinion of Counsel (subject to customary exceptions and exclusions) to the effect that holders of the Notes will not recognize income, gain or loss for United States Federal income tax purposes as a result of such deposit and defeasance and will be subject to United States Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable United States Federal income tax law.

Satisfaction and Discharge

The Indenture, the Security Documents and the rights, duties and obligations of the Trustee and the holders under the Intercreditor Agreement or any Additional Intercreditor Agreement will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

- (1) either:
 - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuers, have been delivered to a Paying Agent or Registrar for cancellation; or
 - (b) (i) all Notes that have not been delivered to a Paying Agent or Registrar for cancellation (x) have become due and payable by reason of the mailing of a notice of redemption or otherwise or (y) will become due and payable within one year and (ii) the Issuers or a Guarantor have irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, with respect to the Euro Notes, cash, Cash Equivalents, European Government Obligations or a combination thereof, in each case, denominated in euros and, with respect to the Fixed Rate Dollar Notes, cash, Cash Equivalents, U.S. Government Obligations or a combination thereof, in each case, denominated in U.S. dollars, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to a Paying Agent or Registrar for cancellation for principal, premium and Additional Amounts (if any) and accrued interest to the date of maturity or redemption;
- (2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which an Issuer or a Guarantor is a party or by which an Issuer or a Guarantor is bound;
- (3) the Issuers or the Guarantor(s) have paid or caused to be paid all other amounts payable by it under the Indenture; and
- (4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuers must deliver to the Trustee an Officer’s Certificate and an opinion of counsel, in each case, stating that all conditions precedent to satisfaction and discharge have been satisfied.

Currency Indemnity

The sole currency of account and payment for all sums payable by the Issuers under the Indenture with respect to Euro Notes is euro and with respect to the Fixed Rate Dollar Notes is U.S. dollars. Any amount received or recovered in a currency other than euros or U.S. dollars, as the case may be, in respect

of the Notes (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company, any Subsidiary or otherwise) by the holder in respect of any sum expressed to be due to it from the Issuers will constitute a discharge of the Issuers only to the extent of the euro or U.S. dollar amount, as the case may be, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If that euro or U.S. dollar amount, as the case may be, is less than the euro or U.S. dollar amount, as the case may be, expressed to be due to the recipient under any Note, the Issuers will indemnify the recipient against any loss sustained by it as a result. In any event the Issuers will indemnify the recipient against the cost of making any such purchase.

For the purposes of this indemnity, it will be sufficient for the holder to certify that it would have suffered a loss had an actual purchase of euro or U.S. dollars, as the case may be, been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro or U.S. dollars, as the case may be, on such date had not been practicable, on the first date on which it would have been practicable). These indemnities constitute a separate and independent obligation from the other obligations of the Issuers, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any holder and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Listing

The Issuers will apply to list the Notes on the Official List of the Luxembourg Stock Exchange and will use all reasonable efforts to have the Notes admitted to trading on the Luxembourg Stock Exchange within a reasonable period after the Issue Date and will maintain such listing as long as the Notes are outstanding; *provided, however*, that if the Issuers can no longer maintain such listing or it becomes unduly burdensome to make or maintain such listing (for the avoidance of doubt, preparation of financial statements in accordance with IFRS or any accounting standard other than IFRS and any other standard pursuant to which the Issuer then prepares its financial statements shall be deemed unduly burdensome), the Issuers may cease to make or maintain such listing on the Luxembourg Stock Exchange *provided* that the Issuers will use their reasonable best efforts to obtain and maintain the listing of the Notes on another recognized listing exchange for high yield issuers (which may be a stock exchange that is not regulated by the European Union). There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes on the Euro MTF Market will be approved and settlement of the Notes is not conditioned on obtaining this listing.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange shall so require, copies of the financial statements included in these Listing Particulars may be obtained, free of charge, during normal business hours at the offices of the Paying Agent.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator, member or stockholder of the Company any of its parent companies or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuers under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver and release may not be effective to waive liabilities under the United States federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Consent to Jurisdiction and Service of Process

The Indenture will provide that the Issuers and each Guarantor will irrevocably appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Security Documents, as the case may be, brought in any federal or state court located in the Borough of Manhattan in the City of New York and that each of the parties submit to the jurisdiction thereof. If for any reason CT Corporation System is unable to serve in such capacity, the Issuers and such Guarantor shall appoint another agent reasonably satisfactory to the Trustee.

Concerning the Trustee

The Bank of New York Mellon, London Branch will be the Trustee, Principal Paying Agent, Transfer Agent and Calculation Agent with regard to the Notes. The Bank of New York Mellon (Luxembourg) S.A. will be Registrar with regard to the Notes.

Governing Law

The Indenture will provide that it and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Notices

Notices to the holders regarding the Notes will be sent by the Company through the newswire service of Bloomberg (or if Bloomberg does not operate, any similar agency). So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange and, in connection with any redemption, the Company will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding. Additionally, in the event the Notes are in the form of Definitive Notes, notices will be sent, by first class mail, with a copy to the Trustee, to each holder of the Notes at such holder's address as it appears on the registration books of the Registrar. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. If and so long as such Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange. Notices given by publication will be deemed given on the first date on which publication is made and notices given by first class mail, postage prepaid, will be deemed given five calendar days after mailing.

Prescription

Claims against the Issuers for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuers for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Certain Definitions

"Acquired Indebtedness" means Indebtedness (i) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or (ii) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such acquisition. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (i) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (ii) of the preceding sentence, on the date of consummation of such acquisition of assets.

"Additional Assets" means:

- (1) any property or assets (other than Indebtedness and Capital Stock) to be used by the Issuer or a Restricted Subsidiary in a Related Business or are otherwise useful in Related Business (it being understood that capital expenditure on property or assets already used in a Related Business or to replace any property or assets that are the subject of such Asset Disposition or any operating expenses Incurred in the day-to-day operations of a Related Business shall be deemed an Investment in Additional Assets);
- (2) the Capital Stock of a Person that is engaged in a Related Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary of the Company; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Company.

“Affiliate” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Applicable Premium” means, in the case of the Fixed Rate Euro Notes, the Euro Applicable Premium and, in the case of the Fixed Rate Dollar Notes, the Dollar Applicable Premium.

“Asset Disposition” means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than an operating lease entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “disposition”) by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction.

Notwithstanding the preceding, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary (other than a Receivables Entity) to a Restricted Subsidiary;
- (2) the sale or disposition of cash or of Cash Equivalents or Investment Grade Securities in the ordinary course of business;
- (3) a disposition of inventory, trading stock, communications capacity or other assets in the ordinary course of business;
- (4) a disposition of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries and that is disposed of in each case in the ordinary course of business;
- (5) transactions permitted under “— *Certain Covenants — Merger and Consolidation*”;
- (6) an issuance of Capital Stock by a Restricted Subsidiary of the Company to the Company or to another Restricted Subsidiary;
- (7) for purposes of “— *Certain Covenants — Limitation on Sales of Assets and Subsidiary Stock*” only, the making of a Permitted Investment or a disposition subject to “*Certain Covenants — Limitation on Restricted Payments*”;
- (8) dispositions of assets in a single transaction or series of related transactions with an aggregate fair market value in any calendar year of less than €10.0 million (with unused amounts in any calendar year being carried over to the next succeeding year subject to a maximum of €10.0 million of carried over amounts for any calendar year);
- (9) dispositions in connection with Permitted Liens;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (11) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases or subleases of other property;
- (12) foreclosure, condemnation or similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) sales of accounts receivable and related assets or an interest therein of the type specified in the definition of “Qualified Receivables Transaction” to a Receivables Entity;
- (15) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

- (17) disposals of assets, rights or revenue not constituting part of the Distribution Business of the Issuer and its Restricted Subsidiaries;
- (18) disposals of other interests in other entities in an amount not to exceed €5.0 million; and
- (19) any other disposal of assets comprising in aggregate percentage value of 10% or less of the Total Assets of the Company and its Restricted Subsidiaries as set forth in the consolidated financial statements of the Company as of September 30, 2009.

“Average Life” means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (2) the sum of all such payments.

“Bank Indebtedness” means any and all amounts, whether outstanding on the Issue Date or Incurred after the Issue Date, payable under or in respect of any Credit Facility (other than any refunding, replacement, restructuring or refinancing thereof) and any related notes, collateral documents, letters of credit and guarantees and any Interest Rate Agreement entered into in connection with any Credit Facility, including principal, premium, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization at the rate specified therein whether or not a claim for post filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

“Board of Directors” means, as to any Person, the board of directors of such Person or any duly authorized committee thereof; *provided*, any action required to be taken under the Indenture by the Board of Directors of the Company can, in the alternative, at the option of the Company, be taken by the Board of Directors of the Ultimate Parent.

“Bund Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

- (1) “Comparable German Bund Issue” means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to March 15, 2015 and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Fixed Rate Euro Notes and of a maturity most nearly equal to March 15, 2015; provided, however, that, if the period from such redemption date to March 15, 2015 is not equal to the fixed maturity of the German Bundesanleihe security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German Bundesanleihe securities for which such yields are given, except that if the period from such redemption date to March 15, 2015, is less than one year, a fixed maturity of one year shall be used;
- (2) “Comparable German Bund Price” means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) “Reference German Bund Dealer” means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and
- (4) “Reference German Bund Dealer Quotations” means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Issuer in good faith of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3.30 p.m. Frankfurt, Germany, time on the third Business Day preceding the redemption date.

“Business Day” means each day that is not a Saturday, Sunday or other day on which banking institutions in Luxembourg, Frankfurt, Germany, New York, New York or London, England are authorized or required by law to close.

“Capital Stock” of any Person means any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

“Capitalized Lease Obligation” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“Cash Equivalents” means:

- (1) securities issued or directly and fully guaranteed or insured by the United States Government or a member state of the European Union as of January 1, 2004 (each a “Qualified Country”) or any agency or instrumentality thereof (*provided* that the full faith and credit of such Qualified Country is pledged in support thereof), having maturities of not more than one year from the date of acquisition;
- (2) marketable general obligations issued by any political subdivision of any Qualified Country or any public instrumentality thereof maturing within one year from the date of acquisition of the United States (*provided* that the full faith and credit of the Qualified Country is pledged in support thereof) and, at the time of acquisition, having a credit rating of “A2” or better from either Standard & Poor’s Ratings Services or Moody’s Investors Service, Inc.;
- (3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to any Credit Facility or by any bank or trust company (x) the long-term debt of which is rated at the time of acquisition thereof at least “A” or the equivalent thereof by Standard & Poor’s Ratings Services, or “A” or the equivalent thereof by Moody’s Investors Service, Inc. (or if at the time neither is issuing comparable ratings, then a comparable rating of another nationally recognized rating agency);
- (4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1), (2) and (3) entered into with any bank meeting the qualifications specified in clause (3) above;
- (5) commercial paper rated at the time of acquisition thereof at least “A-2” or the equivalent thereof by Standard & Poor’s Ratings Services or “P-2” or the equivalent thereof by Moody’s Investors Service, Inc., or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and
- (6) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (5) above.

“Change of Control” means:

- (1) UGC (a) ceases to be the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company and (b) ceases, by virtue of any powers conferred by the articles of association or other documents regulating the Company to, directly or indirectly, direct or cause the direction of management and policies of the Company;
- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) other than a Permitted Holder;
- (3) the adoption by the stockholders of any Issuer of a plan or proposal for the liquidation or dissolution of such Issuer, other than a transaction complying with the covenant described under “— *Certain Covenants — Merger and Consolidation*”; or

- (4) either (a) the consummation of any transaction (including, without limitation, any merger, consolidation, scheme of arrangement or amalgamation), the result of which is that Liberty Global Europe Financing B.V., UPC Holding and/or any of their Subsidiaries becomes the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, (b) the direct or indirect sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole to Liberty Global Europe Financing B.V., UPC Holding and/or any of their Subsidiaries or (c) Unitymedia ceases to own, directly or indirectly, all of the Capital Stock of the Company.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Collateral” means any assets in which a security interest has been or will be granted pursuant to any Security Document to secure the Obligations under the Indenture, the Notes or any Guarantee.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or nonvoting) of such Person’s common stock whether or not outstanding on the Issue Date, and includes, without limitation, all series and classes of such common stock.

“Consolidated EBITDA” means, for any period, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization expense;
- (5) any reasonable expenses, charges or other costs related to any Equity Offering, Permitted Investment, acquisition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture, in each case, as determined in good faith by an Officer of the Issuer and without duplication of any amounts excluded under clause (3) of the definition of “Consolidated Net Income”; and
- (6) other non-cash charges reducing Consolidated Net Income (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash charges in any future period) less other non- cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash payments in any future period),

Notwithstanding the foregoing, the provision for taxes and the depreciation, amortization and non-cash items of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income or loss of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be distributed to the Company by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, governmental rules and regulations applicable to such Restricted Subsidiary or its shareholders (other than any restriction specified in sub-clauses (a) through (e) of clause (2) of the definition of “Consolidated Net Income”).

“Consolidated Income Taxes” means taxes based on income, profits or capital of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority taken into account in calculating Consolidated Net Income.

“Consolidated Interest Expense” means, for any period the consolidated net interest income/expense of the Company and its Restricted Subsidiaries (in each case, determined on the basis of IFRS), whether paid or accrued, including any such interest and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations;
- (2) amortization of debt discount and debt issuance cost;
- (3) non-cash interest expense;

- (4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;
- (5) costs associated with Hedging Obligations;
- (6) dividends on other distributions in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a Subsidiary of the Company;
- (7) the consolidated interest expense that was capitalized during such period; and
- (8) interest actually paid by the Company or any Restricted Subsidiary, under any Guarantee of Indebtedness or other obligation of any other Person.

“Consolidated Leverage Ratio”, as of any date of determination, means the ratio of:

- (1) the outstanding Indebtedness (other than (x) Subordinated Shareholder Loans and (y) any Indebtedness which is a contingent obligation of the Company or a Restricted Subsidiary; *provided* that for the purpose of calculating the Consolidated Leverage Ratio for purposes of clause 15(b) of the second paragraph of the covenant under the caption “— *Certain Covenants — Limitation on Indebtedness*”, any guarantee by the Company or any of its Restricted Subsidiaries of Indebtedness of Unitymedia and/or any Parent Guarantor (including, without limitation, any guarantees of the Senior Notes) shall be included in determining any such outstanding Indebtedness) of the Company and its Restricted Subsidiaries on a Consolidated basis, to
- (2) the *Pro forma* EBITDA for the period of the most recent two consecutive fiscal quarters for which financial statements have previously been furnished to holders of the Notes pursuant to the covenant described under “— *Certain Covenants — Reports*”, multiplied by 2.0.

“Consolidated Net Income” means, for any period, net income (loss) of the Company and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) (A) subject to the limitations contained in clause (3) below, any net income (loss) of any Person (other than any Issuer or Guarantor) if such Person is not a Restricted Subsidiary, except that the Issuer’s equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below); and (B) the Company’s equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period will be included in determining such Consolidated Net Income;
- (2) any net income (loss) of any Restricted Subsidiary if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Notes, the Revolving Credit Facility, the Existing Senior Secured Notes or the Senior Notes) and other restrictions with respect to any Restricted Subsidiary that, taken as a whole, are not materially less favorable to the holders than restrictions in effect on the Issue Date and (d) restrictions as in effect on the Issue Date specified in clause (8), or restrictions specified in clause (10), of the second paragraph of the covenant described under “— *Certain Covenants — Limitation on Restrictions on Distributions from Restricted Subsidiaries*”), except that (x) the Company’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause) and (y) the Company’s

equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income;

- (3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors of the Issuer);
- (4) the cumulative effect of a change in accounting principles;
- (5) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards;
- (6) all deferred financing costs written off and premiums paid in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;
- (7) any unrealized gains or losses in respect of Hedging Obligations;
- (8) any goodwill or other intangible asset impairment charge;
- (9) the impact of capitalized interest on Subordinated Shareholder Loan; and
- (10) any derivative instruments gains or losses, foreign exchange gains or losses, and gains or losses associated with fair value adjustment on financial instruments.

“Consolidation” means the consolidation of the accounts of each of the Restricted Subsidiaries with those of the Company in accordance with IFRS consistently applied; *provided, however*, that “Consolidation” will not include consolidation of the accounts of any Unrestricted Subsidiary, but the interest of the Company or any Restricted Subsidiary in an Unrestricted Subsidiary will be accounted for as an investment. The term “Consolidated” has a correlative meaning.

“Credit Facility” means, one or more debt facilities or arrangements (including, without limitation, the Revolving Credit Facility) or commercial paper facilities with banks or other institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions or investors and whether provided under the Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement or instrument (i) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (ii) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (iii) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

“Currency Agreement” means, in respect of a Person, any foreign exchange contract, currency swap agreement, futures contract, option contract, derivative or other similar agreement as to which such Person is a party or a beneficiary.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Disinterested Director” means, with respect to any transaction with an Affiliate, a member of the Board of Directors of a Parent of the Company having no material direct or indirect financial interest in or with respect to such transaction with an Affiliate. A member of the Board of Directors of such Parent of the Company shall not be deemed to have such a financial interest by reason of such member’s holding Capital Stock of the Company or any Parent or any options, warrants or other rights in respect of such Capital Stock.

“Disqualified Stock” means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

- (1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;
- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary); or
- (3) is redeemable at the option of the holder of the Capital Stock in whole or in part, in each case on or prior to the earlier of the date (a) of the Stated Maturity of the Notes or (b) on which there are no Notes outstanding, *provided* that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; *provided, further* that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (each defined in a substantially identical manner to the corresponding definitions in the Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable), *provided* that the Company may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Issuers with the provisions of the Indenture described under the captions “— *Certain Covenants — Change of Control*” and “— *Certain Covenants — Limitation on Sales of Assets and Subsidiary Stock*” and such repurchase or redemption complies with “— *Certain Covenants — Limitation on Restricted Payments*”.

“Distribution Business” means: (1) the business of upgrading, constructing, creating, developing, acquiring, operating, owning, leasing and maintaining cable television networks (including for avoidance of doubt master antenna television, satellite master antenna television, single and multi-channel microwave single or multi-point distribution systems and direct-to-home satellite systems) for the transmission, reception and/or delivery of multi-channel television and radio programming, telephony and internet and/or data services to the residential markets; or (2) any business which is incidental to or related to and, in either case, material to such business.

“Dollar Applicable Premium” means with respect to a Fixed Rate Dollar Note at any redemption date prior to March 15, 2015, the excess of (A) the present value at such redemption date of (1) the redemption price of such Fixed Rate Dollar Note on March 15, 2015 (such redemption price being described under “Optional Redemption — Optional Redemption on or after March 15, 2015” exclusive of any accrued and unpaid interest) plus (2) all required remaining scheduled interest payments due on such Fixed Rate Dollar Note through March 15, 2015 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate plus 50 basis points over (B) the principal amount of such Fixed Rate Dollar Note on such redemption date.

“Enforcement Sale” means (1) any sale or disposition (including by way of public auction) of the Collateral pursuant to an enforcement action taken by the Security Trustee in accordance with the provisions of the Intercreditor Agreement, including on behalf of the Senior Indebtedness Incurred under the Revolving Credit Facility, the holders of the Notes or certain hedging counterparties, to the extent such sale or disposition is effected in compliance with the provisions of the Intercreditor Agreement, or (2) any sale or disposition of the Collateral pursuant to the enforcement of security in favor of other Senior Indebtedness of the Company or its Restricted Subsidiaries which complies with the terms of an Additional Intercreditor Agreement (or if there is no such intercreditor agreement, would substantially comply with the requirements of clause (1) hereof).

“Equity Offering” means a sale of (x) Capital Stock of the Company (other than Disqualified Stock), or (y) Capital Stock of a Parent the proceeds of which are contributed as equity share capital to the Company or (z) Subordinated Shareholder Loans.

“Euro Applicable Premium” means with respect to a Euro Note at any redemption date prior to March 15, 2015, the excess of (A) the present value at such redemption date of (1) the redemption price of such Euro Note on March 15, 2015 (such redemption price being described under “Optional Redemption — Optional Redemption on or after March 15, 2015” exclusive of any accrued and unpaid interest) plus (2) all required remaining scheduled interest payments due on such Euro Note through

March 15, 2015 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate plus 50 basis points over (B) the principal amount of such Euro Note on such redemption date.

“Euro Equivalent” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Company or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the “Currency Rates” section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Company) on the date of such determination.

“European Government Obligations” means any security that is (1) a direct obligation of Ireland, Belgium, the Netherlands, France, The Federal Republic of Germany or any other country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Excluded Contribution” means Net Cash Proceeds or property or assets received by the Company as capital contributions to the Company after the original issue date of the Existing Senior Secured Notes or from the issuance or sale (other than to a Restricted Subsidiary) of Capital Stock (other than Disqualified Stock) of the Company, in each case to the extent designated as an Excluded Contribution pursuant to an Officers’ Certificate of the Company.

“Existing Dollar Senior Secured Notes” refers to Unitymedia Hessen’s and Unitymedia NRW’s \$845 million aggregate principal amount of 8½% Senior Secured Notes due 2017 issued pursuant to an indenture dated November 20, 2009 among, *inter alios*, Unitymedia Hessen, Unitymedia NRW, and The Bank of New York Mellon as trustee.

“Existing Euro Senior Secured Notes” refers to Unitymedia Hessen’s and Unitymedia NRW’s €1,430 million aggregate principal amount of 8½% Senior Secured Notes due 2017 issued pursuant to an indenture dated November 20, 2009 among, *inter alios*, Unitymedia Hessen, Unitymedia NRW and The Bank of New York Mellon as trustee;

“Existing Senior Notes” means the €665 million aggregate principal amount of 9½% Senior Notes due 2019 issued by Unitymedia pursuant to an indenture dated November 20, 2009 among, *inter alia*, Unitymedia, the Guarantors as defined therein and The Bank of New York Mellon as trustee.

“Existing Senior Secured Notes” refers collectively to the Existing Euro Senior Secured Notes and the Existing Dollar Senior Secured Notes.

“Existing Senior Secured Notes Indenture” means the indenture governing the Existing Senior Secured Notes dated November 20, 2009 among, *inter alios*, Unitymedia Hessen, Unitymedia NRW and Bank of New York Mellon, as trustee, as amended or supplemented from time to time.

“fair market value” unless otherwise specified, wherever such term is used in the Indenture (except as otherwise specifically provided in this “Description of the New Senior Secured Notes”), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“GAAP” means generally accepted accounting principles in the United States as in effect on the Issue Date. “Grantor” means any Guarantor and any other person that has pledged Collateral to secure the obligations under the Notes and the Note Guarantees.

“guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by

agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

- (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term “guarantee” will not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning. “guarantor” means the obligor under a guarantee.

“Guarantor” means (1) each of the Parent Guarantors and the Subsidiary Guarantors in its capacity as guarantor of the Notes and (2) each Additional Guarantor in its capacity as an additional guarantor of the Notes.

“Hedging Obligations” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

“holder” means a Person in whose name a Note is registered on the Registrar’s books.

“Holding Company” means, in relation to a person, an entity of which that person is a Subsidiary.

“IFRS” means the accounting standards issued by the International Accounting Standards Board and its predecessors as in effect on the Issue Date. Except as otherwise expressly provided in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in conformity with IFRS. At any time after the Issue Date, the Issuer may elect to apply for all purposes of the Indenture, in lieu of IFRS, GAAP and, upon such election, references to IFRS herein will be construed to mean GAAP as in effect at the Issue Date; *provided* that (1) all financial statements and reports to be provided, after such election, pursuant to the Indenture shall be prepared on the basis of GAAP as in effect from time to time (including that, upon first reporting its fiscal year results under GAAP, the Issuer shall restate its financial statements on the basis of GAAP for the fiscal year ending immediately prior to the first fiscal year for which financial statements have been prepared on the basis of GAAP), and (2) from and after such election, all ratios, computations, and other determinations based on IFRS contained in the Indenture shall still be required to be computed in conformity with IFRS. Thereafter, the Issuer may re-elect to apply for all purposes of the Indenture, in lieu of GAAP, IFRS, subject to the foregoing.

“Incur” means issue, create, assume, guarantee, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms “Incurred” and “Incurrence” have meanings correlative to the foregoing.

“Indebtedness” means, with respect to any Person on any date of determination (without duplication):

- (1) money borrowed or raised and debit balances at banks;
- (2) any bond, note, loan stock, debenture or similar debt instrument;
- (3) acceptance or documentary credit facilities;
- (4) receivables sold or discounted (otherwise than on a non-recourse basis and other than in the normal course of business for collections);
- (5) payments for assets acquired or services supplied deferred for a period of over 180 days (or 360 days if such deferral is in accordance with the terms pursuant to which the relevant assets were or are to be acquired or services were or are to be supplied) after the relevant assets were or are to be acquired or the relevant services were or are to be supplied to the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money;
- (6) Capitalized Lease Obligations (excluding network and duct leases) of such Person;
- (7) any other transaction (including without limitation forward sale or purchase agreements) having the commercial effect of a borrowing or raising of money or any of (2) to (6) above;
- (8) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends); and

- (9) the principal component of Indebtedness of other Persons to the extent guaranteed by such Person,

provided that Indebtedness which has been cash-collateralized shall not be included in any calculation of Indebtedness to the extent so cash-collateralized.

Notwithstanding the foregoing, “Indebtedness” shall not include any deposits or prepayments received by the Issuer or a Restricted Subsidiary from a customer or subscriber for its service. The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

“Independent Financial Advisor” means an accounting, appraisal or investment banking firm of nationally recognized standing that is, in the good faith judgment of the Company, qualified to perform the task for which it has been engaged.

“Intercreditor Agreement” refers to the intercreditor agreement dated November 20, 2009 (as amended from time to time) among, inter alios, UPC Germany Holding B.V., UPC Germany, Unitymedia and Credit Suisse AG, London Branch, as security agent;

“Interest Rate Agreement” means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

“Investment” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan (other than advances or extensions of credit to customers in the ordinary course of business) or other extensions of credit (including by way of guarantee or similar arrangement, but excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS; *provided* that none of the following will be deemed to be an Investment:

- (1) Hedging Obligations entered into in the ordinary course of business and in compliance with the Indenture;
- (2) endorsements of negotiable instruments and documents in the ordinary course of business; and
- (3) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists of Common Stock of the Issuer.

For purposes of the definition of “Unrestricted Subsidiary” and “— *Certain Covenants — Limitation on Restricted Payments*”,

- (1) “Investment” will include the portion (proportionate to the Company’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Company will be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Company’s “Investment” in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Company’s equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors of the Company in good faith) of such Subsidiary at the time that such Subsidiary is so redesignated a Restricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Company.

If the Company or a Restricted Subsidiary transfers, conveys, sells, leases or otherwise disposes of Voting Stock of a Restricted Subsidiary such that such Subsidiary is no longer a Restricted Subsidiary, then the Investment of the Company in such Person shall be deemed to have been made as of the date of such

transfer or other disposition in an amount equal to the fair market value (as determined by the Board of Directors of the Issuer in good faith).

“Investment Grade Securities” means:

- (1) securities issued by the U.S. government or by any agency or instrumentality thereof (other than Cash Equivalents) or directly and fully guaranteed or insured by the U.S. government and in each case with maturities not exceeding two years from the date of the acquisition;
- (2) securities issued by or a member of the European Union as of January 1, 2004, or any agency or instrumentality thereof (other than Cash Equivalents) or directly and fully guaranteed or insured by a member of the European Union as of January 1, 2004, and in each case with maturities not exceeding two years from the date of the acquisition;
- (3) debt securities or debt instruments with a rating of A or higher by Standard & Poor’s Ratings Services or A-2 or higher by Moody’s Investors Service, Inc. or the equivalent of such rating by such rating organization, or if no rating of Standard & Poor’s Ratings Services or Moody’s Investors Service, Inc. then exists, the equivalent of such rating by any other nationally recognized securities ratings agency, by excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries;
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1) through (3) which fund may also hold immaterial amounts of cash and Cash Equivalents pending investment and/or distribution; and
- (5) corresponding instruments in countries other than those identified in clauses (1) and (2) above customarily utilized for high quality investments and, in each case, with maturities not exceeding two years from the date of the acquisition.

“Investment Grade Status” shall occur when the Notes receive both of the following:

- (1) a rating of “Baa3” (or the equivalent) or higher from Moody’s Investors Service, Inc. or any of its successors or assigns; and
- (2) a rating of “BBB-” (or the equivalent) or higher from Standard & Poor’s Ratings Services, or any of its successors or assigns, in each case, with a “stable outlook” from such rating agency. “Issue Date” means the date of first issuance of the Notes.

“Liberty” means Liberty Global, Inc., a Delaware corporation, and any successor (by merger, consolidation, transfer, conversion of legal form or otherwise) to all or substantially all of its assets.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“Management Fees” means any management, consultancy or similar fees payable by the Company or any Restricted Subsidiary.

“Net Available Cash” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition; and

- (4) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

“Net Cash Proceeds”, with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

“New Senior Notes” means the €680 million aggregate principal amount of 9½% Senior Notes due 2021 to be issued by Unitymedia on the Issue Date.

“Non-Recourse Debt” means Indebtedness of a Person:

- (1) as to which neither the Company nor any Restricted Subsidiary (a) provides any guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise);
- (2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Company or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and
- (3) the explicit terms of which provide there is no recourse against any of the assets of the Company or its Restricted Subsidiaries.

“Officer” of any Person means the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, any Managing Director, the Treasurer or the Secretary of such Person.

“Officers’ Certificate” means a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company or the Trustee.

“Parent” means the Ultimate Parent, any Subsidiary of the Ultimate Parent of which the Company is a Subsidiary on the Issue Date and any other Person of which the Company at any time is or becomes a Subsidiary after the Issue Date.

“Parent Expenses” means:

- (1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, applicable rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Company or any Restricted Subsidiary;
- (2) indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person with respect to its ownership or the Company or the conduct of the business of the Company and its Restricted Subsidiaries;
- (3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) with respect to its ownership or the Company or the conduct of the business of the Issuer and its Restricted Subsidiaries; and
- (4) general corporate overhead expenses, including professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Company or any of its Restricted Subsidiaries, including acquisitions by the Company or its Subsidiaries permitted hereunder (whether or not successful), in each case, to the extent such costs, obligations and/or expenses are not paid by another Subsidiary of such Parent.

“Pari Passu Indebtedness” means Indebtedness of the Company that ranks equally or junior in right of payment with the Notes.

“Permitted Asset Swap” means the concurrent purchase and sale or exchange of related business assets or a combination of related business, cash and Cash Equivalents between the Company or any of its Restricted Subsidiaries and another Person.

“Permitted Business” means any business:

- (1) that consists of the upgrade, construction, creation, development, marketing, acquisition (to the extent permitted under this Indenture), operation, utilization and maintenance of networks that use existing or future technology for the transmission, reception and delivery of voice, video and/or other data (including networks that transmit, receive and/or deliver services such as multi-channel television and radio, programming, telephony, Internet services and content, high speed data transmission, video, multi-media and related activities); or
- (2) that supports, is incidental to or is related to any such business; or
- (3) that comprises being a Holding Company of one or more persons engaged in such business.

“Permitted Collateral Liens” means:

- (1) Liens on the Collateral arising by operation of law that are described in one or more of clauses (4), (5) and (10) of the definition of “Permitted Liens” and that, in each case, would not materially interfere with the ability of the Security Trustee to enforce the security interest in the Collateral;
- (2) Liens on the Collateral to secure (a) any Additional Notes, (b) Senior Indebtedness of the Company or any Guarantor that is permitted to be Incurred under the first paragraph of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*” or clauses (1), (3), or (12) (in the case of (12), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens) of the second paragraph of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*”, (c) Hedging Obligations Incurred by the Company or any Subsidiary Guarantor for *bona fide* hedging purposes (as determined in good faith by the Board of Directors or senior management of the Company) in respect of the Notes, Senior Notes, Indebtedness to the extent such Indebtedness is secured with a Permitted Collateral Lien pursuant to clause (2) of this definition of Permitted Collateral Liens, Indebtedness of the type that can be secured by a Permitted Collateral Lien pursuant to clause (3) of this definition of Permitted Collateral Liens below or Indebtedness incurred under clause (16) of the second paragraph of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*” and in the case of each of the foregoing substantially correspond in terms of notional amount, currencies and interest rates, as applicable, to such Notes, Senior Notes and such other Indebtedness and (d) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a), (b) and (c); *provided, however*, that (i) such Lien ranks equal to all other Liens on such Collateral securing Senior Indebtedness of such Issuer or such Guarantor, as applicable, if such Indebtedness is Senior Indebtedness of such Issuer or such Subsidiary Guarantor, as applicable (except that Indebtedness incurred under clause (1) of the second paragraph of the covenant described under “— *Certain Covenants — Limitations on Indebtedness*” or Hedging Obligations incurred pursuant to the preceding clause (c) of this definition of Permitted Collateral Liens may receive priority as to enforcement proceeds from such Collateral) and (ii) the holders of Indebtedness referred to in this clause (2) (or their duly authorized Representatives) shall accede to the Intercreditor Agreement (as may be amended to reflect such Senior Indebtedness) or enter into an Additional Intercreditor Agreement, in either case, as permitted above under the caption “— *Certain Covenants — Additional Intercreditor Agreement*”; and
- (3) Liens on the Collateral constituting a pledge of the Capital Stock of Unitymedia Management, Unitymedia Verwaltung and the Company to secure (a) any Indebtedness of Unitymedia or any Parent Guarantor that is permitted to be guaranteed by the Issuers or any Guarantor pursuant to clause (15) of the second paragraph of the covenant described under “— *Certain Covenants — Limitations on Indebtedness*”, and (b) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (a); *provided, however*, that (i) such Lien ranks junior to all Liens on such Collateral securing the Notes and Guarantees on substantially the same terms as the Liens on such Collateral rank with respect to the Senior Notes and guarantees thereof and

(ii) the holders of Indebtedness referred to in this clause (1) (or their duly authorized Representatives) shall accede to the Intercreditor Agreement (as may be amended to reflect such Indebtedness) or enter into an Additional Intercreditor Agreement, in either case, as permitted above under the caption “— *Certain Covenants — Additional Intercreditor Agreement*”.

“Permitted Holders” means, collectively, (1) Liberty, (2) any Affiliate or Related Person of a Permitted Holder described in clause (1) above, and any successor to such Permitted Holder, Affiliate, or Related Person and (3) any Person who is acting as an underwriter in connection with any public or private offering of Capital Stock of the Company, acting in such capacity.

“Permitted Investment” means an Investment by the Company or any Restricted Subsidiary in:

- (1) the Issuer or a Restricted Subsidiary (other than a Receivables Entity) or a Person which will, upon the making of such Investment, become a Restricted Subsidiary (other than a Receivables Entity);
- (2) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary (other than a Receivables Entity);
- (3) cash and Cash Equivalents or Investment Grade Securities;
- (4) receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;
- (5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) loans or advances to employees made in the ordinary course of business consistent with past practices of the Company or such Restricted Subsidiary;
- (7) Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including without limitation an Asset Disposition, in each case, that was made in compliance with “— *Certain Covenants — Limitation on Sales of Assets and Subsidiary Stock*”;
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;
- (10) Currency Agreements and Interest Rate Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with “— *Certain Covenants — Limitation on Indebtedness*”;
- (11) Investments by the Company or any of its Restricted Subsidiaries, together with all other Investments pursuant to this clause (11), in an aggregate amount at the time of such Investment not to exceed 2.0% of Total Assets at any one time, *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under “— *Certain Covenants — Limitation on Restricted Payments*”, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause;
- (12) Investments by the Company or a Restricted Subsidiary in a Receivables Entity or any Investment by a Receivables Entity in any other Person, in each case, in connection with a Qualified Receivables Transaction, *provided, however*, that any Investment in any such Person is in the form of a Purchase Money Note, or any equity interest or interests in Receivables and related assets

generated by the Issuer or a Restricted Subsidiary and transferred to any Person in connection with a Qualified Receivables Transaction or any such Person owning such Receivables;

- (13) guarantees issued in accordance with “— *Certain Covenants — Limitation on Indebtedness*”;
- (14) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “— *Certain Covenants — Limitation on Liens*”;
- (15) the Notes and the Existing Senior Secured Notes;
- (16) so long as no Default or Event of Default of the type specified in clause (1) or (2) under “— *Events of Default*” has occurred and is continuing, (a) minority Investments in any Person engaged in a Permitted Business and (b) Investments in joint ventures that conduct a Permitted Business to the extent that, after giving *pro forma* effect to any such Investment, the Consolidated Leverage Ratio for the Company and its Restricted Subsidiaries would not exceed 4.00 to 1.00; and
- (17) any Investment to the extent made using as consideration Capital Stock of the Company (other than Disqualified Stock), Subordinated Shareholder Loans or Capital Stock of any Parent.

“Permitted Liens” means:

- (1) Liens on Receivables and related assets of the type described in the definition of “Qualified Receivables Transaction” Incurred in connection with a Qualified Receivables Transaction;
- (2) pledges or deposits by such Person under workmen’s compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or United States government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, in each case Incurred in the ordinary course of business;
- (3) Liens imposed by law, including carriers’, warehousemen’s, mechanics’ landlords’, materialmen’s and repairmen’s or other like Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings if a reserve or other appropriate provisions, if any, as shall be required by IFRS, shall have been made in respect thereof;
- (4) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings provided appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) Liens in favor of issuers of surety or performance bonds or letters of credit or bankers’ acceptances issued pursuant to the request of and for the account of such Person in the ordinary course of its business; provided, however, that such letters of credit do not constitute Indebtedness;
- (6) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;
- (7) Liens securing Hedging Obligations so long as the related Indebtedness is, and is permitted to be incurred under the Indenture, secured by a Lien on the same property securing such Hedging Obligation;
- (8) leases, licenses, subleases and sublicenses of assets (including, without limitation, real property and intellectual property rights) which do not materially interfere with the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries;

- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (10) Liens for the purpose of securing the payment of all or a part of the purchase price of, or Capitalized Lease Obligations, purchase money obligations or other payments Incurred to finance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business provided that:
 - (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and does not exceed the cost of the assets or property so acquired or constructed; and
 - (b) such Liens are created within 180 days of construction or acquisition of such assets or property and do not encumber any other assets or property of the Company or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto;
- (11) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository institution; *provided* that such deposit account is not intended by the Company or any Restricted Subsidiary to provide collateral to the depository institution;
- (12) Liens arising from United States Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;
- (13) Liens existing on, or provided for under written arrangements existing on, the Issue Date;
- (14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary; *provided, however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such other Person becoming a Restricted Subsidiary; *provided further, however*, that any such Lien may not extend to any other property owned by the Company or any other Restricted Subsidiary;
- (15) Liens on property at the time the Company or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into any Restricted Subsidiary; *provided, however*, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; *provided further, however*, that such Liens may not extend to any other property owned by the Company or such Restricted Subsidiary;
- (16) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to an Issuer, the Company or another Restricted Subsidiary;
- (17) Permitted Collateral Liens;
- (18) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, provided that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is the security for a Permitted Lien hereunder;
- (19) Liens securing the Notes or the Subsidiary Guarantees;
- (20) Liens on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;
- (21) any interest or title of a lessor under any Capitalized Lease Obligations or operating leases;
- (22) any encumbrance or restriction (including, but not limited to, put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

- (23) Liens over rights under loan agreements relating to, or over notes or similar instruments evidencing, the on-loan of proceeds received by a Restricted Subsidiary from the issuance of Indebtedness, which Liens are created to secure payment of such Indebtedness; and
- (24) Liens Incurred with respect to obligations that do not exceed €30.0 million at any time outstanding.

“Person” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision hereof or any other entity.

“Preferred Stock”, as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

“*Pro forma* EBITDA” means, for any period, the Consolidated EBITDA of the Company and its Restricted Subsidiaries, *provided, however*, that for the purposes of calculating *Pro forma* EBITDA for such period, if, as of such date of determination:

- (1) since the beginning of such period the Company or any Restricted Subsidiary will have made any Asset Disposition or disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a “Sale”) or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, *Pro forma* EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;
- (2) since the beginning of such period the Company or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a “Purchase”) including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and
- (3) since the beginning of such period any Person (that became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For purposes of this definition and the definition of Consolidated Leverage Ratio, (i) whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (including without limitation in respect of anticipated expense and cost reductions) and (ii) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period and (iii) interest on any Indebtedness that bears interest at a floating rate and that is being given *pro forma* effect shall be calculated as if the rate in effect on the date of calculation had been applicable for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness).

“Public Debt” means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale. The term “Public Debt” (a) shall not include the Notes (or any Additional Notes) and (b) for the avoidance of doubt, shall not be construed to include any Indebtedness issued to institutional investors in a direct placement of such Indebtedness that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than ten Persons (*provided* that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall be deemed not to be

underwritten), or any Indebtedness under the Revolving Credit Facility, commercial bank or similar Indebtedness, Capitalized Lease Obligation or recourse transfer of any financial asset or any other type of Indebtedness incurred in a manner not customarily viewed as a “securities offering”.

“Public Offering Expenses” means expenses Incurred by any Parent in connection with any public offering of Capital Stock or Indebtedness (whether or not successful):

- (1) where the net proceeds of such offering are intended to be received by or contributed or loaned to the Company or a Restricted Subsidiary; or
- (2) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received, contributed or loaned; or
- (3) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed, in each case, to the extent such expenses are not paid by another Subsidiary such Parent.

“Purchase Money Note” means a promissory note of a Receivables Entity evidencing the deferred purchase price of Receivables (and related assets) and/or a line of credit, which may be irrevocable, from the Issuer or any Restricted Subsidiary in connection with a Qualified Receivables Transaction with a Receivables Entity, which deferred purchase price or line is repayable from cash available to the Receivables Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts owing to such investors and amounts paid in connection with the purchase of newly generated Receivables.

“Qualified Receivables Transaction” means any transaction or series of transactions that may be entered into by the Company or any of its Restricted Subsidiaries pursuant to which the Company or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (1) a Receivables Entity (in the case of a transfer by the Company or any of its Restricted Subsidiaries) and (2) any other Person (in the case of a transfer by a Receivables Entity), or may grant a security interest in, any Receivables (whether now existing or arising in the future) of the Company or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such Receivables, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such Receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitization involving Receivables.

“Receivable” means a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit and shall include, in any event, any items of property that would be classified as an “account”, “chattel paper”, “payment intangible” or “instrument” under the Uniform Commercial Code as in effect in the State of New York and any “supporting obligations” as so defined.

“Receivables Entity” means a Wholly Owned Subsidiary (or another Person in which the Company or any Restricted Subsidiary makes an Investment and to which the Company or any Restricted Subsidiary transfers Receivables and related assets) which engages in no activities other than in connection with the financing of Receivables and which is designated by the Board of Directors of the Company (as provided below) as a Receivables Entity:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:
 - (a) is guaranteed by the Company or any Restricted Subsidiary (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);
 - (b) is recourse to or obligates the Company or any Restricted Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings; or
 - (c) subjects any property or asset of the Company or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which neither the Company nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or

Qualified Receivables Transaction) other than on terms no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing Receivables; and

- (3) to which neither the Company nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by promptly filing with the Trustee a certified copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions.

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) (collectively, "refinance", "refinances", and "refinanced" shall have a correlative meaning) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness, *provided, however*, that:

- (1) (a) if the Stated Maturity of the Indebtedness being refinanced is earlier than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced or (b) if the Stated Maturity of the Indebtedness being refinanced is later than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity later than the Stated Maturity of the Notes;
- (2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced;
- (3) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and
- (4) in the case of the refinancing of any Subordinated Obligation, such Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the holders of the Notes as those contained in the documentation governing the Subordinated Obligation being extended, refinanced, renewed, replaced, defeased or refunded.

"Related Business" means any business that is the same as or related, ancillary or complementary to, any of the businesses of the Company and its Restricted Subsidiaries on the Issue Date.

"Related Person" with respect to any Permitted Holder, means:

- (1) any controlling equity holder or majority (or more) owned Subsidiary of such Permitted Holder; or
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein.

"Related Taxes" means:

- (1) any taxes, including but not limited to sales, use, transfer, rental, *ad valorem*, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar taxes (other than (x) taxes measured by income

and (y) withholding imposed on payments made by any Parent), required to be paid by any Parent by virtue of its:

- (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than the Company or any of the Company's Subsidiaries), or
- (b) being a holding company parent of the Company or any of the Company's Subsidiaries, or
- (c) receiving dividends from or other distributions in respect of the Capital Stock of the Company, or any of the Company's Subsidiaries, or
- (d) having guaranteed any obligations of the Company or any Subsidiary of the Company, or
- (e) having made any payment in respect to any of the items for which the Company is permitted to make payments to any Parent pursuant to "*— Certain Covenants — Limitation on Restricted Payments*",

in each case, to the extent such taxes are not paid by another Subsidiary such Parent; or

- (2) any taxes measured by income for which any Parent is liable up to an amount not to exceed with respect to such taxes the amount of any such taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Company and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries and any taxes imposed by way of withholding on payments made by one Parent to another Parent on any financing that is provided, directly or indirectly in relation to the Company and its Subsidiaries (reduced by any taxes measured by income actually paid by the v and its Subsidiaries).

"Representative" means any trustee, agent or representative (if any) for an issue of Senior Indebtedness or the provider of Senior Indebtedness (if provided on a bilateral basis), as the case may be.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Revolving Credit Facility" means the senior secured revolving credit facility agreement entered into on December 21, 2009 among, inter alios, Unitymedia Hessen and Unitymedia NRW, as borrowers, Credit Suisse AG, London Branch, as facility agent and as security agent, and certain banks and financial institutions as lenders, as amended or supplemented from time to time.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired whereby the Issuer or a Restricted Subsidiary transfers such property to a Person and the Company or a Restricted Subsidiary leases it from such Person.

"SEC" means the United States Securities and Exchange Commission. "Securities Act" means the United States Securities Act of 1933, as amended.

"Security Documents" means share pledges or interest pledges of Capital Stock of Unitymedia Management, Unitymedia Hessen, Unitymedia NRW and Unitymedia Verwaltung, various account pledge agreements, various global assignment agreements, and any other agreement or document that provides for a Lien over any Collateral for the benefit of the holders of the Notes, in each case as amended or supplemented from time to time.

"Security Trustee" means Credit Suisse, London Branch or an Affiliate thereof.

"Senior Indebtedness" means, whether outstanding on the Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of any Issuer or any Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to such Issuer or such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided, however*, that Senior Indebtedness will not include:

- (1) any Indebtedness Incurred in violation of the Indenture;
- (2) any obligation of the Company to any Restricted Subsidiary or any obligation of any Guarantor to the Company or any Restricted Subsidiary;

- (3) any liability for taxes owed or owing by the Company or any Restricted Subsidiary;
- (4) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);
- (5) any Indebtedness, guarantee or obligation of the Company or any Guarantor that is expressly subordinate or junior in right of payment to any other Indebtedness, guarantee or obligation of the Company or such Guarantor, including, without limitation, any Subordinated Obligation; or
- (6) any Capital Stock.

“Senior Indentures” means collectively (i) the indenture governing the Existing Senior Notes dated November 20, 2009 among, *inter alios*, Unitymedia, and Bank of New York Mellon, as trustee, as amended or supplemented from time to time, and (ii) the indenture governing the New Senior Notes to be dated as of the Issue Date, *inter alia*, among Unitymedia, and Bank of New York Mellon, as trustee, as amended or supplemented from time to time.

“Senior Notes” means collectively, the Existing Senior Notes and the New Senior Notes.

“Significant Subsidiary” means any Restricted Subsidiary that would be a “Significant Subsidiary” of the Issuer within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

“SLA Agreements” or “SLAs” means the service level agreements (including the term sheets attached thereto and included therein) with Deutsche Telekom AG and its Affiliates and with Nortel GmbH and its Affiliates in effect on the Issue Date (each, an “Existing Service Level Agreement”), including agreements for the lease of cable duct and tower space and other premises, the use of fiber optic transmission systems and other infrastructure components and services and the supply of electrical power, as well as any additional or other service level agreements or any replacement, amendment, supplement or waiver of any such service level agreement; *provided, however*, that any additional or other service level agreement shall be of a type similar to one or more Existing Service Level Agreements and any such service level agreement as replaced, amended, supplemented or waived shall have terms that are similar to an Existing Service Level Agreement or any such additional or other service level agreement.

“Standard Securitization Undertakings” means representations, warranties, covenants and indemnities entered into by the Company or any Restricted Subsidiary of the Company which are reasonably customary in securitization of Receivables transactions.

“Stated Maturity” means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“Subordinated Obligation” means, in the case of the Company, any Indebtedness of the Company (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinate or junior in right of payment to the Notes pursuant to a written agreement and, in the case of a Guarantor, any Indebtedness of such Guarantor (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinate or junior in right of payment to the Subsidiary Guarantee of such Guarantor pursuant to a written agreement.

“Subordinated Shareholder Loans” means Indebtedness of the Company (and any security into which such Indebtedness is convertible or for which it is exchangeable at the option of the holder) issued to and held by any Parent that (either pursuant to its terms or pursuant to an agreement with respect thereto):

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such Indebtedness into Capital Stock (other than Disqualified Stock) of the Company or any Indebtedness meeting the requirements of this definition);
- (2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;
- (3) contains no change of control or similar provisions that are effective, and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment prior to the first anniversary of the Stated Maturity of the Notes;

- (4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Restricted Subsidiaries;
- (5) is subordinated in right of payment to the prior payment in full of the Notes in the event of (a) a total or partial liquidation, dissolution or winding up of the Company, (b) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property, (c) an assignment for the benefit of creditors or (d) any marshalling of the Company's assets and liabilities;
- (6) under which the Company may not make any payment or distribution of any kind or character with respect to any obligations on, or relating to, such Subordinated Shareholder Loans if (x) a payment Default on the Notes occurs and is continuing or (y) any other Default under the Indenture occurs and is continuing on the Notes that permits the holders of the Notes to accelerate their maturity and the Company receives notice of such Default from the requisite holders of the Notes, until in each case the earliest of (a) the date on which such Default is cured or waived or (b) 180 days from the date such Default occurs (and only once such notice may be given during any 360 day period); and
- (7) under which, if the holder of such Subordinated Shareholder Loans receives a payment or distribution with respect to such Subordinated Shareholder Loan (a) other than in accordance with the Indenture or as a result of a mandatory requirement of applicable law or (b) under circumstances described under clauses (5)(a) through (d) above, such holder will forthwith pay all such amounts to the Trustee to be held in trust for application in accordance with the Indenture.

“Subsidiary” of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or persons performing similar functions) or (b) any partnership, joint venture limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Issuer.

“Total Assets” means the consolidated total assets of the Company and its Restricted Subsidiaries as shown on the most recent balance sheet (excluding the footnotes thereto) of the Company.

“Treasury Rate” means the yield to maturity at the time of computation of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market data selected by the Company in good faith)) most nearly equal to the period from the redemption date to March 15, 2015; provided, however, that if the period from the redemption date to March 15, 2015 is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by a linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of U.S. Treasury securities for which such yields are given, except that if the period from the redemption date to March 15, 2015 is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

“UGC” means UnitedGlobalCom, Inc., a Delaware corporation, and any successor (by merger, consolidation, transfer, conversion of legal form or otherwise) to all or substantially all of its assets.

“Ultimate Parent” means Liberty.

“Unitymedia Group” means Unitymedia and its Subsidiaries.

“Unitymedia Hessen” means Unitymedia Hessen GmbH & Co. KG, formerly iesy Hessen GmbH & Co. KG.

“Unitymedia Management” means Unitymedia Management GmbH.

“Unitymedia NRW” means Unitymedia NRW GmbH, Cologne, formerly the group of companies controlled by Kabelnetz NRW HoldCo GmbH, which was renamed ish NRW GmbH & Co. KG on September 2, 2005 and which was acquired by Unitymedia Hessen on June 24, 2005.

“Unitymedia Verwaltung” means Unitymedia Hessen Verwaltung GmbH.

“Unrestricted Subsidiary” means:

- (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided below; and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;
- (2) all the Indebtedness of such Subsidiary and its Subsidiaries shall, at the date of designation, and will at all times thereafter, consist of Non-Recourse Debt;
- (3) such designation and the Investment of the Company in such Subsidiary complies with “— *Certain Covenants — Limitation on Restricted Payments*”; and
- (4) on the date such Subsidiary is designated an Unrestricted Subsidiary, such Subsidiary is not a party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary with terms substantially and materially less favorable to the Company than those that might have been obtained from Persons who are not Affiliates of the Company.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by promptly filing with the Trustee a resolution of the Board of Directors of the Company giving effect to such designation and an Officers’ Certificate certifying that such designation complies with the foregoing conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be Incurred as of such date.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof and either (x) the Issuers could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under the covenant described under “— *Certain Covenants — Limitation on Indebtedness*” or (y) the Consolidated Leverage Ratio would be lower than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation.

“UPC Broadband” means UPC Broadband Holding B.V., together with its successors.

“UPC Exchange Transaction” means an exchange offer by UPC Broadband pursuant to which one or more series of UPC Qualified Notes are offered in exchange for all outstanding Notes issued under the Indenture; provided, that (i) no Default or Event of Default has occurred and is continuing at the time any such exchange offer is made or would result therefrom, (ii) holders of a majority in aggregate principal amount of the outstanding Notes have elected to participate in such offer, (iii) for each €1,000 in principal amount of Euro Notes tendered and accepted, each holder tendering such Euro Notes will receive €1,000 in principal amount of UPC Qualified Notes, (iv) for each \$1,000 in principal amount of Fixed Rate Dollar Notes tendered and accepted, each holder tendering such Fixed Rate Dollar Notes will receive \$1,000 in principal amount of UPC Qualified Notes, (v) the exchange offer complies with Rule 14e-1 under the Exchange Act and any other applicable securities law or regulation, (vi) UPC Holding accepts for exchange all Notes tendered in such exchange offer and issues the relevant UPC Qualified Notes in exchange therefor, (vii) the exchange offer is open to all holders of the notes on substantially similar terms, (viii) the exchange offer is not conditioned upon holders of the Notes consenting to any amendments to the terms of the notes or the Indenture and (ix) in connection therewith, the Company and its Restricted Subsidiaries will become direct or indirect Subsidiaries of UPC Broadband.

“UPC Holding” means UPC Holding B.V, together with its successors.

“UPC Qualified Notes” means (a) senior secured notes issued by UPC Broadband; provided, that (i) such senior secured notes will be guaranteed and secured to the same extent that other senior secured indebtedness of UPC Broadband existing on the date of the UPC Exchange Transaction are guaranteed or secured; provided that in any event such senior secured notes will be secured to the same extent as UPC Broadband’s senior secured Indebtedness existing on the Issue Date, (ii) the Indebtedness incurred under such senior secured notes is permitted to be Incurred pursuant to the terms and conditions of any other Indebtedness of UPC Holding and its Subsidiaries outstanding upon consummation of the UPC Exchange Transaction, (iii) the terms and conditions of such senior secured notes (other than with respect to pricing and redemption) and the indenture governing such senior secured notes shall be substantially similar to, and in any event no less favorable to the holders of Notes than, the terms and conditions contained in the indentures governing the senior secured notes of UPC Holding outstanding on the date of the UPC Exchange Transaction, (iv) in the case of the Fixed Rate Notes, the interest rate applicable to each series of such senior secured notes shall not be less than the interest rate applicable to the series of Notes for which they are exchanged, (v) in the case of the Floating Rate Notes, such UPC Qualified Notes will bear a floating rate equal to EURIBOR plus a margin not less than the margin over EURIBOR applicable to the Floating Rate Notes, (vi) all amounts due and owing on such senior secured notes will be payable in the same currency as the relevant series of Notes for which they are exchanged, (vii) the redemption provisions of such senior secured notes will have at least the remaining call protection applicable to the relevant series Notes for which they are exchanged and (viii) the Stated Maturity of such senior secured notes will be no later than the Stated Maturity of the relevant series of Notes for which they are exchanged; or (b) UPC SPV Notes.

“UPC SPV” means a special purpose entity formed for the purpose of issuing UPC SPV Notes and uses, or will use, any cash or non-cash proceeds acquired in exchange for such UPC SPV Notes to provide one or more additional facilities under UPC Broadband’s Credit Facilities (to the extent permitted thereby, including pursuant to any amendment thereto) and thereupon, will be a lender under such Credit Facilities.

“UPC SPV Notes” means senior secured notes issued by UPC SPV; provided, that (i) such senior secured notes will be secured by substantially all assets of the UPC SPV, including all loans made by the UPC SPV to UPC Broadband under UPC Broadband’s Credit Facilities or related rights with respect to the Credit Facilities, (ii) the interest rate applicable to each series of such senior secured notes shall not be less than the interest rate applicable to the relevant series of Notes for which they are exchanged, (iii) all amounts due and owing on such senior secured notes will be payable in the same currency as the relevant series of Notes for which they are exchanged, (iv) the redemption provisions of such senior secured notes will be at least as favorable to holder of the Notes than the redemption provisions applicable to the relevant series of Notes for which they are exchanged (determined as if such UPC SPV Notes had been issued on the Issue Date) and (v) the Stated Maturity of such senior secured notes will be no later than the Stated Maturity of the relevant series of Notes for which they are exchanged.

“U.S. Government Obligations” means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

“Voting Stock” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

“Wholly Owned Subsidiary” means a Restricted Subsidiary of the Company, all of the Capital Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly Owned Subsidiary) is owned by the Company or another Wholly Owned Subsidiary.

DESCRIPTION OF THE NEW SENIOR NOTES

Unitymedia GmbH (“Unitymedia” or the “Issuer”) will issue the Notes (as defined below) under the Indenture (the “Indenture”), to be dated as of the Issue Date, between, among others, the Issuer, The Bank of New York Mellon, London Branch, as trustee (the “Trustee”) and the Security Trustee. You will find the definitions of capitalized terms used in this description under the heading “— *Certain Definitions*”.

For purposes of this Description of the New Senior Notes, references to the “Issuer”, “we”, “our” and “us” refer only to Unitymedia and not to any of its Subsidiaries. For the avoidance of doubt, any references to the “Issuer” in the covenants and related definitions shall be references to Unitymedia and not to any of its Subsidiaries.

The Indenture is unlimited in aggregate principal amount, but the aggregate principal amount of Notes issued in this offering is limited to €680.0 million in euro-denominated senior notes (the “Notes”). The Issuer may issue an unlimited amount of additional notes having identical terms and conditions to the Notes (the “Additional Notes”). The Issuer will only be permitted to issue such Additional Notes if, at the time of such issuance, it is in compliance with the covenants contained in the Indenture. Any Additional Notes will be part of the same issue as the Notes we are currently offering and will vote on all matters with the holders of the Notes. Unless expressly stated otherwise, in this Description of the New Senior Notes, when we refer to the Notes, the reference includes any Additional Notes.

The Issuer will apply to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade on the Euro MTF of the Luxembourg Stock Exchange (the “Euro MTF”).

This Description of the New Senior Notes is intended to be a useful overview of the material provisions of the Notes, the Indenture and the Security Documents. As this Description of the New Senior Notes is only a summary, you should refer to the Indenture and the Security Documents for a complete description of the obligations of the Issuer and your rights. Copies of the Indenture and the Security Documents are available as set forth under “Listing and General Information”.

KBW Fold-In

In connection with the offering of the Notes UPC Germany Holding B.V., the parent company of the Issuer and of UPC Germany Holdings GmbH, will contribute all the shares of the Issuer into a new subsidiary (“Newco 1”), and will then sell all the shares of UPC Germany Holdings GmbH to the Issuer. The Issuer will then sell or contribute, directly or indirectly, all the shares of UPC Germany Holdings GmbH which it acquired from UPC Germany Holding B.V. to Unitymedia Hessen. The foregoing transactions are referred to collectively as the “KBW Fold-in”.

General

The Notes

The Notes will mature on March 15, 2021 and will be guaranteed by the Subsidiaries of the Issuer and secured by the assets and security interests described below under “— *Ranking of the Notes, Subsidiary Guarantees and Security*”. The Issuer will issue the Notes in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Interest

Interest on the Notes will accrue at the rate of 9.500% per annum and will be payable semi-annually in arrears on March 15 and September 15, commencing on September 15, 2012. The Issuer will make each interest payment to the holders of record of the Notes on the immediately preceding March 1 and September 1.

Interest on the Notes will be deemed to accrue from March 15, 2012, as if the Notes had been issued on such date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payments on the Notes

Principal, premium, if any, interest, and Additional Amounts, if any, on the Global Notes will be payable, and the Global Notes may be exchanged or transferred, at the corporate trust office or agency of the Trustee in London, England except that, at the option of the Issuer, payment of interest may be made by check mailed to the address of the holders of the Notes as such address appears in the Note register.

Payments on the Global Notes will be made to the common depositary as the registered holder of the Global Notes.

The Issuer will pay interest on the Notes to Persons who are registered holders at the close of business on the record date immediately preceding the interest payment date for such interest. Such holders must surrender their Notes to a Paying Agent to collect principal payments.

Paying Agent and Registrar

The Issuer will maintain one or more paying agents (each, a “Paying Agent”) for the Notes in the City of London (the “Principal Paying Agent”). The Bank of New York Mellon will initially act as Paying Agent in London.

The Issuer will also maintain one or more registrars (each, a “Registrar”) for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require. The Issuer will also maintain a transfer agent. The initial Registrar will be The Bank of New York Mellon (Luxembourg) S.A. The initial transfer agent will be The Bank of New York Mellon, London Branch. The Registrar and the transfer agent will maintain a register on behalf of the Issuer for so long as the Notes remain outstanding reflecting ownership of Definitive Registered Notes (as defined elsewhere in these Listing Particulars) outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Issuer. In the event that the Notes are no longer listed, the Issuer or its agent will maintain a register reflecting ownership of the Notes.

The Issuer may change a Paying Agent or Registrar for the Notes without prior notice to the holders of Notes, and the Issuer may act as Paying Agent or Registrar for the Notes. In the event that a Paying Agent, Registrar or transfer agent is replaced, the Issuer will provide notice thereof in accordance with the procedures described under “— Notices”.

In addition, the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the European Council of Economics and Finance Ministers (“ECOFIN”) meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Transfer and Exchange

The Notes will be issued in the form of several registered notes in global form, without interest coupons, as follows:

- Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “144A Global Note”) which, on the Issue Date, will be deposited with and registered in the name of the common depositary for the accounts of Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream”).
- Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “Regulation S Global Note,” and together with the 144A Global Note, the “Global Notes”) which, on the Issue Date, be deposited with and registered in the name of the common depositary for the accounts of Euroclear and Clearstream.

During the 40-day distribution compliance period, book-entry interests in the Regulation S Global Note may be transferred only to non-U.S. persons under Regulation S or qualified institutional buyers under Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction.

Ownership of interests in the Global Notes (“Book-Entry Interests”) will be limited to persons that have accounts with Euroclear or Clearstream, as applicable, or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “Notice to Investors”. In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to

customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Note (the “Rule 144A Book-Entry Interests”) may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note (the “Regulation S Book-Entry Interests”) only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “Notice to Investors” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof upon receipt by the applicable Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “Notice to Investors”.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Note in registered form:

- (1) for a period of 15 calendar days prior to any date fixed for the redemption of the Notes;
- (2) for a period of 15 calendar days immediately prior to the date fixed for selection of Notes to be redeemed in part;
- (3) for a payment period of 15 calendar days prior to the record date with respect to any interest payment date; or
- (4) that the registered holder of Notes has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

Ranking of the Notes, Subsidiary Guarantees and Security

General

The Notes will, upon completion of the Debt Pushdown:

- be general senior obligations of the Issuer;
- be guaranteed on a senior subordinated basis by the Guarantors (as described under “— *Subsidiary Guarantees*”);

- have the benefit of security as described below under “— *Security*”;
- be senior in right of payment to any existing and future Subordinated Obligations of the Issuer;
- rank equally in right of payment with any existing and future Senior Indebtedness of the Issuer (including the Existing Senior Notes);
- be effectively subordinated to any existing and future secured Indebtedness of the Issuer and its Subsidiaries to the extent of the value of the assets securing such Indebtedness (unless such assets also secure the Notes on an equal and ratable or prior basis); and
- be effectively subordinated to any existing and future Indebtedness of Subsidiaries of the Issuer that are not Guarantors.

The Issuer conducts all of its operations through its Subsidiaries. To the extent these Subsidiaries are not Guarantors, claims of creditors of such non-guarantor Subsidiaries, including trade creditors and creditors holding indebtedness or guarantees issued by such non-guarantor Subsidiaries, and claims of preferred stockholders of such non-guarantor subsidiaries generally will have priority with respect to the assets and earnings of such non-guarantor subsidiaries over the claims of our creditors, including holders of the Notes. Accordingly, the Notes will be effectively subordinated to creditors (including trade creditors) and preferred stockholders, if any, of such non-guarantor Subsidiaries.

Subsidiary Guarantees

General

Unitymedia Hessen, Unitymedia Verwaltung, Unitymedia NRW, Unitymedia Management, UPC Germany Holdings GmbH, UPC Germany HoldCo 1 GmbH, Kabel BW GmbH and Kabel Baden-Württemberg Verwaltungs-GmbH and each other Restricted Subsidiary of the Issuer that may become a Guarantor as provided for in the Indenture (each such Subsidiary, a “Guarantor”) will, jointly and severally, irrevocably guarantee (the “Subsidiary Guarantees”), as primary obligors and not merely as sureties, on a senior subordinated basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, all payment obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise. The ability to enforce the Subsidiary Guarantees is subject to significant restrictions. See “— *Subsidiary Guarantees — Subordination of the Subsidiary Guarantees*”. In addition, the obligations of the Guarantors will be contractually limited under the Subsidiary Guarantees to reflect limitations under applicable law with respect to maintenance of share capital applicable to the Guarantors and their respective shareholders, directors and general partners. See “*Risk Factors — Risks Relating to the New Notes*”.

The Subsidiary Guarantees will:

- be general senior subordinated obligations of each Guarantor;
- have the benefit of security as described below under “— *Security*”;
- be subordinated in right of payment to all existing and future Senior Indebtedness of each Guarantor (including Indebtedness Incurred by the Guarantors under the Revolving Credit Facility, the Senior Secured Notes and certain hedging obligations);
- rank *pari passu* in right of payment with all existing and future Senior Subordinated Indebtedness of each Guarantor;
- be effectively subordinated to all existing and future secured Indebtedness of the Guarantors to the extent of the value of the assets securing such Indebtedness (unless such assets also secure the Subsidiary Guarantees on an equal and ratable or prior basis); and
- be senior in right of payment to all future Obligations of the Guarantors expressly subordinated to the guarantee of the Notes.

Payment under the Subsidiary Guarantees will be expressly subordinated in right of payment to the payment when due of all Senior Indebtedness of the Guarantors (including Indebtedness Incurred under the Revolving Credit Facility, the Senior Secured Notes, the Senior Secured Indentures and certain hedging obligations). As a result of this subordination, holders of Senior Indebtedness of any Guarantor will be entitled to receive full payment on all obligations owed to them before any kind of payment can be

made in respect of the Subsidiary Guarantees to holders. See “— *Subsidiary Guarantees — Subordination of the Subsidiary Guarantees*”.

As of December 31, 2011, on an as-adjusted basis after giving effect to the KBW Fold-In and the issuance of the Notes and the New Senior Secured Notes, the Guarantors would have had outstanding €1,345.0 million (equivalent) aggregate principal amount of Indebtedness that was senior to the Subsidiary Guarantees. As of December 31, 2011, on an as-adjusted basis after giving effect to the KBW Fold-In, the Issuer and the Guarantors represented more than 95% of the consolidated total assets as of December 31, 2011 and more than 95% of the consolidated EBITDA of the Unitymedia Group for the year ended December 31, 2011.

Additional Subsidiary Guarantees

The Issuer may from time to time designate a Restricted Subsidiary as an additional guarantor of the Notes (an “Additional Guarantor”) by causing it to execute and deliver to the Trustee a supplemental indenture in the form attached to the Indenture (and with such documentation relating thereto as the Trustee may reasonably require, including Opinions of Counsel as to the enforceability of its Subsidiary Guarantee), pursuant to which such Restricted Subsidiary will become a Guarantor.

Each Additional Guarantor will, jointly and severally, with the Guarantors and each other Additional Guarantor, irrevocably guarantee (each guarantee, an “Additional Subsidiary Guarantee”), as primary obligor and not merely as surety, on a senior subordinated basis the full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all payment obligations of the Issuer under the Indenture and the Notes, whether for payment of principal of or interest on or in respect of the Notes, fees, expenses, indemnification or otherwise. The ability to enforce an Additional Subsidiary Guarantee will be subject to significant restrictions. See “— *Subsidiary Guarantees — Subordination of the Subsidiary Guarantees*”. In addition, the obligations of any Additional Guarantor will be contractually limited under its Additional Subsidiary Guarantee to reflect limitations under applicable law, including, among other things, with respect to maintenance of share capital applicable to such Additional Guarantor and its shareholders, directors and general partner. Any Additional Subsidiary Guarantee shall be issued on substantially the same terms as the Subsidiary Guarantees. For purposes of the Indenture and this “Description of the New Senior Notes”, references to the Subsidiary Guarantees include references to any Additional Subsidiary Guarantees and references to the Guarantors include references to any Additional Guarantors.

Releases

A Subsidiary Guarantee will be released:

- upon the sale of all or substantially all the Capital Stock of the relevant Guarantor pursuant to an Enforcement Sale as provided for in the Intercreditor Agreement;
- upon the sale or other disposition (including through merger or consolidation but other than pursuant to an Enforcement Sale) in compliance with the Indenture of the Capital Stock of the relevant Guarantor (whether directly or through the disposition of a parent thereof), following which such Guarantor is no longer a Restricted Subsidiary (other than a sale or other disposition to the Issuer or any of its Restricted Subsidiaries);
- upon the defeasance or discharge of the Notes as provided in “— *Defeasance*” or “— *Satisfaction and Discharge*”, in each case in accordance with the terms and conditions of the Indenture; or
- with respect to an Additional Subsidiary Guarantee given under the covenant captioned “— *Certain Covenants — Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries*”, upon release of the guarantee that gave rise to the requirement to issue such Additional Subsidiary Guarantee so long as no Event of Default would arise as a result and no other Indebtedness that would give rise to an obligation to give an Additional Subsidiary Guarantee is at that time guaranteed by the relevant Guarantor.

In addition, if a Guarantor is designated as an Unrestricted Subsidiary in compliance with the covenant entitled “— *Certain Covenants — Limitation on Restricted Payments*”, the relevant Guarantor will be released from all its obligations under its Subsidiary Guarantee.

Notwithstanding any of the foregoing, in all circumstances a Subsidiary Guarantee shall only be released if (a) the relevant Guarantor has delivered to the Trustee an Officer’s Certificate and an Opinion

of Counsel, each stating that all conditions precedent provided for in the Indenture relating to such transaction have been complied with and (b) such Guarantor is released from its guarantees of the Revolving Credit Facility and the Senior Secured Notes.

The Trustee shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement, to effectuate any release in accordance with these provisions, subject to customary protections and indemnifications.

Subordination of the Subsidiary Guarantees

Subordination on the Basis of the Intercreditor Agreement. Each of the Subsidiary Guarantees is a senior subordinated Guarantee, which means that, pursuant to the terms of the Intercreditor Agreement, each such Subsidiary Guarantee ranks behind, and is expressly subordinated to, all the existing and future Senior Indebtedness of the relevant Guarantor, including any obligations owed by the relevant Guarantor under the Revolving Credit Facility and the Senior Secured Notes. The ability to take enforcement action against the Guarantors under their Subsidiary Guarantees is subject to significant restrictions imposed by the Intercreditor Agreement and the terms of the Subsidiary Guarantees, and potentially any Additional Intercreditor Agreements entered into after the Issue Date. For a description of the restrictions imposed by the Intercreditor Agreement, see “*Description of Other Indebtedness — Intercreditor Agreement*”.

Because of the foregoing subordination provisions, it is likely that holders of Senior Indebtedness and other creditors (including trade creditors) of a Guarantor would recover disproportionately more than the holders of the Notes recover in any insolvency or similar proceeding relating to such Guarantor. In any such case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Notes.

Subordination under German Insolvency Law. In the event of the opening of insolvency proceedings (*Insolvenzverfahren*) under German law over the assets of the Issuer or any of its Subsidiaries, the insolvency court will generally appoint an insolvency administrator (*Insolvenzverwalter*). The Security Documents grant a right to separate satisfaction (*Absonderungsrecht*) to the secured parties under such documents with respect to the Security Interest. Creditors with a right to separate satisfaction are creditors who participate in the insolvency proceedings, but at the same time are secured by collateral that constitutes part of the estate. German insolvency law imposes certain restrictions on their ability to enforce security interests once proceedings have been commenced. In many cases, the insolvency administrator will have the sole right to enforce the security. The insolvency administrator generally has the sole right (i) to realize any moveable assets which are subject to preferential rights (*Absonderungsrechte*) (e.g., pledges over movable assets and rights (*Mobiliarpfandrechte*), transfer by way of security (*Sicherungsübereignung*)) as well as (ii) to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). The enforcement proceeds minus certain contributory charges of generally nine percent of the enforcement proceeds (plus VAT, if any) for (i) assessing the value of the secured assets and (ii) realizing the secured assets are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Contributory charges deducted from the enforcement proceeds and any realization surplus that remains after satisfaction of any party holding a preferential right will be allocated to the insolvency’s estate and would, after deduction of the costs of the insolvency proceedings (e.g., comprising fees for and expenses of the insolvency administrator and the insolvency court as well as the members of the creditors’ committee), finally be distributed among the unsecured creditors, including, to the extent not secured by the realized assets, the holders of the New Senior Notes.

The equity interests pledged by the insolvent debtor under the Share Pledges (as defined below) will not be considered pledged moveable assets. However, it is unclear whether the secured creditor or the insolvency receiver would be entitled to foreclose on the equity interests in the insolvency of the pledgor. If a court were to conclude that the secured creditor would not have the right of foreclosure, the insolvency administrator would be entitled to realize upon the relevant Share Pledge and, as a result, deduct the fees described above.

A creditor’s right to separate satisfaction may not prevent the insolvency administrator from using an asset in its possession that is subject to this right, as long as this asset is needed in order to operate the debtor’s business. However, the insolvency administrator must compensate the creditor by means of regular payments for any loss of value resulting from such use, and to the extent the creditor’s security may be impaired.

The right to separate satisfaction is independent from the priority of the secured claims. However, with regard to certain subordinated debt (such as claims for repayment of shareholder loans), the security interest must not be realized.

Unless the creditors of the insolvent debtor decide to continue the business of the insolvent debtor or adopt an insolvency plan (*Insolvenzplan*) in compliance with German insolvency law and provide otherwise therein, the insolvency administrator will be required to liquidate the insolvent debtor which includes the realization of all of its assets and to distribute the realization proceeds to cover the following debt in the following order:

- (1) the costs of the insolvency proceedings (which encompass the court fees for such proceedings and the remuneration of the preliminary insolvency administrator, the insolvency administrator and the members of the creditors committee);
- (2) other preferred debt (*sonstige Masseverbindlichkeiten*) which comprises debt incurred by the insolvency administrator in the course of the insolvency proceedings (including the administration, realization and distribution of the liquidation fund (*Masse*)), obligations under not fully performed mutual contracts (*gegenseitiger nicht vollständig erfüllter Vertrag*) (sec. 103 German Insolvency Code) where the insolvency administrator has elected performance of such obligations, and claims based on an unlawful enrichment of the insolvency estate;
- (3) all other debt unless subordinated contractually (see item (9) below) or by law;
- (4) interest payable for periods after the opening of the insolvency proceedings;
- (5) the costs of the creditors for their participation in the insolvency proceedings;
- (6) fines, disciplinary penalties and similar claims;
- (7) claims established without consideration for the debtor;
- (8) claims for repayment of shareholder loans or economically similar claims to be treated similar to capital replacing shareholder loans; and
- (9) claims which have been contractually subordinated to all other claims of any creditor against the debtor by an agreement between the creditor and the debtor in the case of insolvency proceedings.

Please see the section entitled “*Risk Factors — Risks Relating to the New Notes — The insolvency laws of Germany and other local insolvency laws may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the New Notes from recovering payments due on the New Notes*”.

Security

General

The obligations of the Issuer under the Notes and the Indenture and the obligations of each Guarantor under its Subsidiary Guarantee and the Indenture will initially be secured by a pledge of the Capital Stock of the Issuer, a junior pledge of the Capital Stock of Unitymedia Management, Unitymedia Hessen and Unitymedia Verwaltung created by pledge agreements (the “Share Pledges”) and a junior pledge over claims under certain domination and/or profit and loss absorption agreements created by pledge agreements entered into among, *inter alios*, the Issuer, Unitymedia Management, Unitymedia NRW and Unitymedia Verwaltung and the Security Trustee, as applicable (collectively, the “Collateral”). The Collateral will also secure the Existing Senior Notes and Additional Notes. See “*Description of Other Indebtedness — Intercreditor Agreement*” and “*Risk Factors — Risks Relating to the New Notes — Your right to receive payments under the New Notes will be structurally or effectively subordinated to claims of certain existing and future creditors of the New Issuers and their subsidiaries*”.

Our German counsel has advised us that as a matter of German law, (i) the share pledge over the Capital Stock of the Issuer granted to secure the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee under the Notes will rank junior to the first ranking share pledge over such Capital Stock granted in favor of the security trustee under the Existing Senior Notes, (ii) the share pledges over the shares of Unitymedia Management, Unitymedia Verwaltung and Unitymedia Hessen will rank junior to the shares pledged over such capital stock to secure the Revolving Credit Facility and the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to each of the Senior Secured Notes and the Existing Senior Notes and (iii) the

pledge over the claims under certain domination and/or profit and loss absorption agreements will rank junior to the pledges over such claims to secure Revolving Credit Facility, certain Hedging Obligations and the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to the Senior Secured Notes and the Existing Senior Notes, in each case because they are being granted at a later point in time than the senior ranking pledges granted in favor of the Revolving Credit Facility and the security trustee of the Senior Secured Notes and the Existing Senior Notes, as applicable.

However, the terms of the Intercreditor Agreement (which is also applicable to the Existing Senior Notes) provides that the benefit of (i) the first and junior ranking share pledges over the Issuer and (ii) certain junior share pledges over the shares of Unitymedia Management, Unitymedia Verwaltung and Unitymedia Hessen and (iii) the second and junior ranking pledge over the claims under certain domination and/or profit and loss absorption agreements will, in each case, be shared equally by the Notes and the Existing Senior Notes. Please note that this contractual arrangement is subject to certain limitations under German law. Further, under the terms of the Intercreditor Agreement, the proceeds of any enforcement of the Collateral will be applied to repayment of the Revolving Credit Facility, the Senior Secured Notes and certain Hedging Obligations prior to being applied to repayment of the Notes and the Existing Senior Notes.

The Trustee, acting on behalf of the holders of the Notes, will accede to the Intercreditor Agreement. The Indenture will also provide that each holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein).

Subject to certain conditions, including compliance with the covenant described under “— *Certain Covenants — Impairment of Security Interest*”, the Issuer is permitted to pledge the Collateral in connection with future issuances of its Indebtedness, including any Additional Notes, or Indebtedness of its Restricted Subsidiaries, in each case permitted under the Indenture and on terms consistent with the relative priority of such Indebtedness. In addition to the release provisions described below, the security interest will cease to exist by operation of law or will be released, depending on the type of security interest, upon the defeasance or discharge of the Notes as provided in “— *Defeasance*” or “— *Satisfaction and Discharge*”, in each case in accordance with the terms and conditions of the Indenture.

All Security granted by a German subsidiary of the Issuer will be subject to contractual limitations with respect to maintenance of share capital to the extent there is not an uninterrupted chain of profit and loss absorption agreements or domination agreements in effect between the respective subsidiary and the Issuer.

Priority

The relative priority among (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations secured on the Collateral, (c) the holders of the Senior Secured Notes and (d) the holders of the Existing Senior Notes and (e) the Trustee and the holders under the Indenture with respect to the security interest in the Collateral that is created by the Security Documents and secures obligations under the Notes or the Subsidiary Guarantees and the Indenture (the “Security Interest”) is established by the terms of the Intercreditor Agreement, the Indenture, the Security Documents, and the security documents relating to the Revolving Credit Facility, such Hedging Obligations, the Senior Secured Notes and the Existing Senior Notes, which provide that:

- (i) the obligations under the Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations are secured equally and ratably by a first-priority interest in the Collateral, *provided that* any liabilities in respect of obligations under the Revolving Credit Facility and such Hedging Obligations will receive priority with respect to any proceeds received upon any enforcement action over any Collateral; and
- (ii) the obligations under the Existing Senior Notes, the Notes and the Subsidiary Guarantees will be secured by a junior-priority interest in the Collateral (on a contractual basis under the Intercreditor Agreement).

Please see the section entitled “*Description of Other Indebtedness — Intercreditor Agreement*”. In addition, pursuant to Additional Intercreditor Agreements entered into after the Issue Date in compliance with the Indenture, the Collateral may be pledged to secure other Indebtedness. See “— *Certain Covenants — Impairment of Security Interest*”.

Share Pledges

Under the Share Pledges (until released as provided for in the Indenture), (i) Newco 1 will pledge the Capital Stock in the Issuer, (ii) the Issuer will pledge on a junior-priority basis the Capital Stock it holds in Unitymedia Management, Unitymedia Hessen and Unitymedia Verwaltung and (iii) Unitymedia Management will pledge on a junior-priority basis the Capital Stock it holds in Unitymedia Hessen and Unitymedia Verwaltung, in each case to secure the payment and performance when due of the Issuer's and the Guarantor's obligations under the Notes, the Subsidiary Guarantees and the Indenture. The Collateral will also secure the Existing Senior Notes. The Capital Stock of Unitymedia Management, Unitymedia Hessen and Unitymedia Verwaltung will be pledged to secure on a senior basis obligations under the Revolving Credit Facility, the Senior Secured Notes and certain Hedging Obligations. The Capital Stock of the Issuer will not be pledged to secure such Senior Debt.

On the basis of German law restrictions relating to security interests in the form of pledges, the Share Pledges will secure a debt obligation owed to the Security Trustee as a joint and several creditor under the Notes and the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to the Notes. See "*Risk Factors — Risks Relating to the New Notes*". When entering into the Share Pledges, the Security Trustee acts in its own name, but for the benefit of the holders from time to time. Under the Intercreditor Agreement, the Security Trustee will also act on behalf of the creditors under the Senior Secured Notes and the lenders under the Revolving Credit Facility in relation to the security interest in favor of such creditors and lenders. Each Share Pledge is governed by German law and provides that the rights under such Share Pledge must be exercised by the Security Trustee. Since the holders are not parties to the Share Pledges, holders may not, individually or collectively, take any direct action to enforce any rights in their favor under the Share Pledges. The holders may only act by instructing the Trustee to act through the Security Trustee.

Our German counsel has advised us that there is some uncertainty under German law (i) as to whether obligations owing to beneficial owners of the Notes that are not identified as registered holders in the Share Pledges will be validly secured and (ii) as to the validity of any security interest created in favor of the Security Trustee to secure the obligations represented by a joint and several creditor obligation and the abstract acknowledgement of debt (*abstraktes Schuldanerkenntnis*) granted to the security trustee in relation to the Notes. Also, under German law, in the event that the Issuer or Unitymedia Management enters into insolvency proceedings, the security interests created under the Share Pledges or the joint and several creditor obligation or the abstract acknowledgement of debt could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under German rules regarding avoidance of transactions under the German Insolvency Code (*Insolvenzordnung*). Outside of insolvency proceedings, third-party creditors of the Issuer or Unitymedia Management may in certain circumstances have an avoidance right under the German Code on Avoidance (*Anfechtungsgesetz*). If any challenge to the validity of the security interests is successful, the holders may not be able to recover any amounts under the Share Pledges. Please see the section entitled "*Risk Factors — Risks Relating to the New Notes — The insolvency laws of Germany and other local insolvency laws may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the New Notes from recovering payments due on the New Notes*".

Releases

The Share Pledges will be released (a) so long as there is no Default outstanding under the Indenture or a default outstanding under any other Indebtedness secured by the Collateral, if (i) upon the sale or disposition (including through merger or consolidation but other than pursuant to an Enforcement Sale) in compliance with the Indenture of the Capital Stock subject the Share Pledge following which the Restricted Subsidiary is the subject of such Share Pledge is no longer a Restricted Subsidiary or (ii) the Restricted Subsidiary whose Capital Stock is the subject of such Share Pledge is redesignated as an Unrestricted Subsidiary in accordance with the Indenture or (b) following a Default under the Indenture or a default under any other Indebtedness secured by the Collateral, pursuant to an Enforcement Sale, in each case in accordance with the terms of the Intercreditor Agreement. The Share Pledges will be released upon the defeasance or discharge of the Notes as provided in "*— Defeasance*" or "*— Satisfaction and Discharge*". See "*Description of Other Indebtedness — Intercreditor Agreement — Limitations on Enforcement*". The Security Trustee and the Trustee will agree to any release of the Share Pledges that is in accordance with the Indenture and the Intercreditor Agreement without requiring any holder consent, including, without limitation, with respect to any Liens given under the covenant captioned "*— Certain Covenants — Limitation on Liens*", upon release of the Lien that gave rise to the requirement for such Capital Stock to become Collateral so long as no Event of Default would arise as a result and no other

Indebtedness that would give rise to an obligation to give such a Lien is at that time secured by a Lien over the relevant Collateral.

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement restrict the ability of the holders or the Trustee to instruct the Security Trustee to enforce the Security Interest and provide for the release of the Security Interest in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility. These limitations are described under “*Description of Other Indebtedness — Intercreditor Agreement*”. In general, the rights of the Security Trustee (acting on its own behalf or on behalf of the holders) to take enforcement action under the Security Documents with respect to the Collateral are subject to certain standstill provisions similar to those that apply to the Subsidiary Guarantees and other limitations on enforcement.

Optional Redemption

Optional Redemption on or after March 15, 2016

Except as described below and under “— Redemption for Taxation Reasons”, the Notes are not redeemable until March 15, 2016. On or after March 15, 2016, the Issuer may redeem all, or from time to time a part, of the Notes upon not less than 30 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve month period commencing on March 15 of the years set out below:

<u>Year</u>	<u>Redemption Price</u>
2016	104.750%
2017	103.167%
2018	101.583%
2019 and thereafter	100.000%

In each case above, any such redemption and notice may, in the Issuer’s discretion, be subject to satisfaction of one or more conditions precedent.

Optional Redemption prior to March 15, 2016

At any time prior to March 15, 2016, the Issuer may also redeem all, or from time to time a part, of the Notes upon not less than 30 nor more than 60 days’ notice, at a price equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued but unpaid interest and Additional Amounts, if any, to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

In each case above, any such redemption and notice may, in the Issuer’s discretion, be subject to satisfaction of one or more conditions precedent.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuer.

Optional Redemption upon Equity Offerings

At any time, or from time to time, prior to March 15, 2014, the Issuer may, at its option, use the Net Cash Proceeds of one or more Equity Offerings (except for sales of Capital Stock of a Parent the proceeds of which are contributed as Subordinated Shareholder Loans) to redeem, upon not less than 30 nor more than 60 days’ notice, up to 35% of the principal amount of the Notes issued under the Indenture (including the principal amount of any Additional Notes) at a redemption price of 109.500% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption

(subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

- (1) at least 65% of the principal amount of each of the Notes (which includes Additional Notes, if any) issued under the Indenture remains outstanding immediately after any such redemption; and
- (2) the Issuer makes such redemption not more than 90 days after the consummation of any such Equity Offering.

In each case above, any such redemption and notice may, in the Issuer's discretion, be subject to satisfaction of one or more conditions precedent.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuer.

Special Optional Redemption upon UPC Exchange Transaction

At any time prior to the 36-month anniversary of the original issue date of the Existing Senior Notes, the Issuer may, at its option, following completion of a UPC Exchange Transaction, redeem all, but not less than all, of the Notes issued under the Indenture upon not less than 30 nor more than 60 days' notice (which notice of redemption shall be given no later than 10 business days following the completion of such UPC Exchange Transaction), at a redemption price (expressed as a percentage of the principal amount thereof) of 102%, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Any such redemption and notice may, in the Issuer's discretion, be subject to satisfaction of one or more conditions precedent.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuer.

Selection and Notice

In the case of any partial redemption, selection of the Notes for redemption will be made by the Trustee on a pro rata basis (or, in the case of Notes issued in global form, based on a method that most nearly approximates a pro rata selection, as the Trustee deems fair and appropriate) unless otherwise required by law or applicable stock exchange or depository requirements, although no Notes of €100,000 or less can be redeemed in part. The Trustee will not be liable for selections made by it in accordance with this paragraph. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note.

For Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 30 nor more than 60 days' notice to the holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "Tax Redemption Date") (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), and Additional Amounts (as defined below under "— *Withholding Taxes*"), if any, then due and which will

become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuer determines that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below under “— *Withholding Taxes*”) affecting taxation; or
- (2) any change in position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) (each of the foregoing in clauses (1) and (2), a “Change in Tax Law”),

the Issuer is, or on the next interest payment date in respect of the Notes would be, required to pay more than *de minimis* Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to it (including, without limitation, by appointing a new or additional paying agent in another jurisdiction). The Change in Tax Law must become effective on or after the date of the Offering Memorandum. In the case of a successor to the Issuer, the Change in Tax Law must become effective after the date that such entity first makes payment on the Notes. Notice of redemption for taxation reasons will be published in accordance with the procedures described in the Indenture as described under “— *Notices*”. Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officers’ Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right to so redeem have been satisfied and that it cannot avoid the obligations to pay Additional Amounts by taking reasonable measures available to it; and (b) an opinion of an independent tax counsel reasonably satisfactory to the Trustee to the effect that the circumstances referred to above exist. The Trustee will accept such Officers’ Certificate and opinion as sufficient evidence of the existence of satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

The foregoing provisions will apply *mutatis mutandis* to any successor to the Issuer after such successor person becomes a party to the Indenture.

Redemption at Maturity

On March 15, 2021, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Withholding Taxes

All payments made by the Issuer, any Guarantor or any successor thereto (a “Payor”) on the Notes (including any Guarantee for the purposes of this covenant) will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“Taxes”) unless the withholding or deduction of such Taxes is then required by law or by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) The Federal Republic of Germany or any political subdivision or governmental authority thereof or therein having power to tax;
- (2) any jurisdiction from or through which payment on the Notes is made, or any political subdivision or governmental authority thereof or therein having the power to tax; or
- (3) any other jurisdiction in which a Payor is organized or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a “Relevant Taxing Jurisdiction”),

will at any time be required from any payments made with respect to the Notes, including payments of principal, redemption price, interest or premium, the Payor will pay (together with such payments) such additional amounts (the “Additional Amounts”) as may be necessary in order that the net amounts received in respect of such payments by each holder of the Notes, as the case may be, after such

withholding or deduction (including any such deduction or withholding from such Additional Amounts) equal the amounts which would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable with respect to:

- (a) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder or beneficial owner and the Relevant Taxing Jurisdiction imposing such Taxes (other than the mere ownership or holding of such Note or enforcement of rights thereunder or under the Indenture or the receipt of payments in respect thereof);
- (b) any Taxes that would not have been so imposed if the holder had made a declaration of non-residence or any other claim or filing for exemption to which it is entitled (*provided* that (x) such declaration of non-residence or other claim or filing for exemption is required by the applicable law of the Relevant Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or a part of any such Taxes and (y) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption is required under the applicable law of the Relevant Taxing Jurisdiction, the relevant holder at that time has been notified (in accordance with the procedures set forth in the Indenture) by the Payor or any other person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption is required to be made);
- (c) any Note presented for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented during such 30-day period);
- (d) any Taxes that are payable otherwise than by withholding from a payment of the principal of, premium, if any, or interest on the Notes;
- (e) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
- (f) any withholding or deduction imposed on a payment to an individual and required to be made pursuant to the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive; or
- (g) any Taxes which could have been avoided by the presentation (where presentation is required) of the relevant Note to another Paying Agent in a member state of the European Union.

Such Additional Amounts will also not be payable where, had the beneficial owner of the Note been the holder of the Note, it would not have been entitled to payment of Additional Amounts by reason of any of clauses (a) to (g) inclusive above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies (or, if certified copies are not available despite reasonable efforts of the Payor, other evidence of payment reasonably satisfactory to the Trustee) to each holder. The Payor will attach to each certified copy (or other evidence) a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per €1,000 principal amount of the Notes. Copies of such documentation will be available for inspection during ordinary business hours at the office of the Trustee by the holders of the Notes upon request and will be made available at the offices of the Paying Agent if the Notes are then listed on the Luxembourg Stock Exchange.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable (unless such obligation to pay Additional Amounts arises shortly before or after the 30th day prior to such date, in which case it shall be promptly thereafter), if the Payor will be obligated to pay Additional Amounts with respect to such payment, the Payor will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable, the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to

holders on the payment date. Each such Officers' Certificate shall be relied upon until receipt of a further Officers' Certificate addressing such matters. The Trustee shall be entitled to rely solely on each such Officers' Certificate as conclusive proof that such payments are necessary.

Wherever mentioned in the Indenture, the Notes or this Description of the New Senior Notes, in any context: (1) the payment of principal, (2) purchase prices in connection with a purchase of Notes, (3) interest, or (4) any other amount payable on or with respect to the Notes, such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery or registration of any Notes or any other document or instrument referred to therein (other than a transfer of the Notes), or the receipt of any payments with respect to the Notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside the United Kingdom, Grand Duchy of Luxembourg, the Federal Republic of Germany or any jurisdiction in which a Paying Agent is located, other than those resulting from, or required to be paid in connection with, the enforcement of the Notes, the Security or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized or any political subdivision or taxing authority or agency thereof or therein.

Certain Covenants

Change of Control

If a Change of Control shall occur at any time, the Issuer shall, pursuant to the procedures described below and in the Indenture, offer (the "Change of Control Offer") to purchase all Notes in whole or in part in denominations of €100,000 and in integral multiples of €1,000 in excess thereof at a purchase price (the "Change of Control Purchase Price") in cash in an amount equal to 101% of the principal amount of such Notes, plus any Additional Amounts and accrued and unpaid interest, if any, to the date of purchase (the "Change of Control Purchase Date") (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date); *provided, however*, that the Issuer shall not be obliged to repurchase Notes as described under this subsection "*— Change of Control*" in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*— Optional Redemption*" or all conditions to such redemption have been satisfied or waived. No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below €100,000.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*— Optional Redemption*" or all conditions to such redemption have been satisfied or waived, within 30 days of any Change of Control, the Issuer shall notify the Trustee thereof and give written notice of such Change of Control to each holder of Notes by first-class mail, postage prepaid, at such holder's address appearing in the security register, stating, among other things:

- that a Change of Control has occurred and the date of such event;
- the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to *pro forma* historical income, cash flow and capitalization after giving effect to the Change of Control);
- the purchase price and the purchase date which shall be fixed by the Issuer on a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the Exchange Act;
- that any Note not tendered will continue to accrue interest and unless the Issuer defaults in payment of the Change of Control Purchase Price, any Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Purchase Date; and
- certain other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Issuer shall cause to be published the notice described above in a leading newspaper having a general circulation in London (which is expected to be the Financial Times) or through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency). In addition, if and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer in a leading newspaper of general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange. The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. See “*Risk Factors — Risks Relating to the New Notes — We may not be able to obtain enough funds necessary to finance an offer to repurchase your New Notes upon the occurrence of certain events constituting a change of control (as defined in the New Indentures) as required by the New Indentures*”.

The Trustee will promptly authenticate and deliver a new note or notes equal in principal amount to any unpurchased portion of Notes surrendered, if any, to the holder of Notes in global form or to each holder of certificated notes; *provided* that each such new note will be in a principal amount of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The Issuer will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by us and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

The term “all or substantially all” as used in the definition of “Change of Control” has not been interpreted under New York law (which is the governing law of the Indenture) to represent a specific quantitative test. As a consequence, in the event the holders of the Notes elect to exercise their rights under the Indenture and the Issuer elects to contest such election, there could be no assurance as to how a court interpreting New York law would interpret the phrase.

The provisions of the Indenture will not afford holders of the Notes the right to require the Issuer to repurchase the Notes in the event of a highly leveraged transaction, certain transactions with the Issuer’s management or their Affiliates or certain other sale transactions, including a reorganization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of the Issuer by management or its affiliates) involving the Issuer that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control.

The provisions under the Indenture related to the Issuer’s obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the holders of a majority in principal amount of the Notes prior to the occurrence of a Change of Control.

The Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws or regulations in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this covenant (other than the obligation to make an offer pursuant to this covenant), the Issuer will comply with the securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that:

- (1) any Guarantor may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving effect thereto on a *pro forma* basis the Consolidated Leverage Ratio for the Restricted Subsidiaries would not exceed 4.00 to 1.00; and
- (2) the Issuer may Incur Pari Passu Indebtedness (including Acquired Indebtedness constituting Pari Passu Indebtedness) if on the date of such Incurrence and after giving effect thereto on a *pro forma* basis the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries would not exceed 5.00 to 1.00.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

- (1) Indebtedness of the Issuer and any of its Restricted Subsidiaries under Credit Facilities in the aggregate principal amount at any one time outstanding not to exceed an amount equal to €80 million;
- (2) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary (other than a Receivables Entity) or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any other Restricted Subsidiary (other than a Receivables Entity); *provided, however*, that:
 - (a) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary (other than a Receivables Entity) of the Issuer; and
 - (b) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary (other than a Receivables Entity) of the Issuer,shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be; *provided, further*, that, if a Restricted Subsidiary that is not a Guarantor owns or holds such Indebtedness and the Issuer or any Guarantor is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations of the Issuer with respect to the Notes or of such Guarantor with respect to its Subsidiary Guarantee, as the case may be;
- (3) (a) Indebtedness of the Issuer represented by the Notes (other than any Additional Notes issued after the Issue Date) and the Existing Senior Notes, (b) Indebtedness of the Guarantors represented by the Subsidiary Guarantees, (c) Indebtedness of the Restricted Subsidiaries represented by the Senior Secured Notes issued on the Issue Date and the guarantees of the Senior Secured Notes and (d) Indebtedness represented by the Security Documents, including, with respect to each such Indebtedness “parallel debt” obligations created under the Intercreditor Agreement and the Security Documents;
- (4) any Indebtedness (other than the Indebtedness described in clauses (1), (2), (3), (6), (8), (9), (10) and (11)) outstanding on the Issue Date;
- (5) any Refinancing Indebtedness Incurred in respect of any Indebtedness described in clause (3), clause (4), this clause (5), clause (6), clause (8) or clause (15) or Incurred pursuant to the first paragraph of this covenant;
- (6) Indebtedness of a Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary was acquired by the Issuer (other than Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by the Issuer or (b) otherwise in connection with, or in contemplation of, such acquisition); *provided, however*, that immediately following the consummation of the acquisition of such Restricted Subsidiary by the Issuer, the Consolidated Leverage Ratio of the Issuer would not be greater than immediately prior to such acquisition;
- (7) Indebtedness under Currency Agreements and Interest Rate Agreements; *provided*, that in the case of Currency Agreements, such Currency Agreements are related to business transactions of the Issuer or its Restricted Subsidiaries entered into in the ordinary course of business or in the case of Currency Agreements and Interest Rate Agreements, such Currency Agreements and Interest Rate Agreements are entered into for bona fide hedging purposes of the Issuer or its Restricted Subsidiaries (as determined in good faith by the Board of Directors or senior management of the Issuer) and substantially correspond in terms of notional amount, currencies and interest rates, as applicable, to Indebtedness of the Issuer or its Restricted Subsidiaries;
- (8) Indebtedness represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations with respect to assets other than Capital Stock or other Investments, in each case Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvements of property used in the business of the Issuer or such Restricted Subsidiary, in an aggregate principal amount not to exceed €50.0 million at any time outstanding;
- (9) Indebtedness Incurred in respect of (a) workers’ compensation claims, self-insurance obligations, performance, bid, surety, tax guarantors or other similar bonds and completion guarantees and

warranties provided by a Restricted Subsidiary Incurred in the ordinary course of business and (b) letters of credit, bankers' acceptances or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business;

- (10) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for indemnification, obligations in respect of earnouts or adjustment of purchase price or similar obligations, in each case, Incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Restricted Subsidiary, provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds (including the fair market value of non-cash proceeds) actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;
- (11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (12) guarantees by the Issuer or any Guarantor of Indebtedness or any other obligation or liability of the Issuer or any Restricted Subsidiary (other than of any Indebtedness Incurred by such Restricted Subsidiary in violation of this covenant); provided that if the Indebtedness being guaranteed is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then such guarantee shall be subordinated substantially to the same extent as the relevant Indebtedness guaranteed;
- (13) Indebtedness of the Issuer and its Restricted Subsidiaries in any Qualified Receivables Transaction;
- (14) Subordinated Shareholder Loans Incurred by the Issuer; and
- (15) in addition to the items referred to in clauses (1) through (14) above, Indebtedness of the Issuer and any of its Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (15) and then outstanding, will not exceed €50.0 million at any time outstanding.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify and, from time to time, may reclassify such Indebtedness, in any manner that complies with this covenant and such item of Indebtedness will be treated as having been Incurred pursuant to only one of such clauses of the second paragraph of this covenant or pursuant to the first paragraph of this covenant;
- (2) any borrowings under the Revolving Credit Facility may only be Incurred under clause (1) of the second paragraph of this covenant and may not be reclassified;
- (3) guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (4) if obligations in respect of letters of credit are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1) of the second paragraph above and the letters of credit relate to other Indebtedness, then such other Indebtedness shall not be included;
- (5) the principal amount of any Disqualified Stock of the Issuer, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and
- (7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock and increases in the amount of Indebtedness due to a change in accounting principles will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (ii) the principal amount or liquidation preference thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

In addition, the Issuer will not permit any of its Unrestricted Subsidiaries to Incur any Indebtedness or issue any shares of Disqualified Stock, other than Non-Recourse Debt. If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this “— *Limitation on Indebtedness*” covenant, the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent principal amount of Indebtedness denominated in a foreign currency shall be (1) calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable euro-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced and (2) if and for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the swapped rate of such Indebtedness was as of the date of the applicable swap. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer and the Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly:

- (1) to declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:
 - (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or Subordinated Shareholder Loans; and
 - (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary of the Issuer (and if such Restricted Subsidiary is not a Wholly Owned Subsidiary, to its other holders of common Capital Stock on a *pro rata* basis);
- (2) to purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer;
- (3) to purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than (x) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement or (y) Indebtedness permitted under clause (2) of the second paragraph under the covenant described under “— *Limitation on Indebtedness*”); or
- (4) to make any Restricted Investment in any Person;

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (4) are referred to herein as a “Restricted Payment”), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

- (a) a Default shall have occurred and be continuing (or would result therefrom); or
- (b) the Issuer is not able to Incur an additional €1.00 of Pari Passu Indebtedness pursuant to the first paragraph under the covenant described under “— *Limitation on Indebtedness*”, after giving effect, on a *pro forma* basis, to such Restricted Payment; or
- (c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made subsequent to the Issue Date and not returned or rescinded would exceed the sum of:
 - (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the beginning of the first fiscal quarter commencing after the original issue date of the Existing Senior Notes to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which financial statements are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit);
 - (ii) 100% of the aggregate Net Cash Proceeds and the fair market value, as determined in good faith by the Board of Directors of the Issuer, of marketable securities received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock) or Subordinated Shareholder Loans or other capital contributions subsequent to the original issue date of the Existing Senior Notes (other than (x) Net Cash Proceeds received from an issuance or sale of such Capital Stock to a Restricted Subsidiary of the Issuer or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination or (y) Excluded Contributions);
 - (iii) 100% of the aggregate Net Cash Proceeds and the fair market value, as determined in good faith by the Board of Directors of the Issuer, of marketable securities received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary of the Issuer) by the Issuer or any Restricted Subsidiary subsequent to the original issue date of the Existing Senior Notes of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock) or Subordinated Shareholder Loans; and
 - (iv) the amount equal to the net reduction in Restricted Investments made by the Issuer or any of its Restricted Subsidiaries resulting from:
 - (A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary; or
 - (B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of “Investment”) not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Issuer or any Restricted Subsidiary in such Unrestricted Subsidiary,

which amount in each case under this clause (iv) was included in the calculation of the amount of Restricted Payments; *provided, however*, that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income.

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by the Issuer.

The provisions of the preceding paragraph will not prohibit:

- (1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Subordinated Shareholder Loans or Subordinated Obligations of the Issuer made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares)

for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock, Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination), Subordinated Shareholder Loans or a substantially concurrent capital contribution to the Issuer; *provided, however*, that (a) such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments and (b) the Net Cash Proceeds from such sale or issuance of Capital Stock or Subordinated Shareholder Loans or from such capital contribution will be excluded from clause (c)(ii) of the preceding paragraph;

- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations of the Issuer or a Restricted Subsidiary made by exchange for, or out of the proceeds of the substantially concurrent sale of, Subordinated Obligations of the Issuer or such Restricted Subsidiary that is permitted to be Incurred pursuant to the covenant described under “— *Limitation on Indebtedness*” and that in each case constitutes Refinancing Indebtedness; *provided, however*, that such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Issuer or such Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “— *Limitation on Indebtedness*” and that in each case constitutes Refinancing Indebtedness; *provided, however*, that such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments;
- (4) dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this provision; *provided, however*, that such dividends will be included in subsequent calculations of the amount of Restricted Payments;
- (5) the purchase, repurchase, defeasance, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock of the Issuer or any Restricted Subsidiary of the Issuer or any parent of the Issuer held by any existing or former employees or management of the Issuer or any Subsidiary of the Issuer or their assigns, estates or heirs, in each case in connection with the repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees; *provided* that such redemptions or repurchases pursuant to this clause will not exceed an amount equal to €3.0 million in the aggregate during any calendar year (with any unused amounts in any preceding calendar year being carried over to the succeeding calendar year); *provided, however*, that the amount of any such repurchase or redemption will be included in subsequent calculations of the amount of Restricted Payments;
- (6) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “— *Limitation on Indebtedness*” above;
- (7) purchases, repurchases, redemptions, defeasance or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other convertible securities if such Capital Stock represents a portion of the exercise price thereof; *provided, however*, that such repurchases will be excluded from subsequent calculations of the amount of Restricted Payments;
- (8) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Obligation (i) at a purchase price not greater than 101% of the principal amount of such Subordinated Obligation in the event of a Change of Control in accordance with provisions similar to the “— *Change of Control*” covenant or (ii) at a purchase price not greater than 100% of the principal amount thereof in accordance with provisions similar to the “— *Limitation on Sales of Assets and Subsidiary Stock*” covenant; *provided* that, prior to or

simultaneously with such purchase, repurchase, redemption, defeasance or other acquisition or retirement, the Issuer has made the Change of Control Offer or Asset Disposition Offer, as applicable, as provided in such covenant with respect to the Notes and has completed the repurchase or redemption of all Notes validly tendered for payment in connection with such Change of Control Offer or Asset Disposition Offer; and *provided, further*, that such purchase, redemption or other acquisition will be excluded from subsequent calculations of the amount of Restricted Payments;

- (9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to:
 - (i) the amounts required for any Parent to pay Parent Expenses;
 - (ii) the amounts required for any Parent to pay Public Offering Expenses;
 - (iii) the amounts required for any Parent to pay Related Taxes; and
 - (iv) amounts constituting payments satisfying the requirements of clauses (11) and (12) of the second paragraph of the covenant described under “— *Limitation on Affiliate Transactions*”, *provided*, that the Issuer or any Restricted Subsidiary receives a corporate benefit as the result of any such dividend, loan, advance or distribution or other payment; and *provided further* that such dividends, loans, advances, distributions or other payments will be excluded from subsequent calculations of the amount of Restricted Payments;
- (10) Investments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause, *provided* that the amount of such Investments will be excluded from subsequent calculations of the amount of Restricted Payments;
- (11) payments by the Issuer, or loans, advances, dividends or distributions to any parent company of the Issuer to make payments to holders of Capital Stock of the Issuer or any parent company of the Issuer in lieu of the issuance of fractional shares of such Capital Stock; *provided* that the net amount of such payments will be excluded from subsequent calculations of the amount of Restricted Payments;
- (12) so long as no Default or Event of Default of the type specified in clauses (1) or (2) under “— *Events of Default*” has occurred and is continuing, Restricted Payments to be applied to scheduled cash interest payments on Indebtedness of any Parent to the extent that such Indebtedness is guaranteed by the Issuer pursuant to a guarantee otherwise permitted to be Incurred under the Indenture; *provided, however*, that the amount of such payments will be included in subsequent calculations of the amount of Restricted Payments;
- (13) so long as no Default or Event of Default of the type specified in clauses (1) or (2) under “— *Events of Default*” has occurred and is continuing, the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Capital Stock or Subordinated Shareholder Loans held by, or the making of any dividends, loans, advances or distributions to, any Parent to the extent that, after giving *pro forma* effect to any such purchase, repurchase, redemption, defeasance, other acquisition or retirement, dividend, loan, advance or distribution, the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries would not exceed 5.00 to 1.00, *provided* that the net amount of such payments will be included in subsequent calculations of the amount of Restricted Payments; and
- (14) Restricted Payments in an aggregate amount at any time outstanding, when taken together with all other Restricted Payments made pursuant to this clause (14), not to exceed €25.0 million in the aggregate in any calendar year (with any unused amounts in any preceding calendar year being carried over to the succeeding calendar year); *provided* that the amount of such Restricted Payments will be included in subsequent calculations of the amount of Restricted Payments.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount and any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

Limitation on Liens

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur or suffer to exist any Lien (other than Permitted Liens) upon any of its property or assets (including Capital Stock of Restricted Subsidiaries of the Issuer), whether owned on the date of the Indenture or acquired after that date, which Lien is securing any Indebtedness (such Lien, the “Initial Lien”), unless contemporaneously with the Incurrence of such Initial Lien effective provision is made to secure the Indebtedness due under the Indenture and the Notes or, in respect of Liens on any Guarantor’s property or assets, such Guarantor’s Subsidiary Guarantee, equally and ratably with (or (a) on a junior priority basis if such Indebtedness is Senior Indebtedness of a Guarantor or (b) prior to, in the case of Liens with respect to Subordinated Obligations of a Guarantor, as the case may be) the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured.

Any such Lien thereby created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, (ii) any sale, exchange or transfer to any Person other than the Issuer or any Restricted Subsidiary of the property or assets secured by such Initial Lien, (iii) the full and final payment of all amounts payable by the Issuer under the Notes and the Indenture, or (iv) the defeasance or discharge of the Notes in accordance with the defeasance provisions described under “— *Defeasance*”.

Notwithstanding the foregoing, the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur or suffer to exist any Lien on any Collateral (other than Permitted Collateral Liens).

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;
- (2) make any loans or advances to the Issuer or any Restricted Subsidiary; or
- (3) transfer any of its property or assets to the Issuer or any Restricted Subsidiary;

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock and (y) the subordination of (including but not limited to, the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

The preceding provisions will not prohibit:

- (1) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the date of the Indenture, including, without limitation, the Indenture, the Existing Senior Notes Indenture, the Senior Secured Notes Indentures, the Revolving Credit Facility, the Intercreditor Agreement and the Security Documents, in each case, as in effect on the Issue Date;
- (2) any encumbrance or restriction pursuant to an agreement or instrument of a Person relating to any Capital Stock or Indebtedness of a Person, Incurred on or before the date on which such Person was acquired by or merged or consolidated with or into the Issuer or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged or consolidated with or into the Issuer or any Restricted Subsidiary or in contemplation of such transaction) and outstanding on such date, *provided*, that any such encumbrance or restriction shall not extend to any assets or property of the Issuer or any other Restricted Subsidiary other than the assets and property so acquired and *provided, further*, that for the purposes of this clause, if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

- (3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refunding, replacement or refinancing of Indebtedness Incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement referred to in clause (1) or (2) of this paragraph or this clause (3) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement are no less favorable in any material respect to the holders of the Notes than the encumbrances and restrictions contained in such agreements referred to in clauses (1) or (2) of this paragraph (as determined in good faith by the Issuer);
- (4) in the case of clause (3) of the first paragraph of this covenant, any encumbrance or restriction:
- (i) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any such lease, license or other contract;
 - (ii) contained in Liens permitted under the Indenture securing Indebtedness of the Issuer or a Restricted Subsidiary to the extent such encumbrances or restrictions restrict the transfer of the property subject to such mortgages, pledges or other security agreements; or
 - (iii) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;
- (5) any encumbrance or restriction pursuant to (a) purchase money obligations for property acquired in the ordinary course of business and (b) Capitalized Lease Obligations permitted under the Indenture, in each case that impose encumbrances or restrictions of the nature described in clause (3) of the first paragraph of this covenant on the property so acquired;
- (6) any Purchase Money Note or other Indebtedness or contractual requirements Incurred with respect to a Qualified Receivables Transaction relating exclusively to a Receivables Entity that, in the good faith determination of the Board of Directors, are necessary to effect such Qualified Receivables Transaction;
- (7) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (8) customary provisions in leases, joint venture agreements and other agreements and instruments entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business;
- (9) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;
- (10) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;
- (11) any encumbrance or restriction pursuant to Currency Agreements or Interest Rate Agreements; and
- (12) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “— *Limitation on Indebtedness*” if (a) the encumbrances and restrictions taken as a whole are not materially less favorable to the holders of the Notes than the encumbrances and restrictions contained in the Revolving Credit Facility and the Intercreditor Agreement, in each case, as in effect on the Issue Date (as determined in good faith by the Issuer) or (b) such encumbrances and restrictions taken as a whole are not materially more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer) and, in each case, either (x) the Issuer reasonably believes that such encumbrances and restrictions will not materially affect the Issuer’s ability to make principal or interest payments on the Notes as and when they come due or (y) such encumbrances and restrictions applies only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness.

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition

unless:

- (1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Issuer (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;
- (2) unless the Asset Disposition is a Permitted Asset Swap, at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents; and
- (3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer or such Restricted Subsidiary, as the case may be:
 - (a) to the extent the Issuer or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness), to prepay, repay or purchase Senior Indebtedness of the Issuer (including the Notes) or any Guarantor or Indebtedness of a Restricted Subsidiary that is not a Guarantor (in each case other than Indebtedness owed to the Issuer or an Affiliate of the Issuer) within 365 days from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; *provided, however*, that, in connection with any prepayment, repayment or purchase of Bank Indebtedness pursuant to this clause (a), the Issuer or such Restricted Subsidiary will retire such Bank Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or
 - (b) to the extent the Issuer or such Restricted Subsidiary elects to invest in or commit to invest in Additional Assets within 365 days from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; *provided, however*, that any such reinvestment in Additional Assets made pursuant to a definitive agreement or a commitment approved by the Board of Directors of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 6 months of such 365th day;

provided, that pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Issuer and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied as provided in the preceding paragraph will be deemed to constitute “Excess Proceeds”. On the 366th day after an Asset Disposition, if the aggregate amount of Excess Proceeds exceeds €50.0 million, the Issuer will be required to make an offer (“Asset Disposition Offer”) to all holders of Notes and to the extent required by the terms of other Indebtedness of the Issuer or any Guarantor that does not constitute Subordinated Obligations, to all holders of such other Indebtedness outstanding with similar provisions requiring the Issuer or such Guarantor to make an offer to purchase such Indebtedness with the proceeds from any Asset Disposition (“Other Asset Disposition Indebtedness”), to purchase the maximum principal amount of Notes and any such Other Asset Disposition Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount of the Notes and Other Asset Disposition Indebtedness plus accrued and unpaid interest to the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Other Asset Disposition Indebtedness, as applicable, in each case in a principal amount of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess

Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of Notes surrendered by holders thereof and Other Asset Disposition Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and Other Asset Disposition Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Other Asset Disposition Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

The Asset Disposition Offer, insofar as it relates to the Notes, will remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the “Asset Disposition Offer Period”). No later than five Business Days after the termination of the Asset Disposition Offer Period (the “Asset Disposition Purchase Date”), the Issuer will purchase the principal amount of Notes and Other Asset Disposition Indebtedness required to be purchased pursuant to this covenant (the “Asset Disposition Offer Amount”) or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Other Asset Disposition Indebtedness validly tendered in response to the Asset Disposition Offer.

If the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to holders who tender Notes pursuant to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Other Asset Disposition Indebtedness or portions of Notes and Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn, in each case in a principal amount of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officers’ Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering holder of Notes or holder or lender of Other Asset Disposition Indebtedness, as the case may be, an amount equal to the purchase price of the Notes or Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note, and the Trustee, upon delivery of an Officers’ Certificate from the Issuer will authenticate and mail or deliver such new Note to such holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount of €100,000 and in integral multiples of €1,000 in excess thereof. In addition, the Issuer will take any and all other actions required by the agreements governing the Other Asset Disposition Indebtedness. Any Note not so accepted will be promptly mailed or delivered by the Issuer to the holder thereof. The Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

For the purposes of this covenant, the following will be deemed to be cash:

- (1) the assumption by the transferee of Indebtedness (other than Subordinated Obligations) of the Issuer or any Guarantor or Indebtedness of a Restricted Subsidiary that is not a Guarantor and the release of the Issuer, Guarantor or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition (in which case the Issuer will, without further action, be deemed to have applied such deemed cash to Indebtedness in accordance with clause (3)(a) above);
- (2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary of the Issuer from the transferee that are promptly converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents;
- (3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are

released from any guarantee of payment of the principal amount of such Indebtedness in connection with such Asset Disposition; and

- (4) consideration consisting of Indebtedness of the Issuer or any Restricted Subsidiary.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (an “Affiliate Transaction”) involving aggregate consideration in excess of €5.0 million for such Affiliate Transactions in any fiscal year, *unless*:

- (1) the terms of such Affiliate Transaction are no less favorable, taken as a whole, to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction in arm’s-length dealings with a Person who is not such an Affiliate;
- (2) in the event such Affiliate Transaction involves an aggregate consideration in excess of €10.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Issuer; and
- (3) in the event such Affiliate Transaction involves an aggregate consideration in excess of €30.0 million, the Issuer has received a written opinion from an independent investment banking, accounting or appraisal firm of internationally recognized standing (as determined by the Issuer in good faith, who shall deliver a copy of the same to the Trustee) that such Affiliate Transaction either is fair, from a financial standpoint, to the Issuer and its Restricted Subsidiaries or is not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arm’s length basis from a Person that is not an Affiliate.

The preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under “— *Limitation on Restricted Payments*” or any Permitted Investment (except with respect to clause (16)(b) of the definition of “Permitted Investment”, which will be subject to clause (6) below);
- (2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultant plans (including, without limitation, valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) and/or indemnities provided on behalf of officers, employees or directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;
- (3) loans or advances to employees, officers or directors in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries but in any event not to exceed €10.0 million in the aggregate outstanding at any one time with respect to all loans or advances made since the Issue Date;
- (4) any transaction between or among the Issuer and a Restricted Subsidiary or between or among Restricted Subsidiaries and any guarantees issued by the Issuer or a Restricted Subsidiary for the benefit of the Issuer or a Restricted Subsidiary, as the case may be, in accordance with “— *Limitation on Indebtedness*”;

- (5) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Issuer or the senior management of the Issuer or the relevant Restricted Subsidiary, as applicable, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (6) any transaction in the ordinary course of business between the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer controlled by the Issuer that is a joint venture or similar entity; provided, any transaction described in this clause (6) will both:
 - (a) be subject to the requirements of clause (1) and (2) of the first paragraph of this covenant; and
 - (b) either (i) comply with the provisions of clause (3) of the first paragraph of this covenant (substituting €50.0 million for €30.0 million) or (ii) be substantially identical to a transaction between such Affiliate and a non-Affiliated third party which involves aggregate consideration in an amount substantially identical to the aggregate consideration involved in such substantially identical transaction;
- (7) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, directors of the Issuer or any Restricted Subsidiary of the Issuer;
- (8) the performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any agreement to which the Issuer or any of its Restricted Subsidiaries is a party as of or on the Issue Date, as these agreements may be amended, modified, supplemented, extended or renewed from time to time; provided, however, that any future amendment, modification, supplement, extension or renewal entered into after the Issue Date will be permitted to the extent that its terms are not more disadvantageous to the holders of the Notes than the terms of the agreements in effect on the Issue Date;
- (9) sales or other transfers or dispositions of accounts receivable and other related assets customarily transferred in an asset securitization transaction involving accounts receivable to a Receivables Entity in a Qualified Receivables Transaction, and acquisitions of Permitted Investments in connection with a Qualified Receivables Transaction;
- (10) the issuance of Capital Stock or any options, warrants or other rights to acquire Capital Stock (other than Disqualified Stock) of the Issuer to any Affiliate;
- (11) the payment to any Permitted Holder of all reasonable out-of-pocket expenses Incurred by any Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries and unpaid amounts accrued for prior periods (but after the Issue Date);
- (12) the payment to any Parent or Permitted Holder (1) of Management Fees (a) on a bona fide arm's-length basis in the ordinary course of business or (b) of up to €5.0 million in any calendar year or (2) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including without limitation in connection with acquisitions or divestitures, which payments are approved by a majority of Disinterested Directors;
- (13) guarantees issued in accordance with the “— *Limitation on Indebtedness*” covenant;
- (14) if otherwise permitted under the Indenture, the issuance of Capital Stock (other than Disqualified Stock) or Subordinated Shareholder Loans (including the payment of cash interest thereon; provided that, after giving pro forma effect to any such cash interest payment, the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries would not exceed 5.00 to 1.00) of the Issuer to any direct Parent of the Issuer or any Permitted Holder for cash or marketable securities; and
- (15) arrangements with customers, suppliers, contractors, lessors or sellers of goods or services that are negotiated with an Affiliate, in each case, which are otherwise in compliance with the terms of the Indenture; provided that the terms and conditions of any such transaction or agreement as applicable to the Issuer and its Restricted Subsidiaries, taken as a whole (a) are fair to the Issuer and its Restricted Subsidiaries and are on terms not materially less favorable to the Issuer and its Restricted Subsidiaries than those that could have reasonably been obtained in respect of an analogous transaction or agreement that would not constitute an Affiliate Transaction (in each

case, as determined in good faith by the Board of Directors of the Issuer or the senior management of the Issuer), (b) the performance by the Issuer and any of its Restricted Subsidiaries in respect of any such arrangements are for its own behalf and in its own name and (c) the Issuer and its Restricted Subsidiaries do not assume, and are otherwise not liable for any performance or breach in respect of, any such arrangements by the relevant Affiliate.

Limitation on Layering

The Issuer will not, directly or indirectly, Incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) to be subordinated in right of payment to any other Indebtedness of the Issuer which ranks *pari passu* with the Notes unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinate to the Notes to the same extent and in the same manner as such Indebtedness is subordinated to such other Indebtedness of the Issuer.

The Issuer will not permit any Guarantor to, and no Guarantor shall, Incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) to be subordinated in right of payment to any Senior Indebtedness unless such Indebtedness is *pari passu* with the Subsidiary Guarantee of such Guarantor or is also by its terms (or by the terms of any agreement governing such Indebtedness) made subordinated in right of payment to the Subsidiary Guarantee of such Guarantor to the same extent and in the same manner as such Indebtedness; *provided* that the foregoing limitation shall not apply to distinctions between categories of Senior Indebtedness that exist by reason of any Liens or guarantees arising or created in respect of some but not all such Senior Indebtedness; *provided, further*, that Indebtedness under Credit Facilities that are Senior Indebtedness of a Guarantor may provide for an ordering of payments among the tranches of such Credit Facility.

Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries

No Restricted Subsidiary (other than a Guarantor) shall guarantee or otherwise become obligated under any Indebtedness under the Revolving Credit Facility, the Senior Secured Notes, the Existing Senior Notes, the Existing Senior Notes Indenture, the Senior Secured Indentures or any other Designated Senior Indebtedness or guarantee any other Indebtedness of the Issuer or a Guarantor in an amount in excess of €5.0 million unless such Restricted Subsidiary is or becomes an Additional Guarantor on the date on which such other guarantee or Indebtedness is Incurred (or as soon as reasonably practicable thereafter) and, if applicable, executes and delivers to the Trustee a supplemental Indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide an Additional Subsidiary Guarantee (which Additional Subsidiary Guarantee shall be subordinated to Senior Indebtedness of such Additional Guarantor and senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness); *provided* that,

- (1) if such Restricted Subsidiary is not a Significant Subsidiary, such Restricted Subsidiary shall only be obligated to become an Additional Guarantor if such Indebtedness is Indebtedness of the Issuer or Public Debt of a Guarantor or if such Restricted Subsidiary is a direct or indirect holder of any Capital Stock of Unitymedia Hessen;
- (2) an Additional Guarantor's Additional Subsidiary Guarantee may be limited in amount to the extent required by fraudulent conveyance, thin capitalization, corporate benefit, financial assistance or other similar laws (but, in such a case (A) each of the Issuer and its Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal limit and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit and (B) the relevant guarantee shall be given on an equal and ratable basis with the guarantee of any other Indebtedness giving rise to the obligation to guarantee the Notes); and
- (3) for so long as it is not permissible under applicable law for a Restricted Subsidiary to become an Additional Guarantor, such Restricted Subsidiary need not become an Additional Guarantor (but, in such a case, each of the Issuer and its Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal prohibition precluding the giving of the guarantee and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant legal prohibition, and shall give such guarantee at such time (and to the extent) that it thereafter becomes permissible).

The preceding paragraph shall not apply to: (1) the granting by such Restricted Subsidiary of a Permitted Lien under circumstances which do not otherwise constitute the guarantee of Indebtedness of the Issuer; or (2) the guarantee by any Restricted Subsidiary of Indebtedness that refinances Indebtedness which benefited from a guarantee by any Restricted Subsidiary Incurred in compliance with this covenant immediately prior to such refinancing.

Reports

The Issuer will provide to the Trustee and will post on its website (or make similar disclosure) and shall make available to potential investors:

- (1) for so long as the Ultimate Parent files an Annual Report on Form 10-K with the SEC, a copy of such Annual Report within 120 days after the end of the Ultimate Parent's year end;
- (2) within 150 days after the end of each fiscal year ending subsequent to the Issue Date, an annual report of the Issuer, containing the following information: (a) audited combined or consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited combined or consolidated income statements and statements of cash flow of Issuer for the three most recent fiscal years, in each case prepared in accordance with IFRS, including appropriate footnotes to such financial statements, and a report of the independent public accountants on the financial statements; to the extent relating to such annual periods, an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; and (c) a description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; *provided, however*, that such reports need not contain any segment data other than as required under IFRS or as provided by the Ultimate Parent in its financial reports with respect to the period presented, (ii) include any exhibits, or (iii) include separate financial statements for any Affiliates of the Issuer or any acquired businesses;
- (3) within 60 days after each of the first three fiscal quarters in each fiscal year, a quarterly report of the Issuer containing the following information: (a) unaudited consolidated income statements of the Issuer for such period, prepared in accordance with IFRS, and (b) a financial review of such period (including a comparison against the prior year's comparable period), consisting of a discussion of (i) the financial condition and results of operations of the Issuer on a consolidated basis, and material changes between the current period and the period of the prior year, (ii) material developments in the business of the Issuer and its Restricted Subsidiaries, (c) financial developments and trends in the business in which the Issuer and its Restricted Subsidiaries is engaged and (d) information with respect to any material acquisition or disposal during the period *provided, however*, that such reports need not (i) contain any segment data other than as required under IFRS or as provided by the Ultimate Parent in its financial reports with respect to the period presented, (ii) include any exhibits, or (iii) include separate financial statements for any Affiliates of the Issuer or any acquired businesses; and
- (4) within 10 days after the occurrence of such event, information with respect to (A) any change in the independent public accountants of the Issuer or any of its Restricted Subsidiaries, (B) any material acquisition or disposal, and (C) any material development in the business of the Issuer and its Restricted Subsidiaries.

If the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries constitute Significant Subsidiaries of the Issuer, then the annual and quarterly information required by the first two clauses of this covenant shall include a reasonably detailed presentation, either on the face of the financial statements, in the footnotes thereto or in a separate report delivered therewith, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of such Unrestricted Subsidiaries.

If the Issuer elects to apply for all purposes of the Indenture, in lieu of IFRS, GAAP pursuant to the definition of IFRS set forth below under "*Certain Definitions*" then the annual and quarterly information required by the first two clauses of this covenant shall include a reconciliation, either in the footnotes thereto or in a separate report delivered therewith, of such GAAP presentation to the corresponding IFRS presentation of such financial information.

To the extent that Unitymedia is the reporting entity and material differences exist between the management, business, assets, shareholding or results of operations or financial condition of the Company and Unitymedia, the annual and quarterly reports shall give a reasonably detailed description of such differences and include an unaudited reconciliation of the Company's financial statements to Unitymedia's financial statement; provided, however, that if the total revenues, Consolidated EBITDA or Total Assets of Unitymedia and its Subsidiaries for any applicable period (on either a historical or pro forma basis) would deviate from any such measurement of the Company and its Restricted Subsidiaries by 5% or more, then a separate annual or quarterly report, as the case may be, shall be provided for the Company (in which case no report need be provided for Unitymedia).

Contemporaneously with the furnishing of each such report discussed above, a press release with the appropriate internationally recognized wire services in connection with such report will also be filed. The Company will also make available copies of all reports required by clauses (2) through (4) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, at the offices of the Paying Agent in Luxembourg or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Luxembourg Stock Exchange.

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b) of the Exchange Act, the Issuer shall furnish to the holders of the Notes and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Merger and Consolidation

The Issuer will not consolidate with, or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the "Successor Company") will be a corporation, partnership, trust or limited liability company organized and existing under the laws of any member of the state of the European Union that is a member of the European Union on the date of the Indenture, or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not the Issuer) will expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and expressly assumes all obligations of the Issuer under the Security Documents to which it is a party and the Intercreditor Agreement pursuant to agreements reasonably satisfactory to the Trustee;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) either (a) immediately after giving effect to such transaction, the Successor Company would be able to Incur at least an additional €1.00 of Pari Passu Indebtedness pursuant to the first paragraph of the covenant described under "*— Limitation on Indebtedness*" or (b) such Person is Bidco; and
- (4) the Issuer shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and that the supplemental indenture, the Indenture and the Notes are legal, valid and binding obligations of the Successor Company, enforceable (subject to customary exceptions and exclusions) in accordance with their terms.

A Guarantor will not consolidate with, or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, other than the Issuer or another Guarantor (other than in connection with a transaction that does not constitute an Asset Disposition or a transaction that is permitted under "*— Limitation on Sales of Assets and Subsidiary Stock*"), unless:

- (1) immediately after giving effect to that transaction, no Default or Event of Default shall have occurred and be continuing; and

(2) either:

- (a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger assumes all the obligations of that Guarantor under its Subsidiary Guarantee, the Indenture, the Intercreditor Agreement and the Security Documents to which such Guarantor is a party pursuant to agreements reasonably satisfactory to the Trustee; or
- (b) the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture, and upon such substitution, the predecessor Issuer will be released from its obligations under the Indenture and the Notes, but, in the case of a lease of all or substantially all its assets, the predecessor Issuer will not be released from the obligation to pay the principal of and interest on the Notes.

Although there is a limited body of case law interpreting the phrase “substantially all”, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

Notwithstanding clause (3) of the first paragraph of this covenant (which does not apply to the transactions referred to in this paragraph) any other provision of this covenant, (x) any Restricted Subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Issuer or another Restricted Subsidiary and (y) the Issuer may merge with an Affiliate incorporated solely for the purpose of reincorporating the Issuer in another jurisdiction to realize tax benefits, provided that, in the case of a Restricted Subsidiary that merges into the Issuer, the Issuer will not be required to comply with clause (4) of the first paragraph of this covenant.

Impairment of Security Interests

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the holders, and the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Trustee, for the benefit of the Trustee and the holders and the other beneficiaries described in the Security Documents, any interest whatsoever in any of the Collateral, except that the Issuer or its Restricted Subsidiaries may incur Permitted Collateral Liens and the Collateral may be discharged and released in accordance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement; *provided, however*, that, except with respect to any discharge or release of Collateral in accordance with the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement or in connection with the Incurrence of Liens for the benefit of the Trustee and holders of Notes or otherwise as described in the second to last paragraph under “*Description of Other Indebtedness — Intercreditor Agreement — Release of the Security and Guarantees*”, no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (2) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the Security Documents, as applicable, so amended, extended, renewed, restated, supplemented, modified or replaced, are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to

immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee shall (subject to customary protections and indemnifications from the Issuer) consent to such amendments without the need for instructions from the holders.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or any Guarantor of any (a) Indebtedness permitted pursuant to the first paragraph of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*” or clause (1), (7) (in the case of (7), to the extent such Indebtedness is Incurred under an Interest Rate Agreement or Currency Agreement in respect of Indebtedness Incurred under any such other paragraph or clause referred to in the preceding part of this clause (1)), or (15) (to the extent such Indebtedness is permitted Public Debt or Bank Indebtedness) of the second paragraph of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*” and (b) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (a) (and, in each case, any such Indebtedness shall be Senior Indebtedness, Senior Subordinated Indebtedness or Indebtedness of the Issuer), the Issuer, the relevant Guarantors and the Trustee shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement, including a restatement, amendment or other modification of an existing intercreditor agreement (an “Additional Intercreditor Agreement”), on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the holders), including containing substantially the same terms with respect to the subordination, payment blockage, limitation on enforcement and release of Guarantees, priority and release of the Security Interest or other terms which become customary for similar agreements; *provided* that only one Stop Notice can be given by Designated Senior Indebtedness in any 365-day period or in respect of the same event or circumstances regardless of the number of Credit Facilities or other instruments constituting “Designated Senior Indebtedness” of a Guarantor or the number of intercreditor agreements; *provided further* that in no event may the total number of days for which a Stop Notice is in effect exceed 179 days in the aggregate during any consecutive 365-day period; *provided, further*, that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or adversely affect the personal rights, duties, liabilities or immunities of the Trustee under the Indenture or the Intercreditor Agreement; *provided, further*, that only Designated Senior Indebtedness shall be entitled to instruct the Security Trustee to enforce the Collateral or initiate a payment blockage.

The Indenture will also provide that, in relation to the Intercreditor Agreement or an Additional Intercreditor Agreement, the Trustee shall consent on behalf of the holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described under “— *Certain Covenants — Limitation on Restricted Payments*”.

Suspension of Covenants on Achievement of Investment Grade Status

If, during any period after the Issue Date, the Notes have achieved and continue to maintain Investment Grade Status and no Event of Default has occurred and is continuing (such period hereinafter referred to as an “Investment Grade Status Period”), then the covenants in the Indenture described under “— *Limitation on Indebtedness*”, “— *Limitation on Restricted Payments*”, “— *Limitation on Restrictions on Distributions from Restricted Subsidiaries*”, “— *Limitation on Sales of Assets and Subsidiary Stock*”, “— *Limitation on Affiliate Transactions*”, and under “— *Change of Control*”, the provisions of clause (3) of the first paragraph of the covenant described under “— *Merger and Consolidation*” and any related default provisions of the Indenture will be suspended and will not, during such Investment Grade Status Period, be applicable to the Issuer and its Restricted Subsidiaries. As a result, during any such Investment Grade Status Period, the Notes will lose the covenant protection initially provided under the Indenture. No action taken during an Investment Grade Status Period or prior to an Investment Grade Status Period in compliance with the covenants then applicable will require reversal or constitute a default under the Notes in the event that suspended covenants are subsequently reinstated or suspended, as the case may be. An Investment Grade Status Period will terminate immediately upon the failure of the Notes to maintain Investment Grade Status. The Issuer will promptly notify the Trustee in writing of any failure of the Notes to maintain Investment Grade Status.

Events of Default

Each of the following is an “Event of Default” under the Indenture:

- (1) default in any payment of interest or Additional Amounts on any Note when due, which has continued for 30 days;
- (2) default in the payment of principal of or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase or otherwise;
- (3) failure by the Issuer or any Guarantor to comply with its obligations under “— *Certain Covenants — Merger and Consolidation*”;
- (4) failure by the Issuer or any Guarantor to comply for 30 days after notice with any of its obligations under the covenants described under “*Certain Covenants*” above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above and other than a failure to comply with “— *Certain Covenants — Merger and Consolidation*” which is covered by clause (3) above);
- (5) failure by the Issuer or any Guarantor to comply for 60 days after notice with its other agreements contained in the Notes or the Indenture;
- (6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of its Restricted Subsidiaries), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default:
 - (a) is caused by a failure to pay principal of such Indebtedness at its Stated Maturity prior to the expiration of the grace period provided in such Indebtedness (“payment default”); or
 - (b) results in the acceleration of such Indebtedness prior to its maturity (the “cross acceleration provision”);

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €25.0 million or more;

- (7) certain events of bankruptcy, insolvency or reorganization of the Issuer, a Guarantor or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the “bankruptcy provisions”);
- (8) failure by the Issuer, any Guarantor or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary, to pay final judgments aggregating in excess of €25.0 million (net of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days (the “judgment default provision”);
- (9) any Subsidiary Guarantee of a Significant Subsidiary ceases to be in full force and effect (except in accordance with the terms of the Indenture) or is declared invalid or unenforceable in a judicial proceeding and such Default continues for ten days after the notice specified in the Indenture; or
- (10) any Collateral having a fair market value of in excess of €20.0 million shall, at any time, cease to be in full force and effect other than as a result of its release in accordance with the Indenture and the Security Documents or any security interest created thereunder shall be declared invalid or unenforceable in a judicial proceeding and such Default continues for ten days after the notice specified in the Indenture.

However, a default under clauses (4), (5), (9) or (10) of this paragraph will not constitute an Event of Default until the Trustee or the holders of 25% in principal amount of the outstanding Notes notify the Issuer of the default and the Issuer does not cure such default within the time specified in clauses (4), (5), (9) or (10) of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (7) above) occurs and is continuing, the Trustee by notice to the Issuer, or the holders of at least 25% in principal amount of the outstanding Notes by notice to the Issuer and the Trustee, may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, if any, and Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest and Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (6) under “*Events of Default*” has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (6) shall be remedied or cured by the Issuer or a Restricted Subsidiary of the Issuer or waived by the holders of the relevant Indebtedness within 20 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest and Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived. If an Event of Default described in clause (7) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest and Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders. The holders of a majority in principal amount of the outstanding Notes may waive all past defaults (except with respect to non-payment of principal, premium, interest or Additional Amounts) and rescind any such acceleration with respect to the Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the non-payment of the principal of, premium, if any, interest and Additional Amounts, if any, on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and (3) the Issuer has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses, disbursements and advances.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, interest or Additional Amounts, if any, when due, no holder of Notes may pursue any remedy with respect to the Indenture or the Notes *unless*:

- (1) such holder of Notes has previously given the Trustee written notice that an Event of Default is continuing;
- (2) holders of at least 50% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such holders of Notes have offered the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture provides that in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use under the circumstances in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder of Notes or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to security or indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The Indenture provides that if a Default occurs and is continuing and is actually known to the Trustee, the Trustee must give notice of the Default within 90 days after it occurs. Except in the case of a Default in

the payment of principal of, premium, if any, interest or Additional Amounts, if any, on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the holders. In addition, the Issuer is required to deliver to the Trustee, within 90 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposing to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions, the Indenture, the Notes, the Intercreditor Agreement and the Security Documents may be amended or supplemented with the consent of the holders of a majority in principal amount of the Notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any past default or compliance with any provisions of the Indenture, the Notes, the Intercreditor Agreement and the Security Documents may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes, an amendment may not:

- (1) reduce the principal amount of Notes whose holders must consent to an amendment or waiver;
- (2) reduce the stated rate of or extend the stated time for payment of interest or Additional Amounts on any Note;
- (3) reduce the principal of or extend the Stated Maturity of any Note;
- (4) whether through an amendment or waiver of provisions in the covenants, definitions or otherwise
 - (i) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed as described above under “— *Optional Redemption*” or
 - (ii) reduce the premium payable upon repurchase of any Note or change the time at which any Note is to be repurchased as described under “— *Certain Covenants — Change of Control*” or “— *Certain Covenants — Limitation on Sales of Assets and Subsidiary Stock*” at any time after the obligation to repurchase has arisen;
- (5) make any Note payable in money other than that stated in the Note;
- (6) impair the right of any holder to receive payment of, premium, if any, principal of or interest or Additional Amounts, if any, on such holder’s Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder’s Notes; or
- (7) release any Guarantor that is a Significant Subsidiary from any of its obligations (or modify such obligations in any manner adverse to the holders) under any Subsidiary Guarantee or the Indenture, as applicable, except in accordance with the terms of the Indenture and the Intercreditor Agreement;
- (8) release the security interest granted for the benefit of the holders in the Collateral (to the extent any Collateral so released in any transaction or series of transactions has a fair market value in excess of €20.0 million) other than pursuant to the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or as otherwise permitted by the Indenture; or
- (9) make any change in the amendment or waiver provisions described in this sentence.

Notwithstanding the foregoing, without the consent of any holder, the Issuer and the Trustee may amend the Indenture, the Notes, the Intercreditor Agreement and the Security Documents to:

- (1) cure any ambiguity, omission, defect or inconsistency;
- (2) provide for the assumption by a Successor Company of the obligations of the Issuer under the Indenture, the Notes, the Intercreditor Agreement and the Security Documents;
- (3) provide for uncertificated Notes in addition to or in place of certificated Notes;
- (4) add guarantees with respect to the Notes;

- (5) secure the Notes;
- (6) add to the covenants of the Issuer for the benefit of the holders or surrender any right or power conferred upon the Issuer;
- (7) in the case of the Indenture, make any change that does not adversely affect the rights of any holder;
- (8) release the Security as provided by the terms of the Indenture;
- (9) issue Additional Notes;
- (10) give effect to Permitted Collateral Liens;
- (11) evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof; or
- (12) to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is permitted by the Indenture and the Security Documents.

In formulating its opinion on such matters, the Trustee shall be entitled to require and rely on such evidence as it deems appropriate, including an Opinion of Counsel and an Officers' Certificate.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender. After an amendment under the Indenture becomes effective, the Issuer is required to mail to the holders a notice briefly describing such amendment. For so long as the Notes are listed on the Luxembourg Stock Exchange and the guidelines of such Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange of any such amendment, supplement and waiver.

Defeasance

The Issuer at any time may terminate all its obligations under the Notes and the Indenture ("legal defeasance"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes.

The Issuer at any time may terminate its obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) under the first paragraph of "*— Certain Covenants — Merger and Consolidation*") and the default provisions relating to such covenants under "*— Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision described under "*— Events of Default*" above and the limitations contained in clauses (3) and (4) under the first paragraph of "*— Certain Covenants — Merger and Consolidation*" above ("covenant defeasance").

The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clauses (4), (5), (6), (7) (with respect only to Significant Subsidiaries), (8) or (9) under "*— Events of Default*" above or because of the failure of the Issuer to comply with clauses (3) or (4) under "*— Certain Covenants — Merger and Consolidation*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "defeasance trust") with the Trustee euro, euro-denominated European Government Obligations or a combination thereof for the payment of principal, premium, if any, interest and Additional Amounts, if any, on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including, among other things, delivery to the Trustee of an Opinion of Counsel (subject to customary exceptions and exclusions) to the effect that holders of the Notes will not recognize income, gain or loss for United States Federal income tax purposes as a result of such deposit and defeasance and will be subject to United States Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable United States Federal income tax law.

Satisfaction and Discharge

The Indenture, the Security Documents and the rights, duties and obligations of the Trustee and the holders under the Intercreditor Agreement or any Additional Intercreditor Agreement will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

- (1) either:
 - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to a Paying Agent or Registrar for cancellation; or
 - (b) (i) all Notes that have not been delivered to a Paying Agent or Registrar for cancellation (x) have become due and payable by reason of the mailing of a notice of redemption or otherwise or (y) will become due and payable within one year and (ii) the Issuer or a Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders cash in euros, or euro-denominated Cash Equivalents, European Government Obligations, U.S. Government Obligations or a combination thereof, in either case, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to a Paying Agent or Registrar for cancellation for principal, premium and Additional Amounts (if any) and accrued interest to the date of maturity or redemption;
- (2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which a Issuer or a Guarantor is a party or by which the Issuer or a Guarantor is bound;
- (3) the Issuer or the Guarantor(s) have paid or caused to be paid all other amounts payable by it under the Indenture; and
- (4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel, in each case, stating that all conditions precedent to satisfaction and discharge have been satisfied.

Currency Indemnity

The sole currency of account and payment for all sums payable by the Issuer under the Indenture with respect to Notes is euro. Any amount received or recovered in a currency other than euros, in respect of the Notes (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Subsidiary or otherwise) by the holder in respect of any sum expressed to be due to it from the Issuer will constitute a discharge of the Issuer only to the extent of the euro which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If that euro is less than the euro expressed to be due to the recipient under any Note, the Issuer will indemnify the recipient against any loss sustained by it as a result. In any event the Issuer will indemnify the recipient against the cost of making any such purchase.

For the purposes of this indemnity, it will be sufficient for the holder to certify that it would have suffered a loss had an actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on such date had not been practicable, on the first date on which it would have been practicable). These indemnities constitute a separate and independent obligation from the other obligations of the Issuer, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any holder and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Listing

The Issuer will apply to list the Notes on the Official List of the Luxembourg Stock Exchange and will use all reasonable efforts to have the Notes admitted to trading on the Euro MTF Market within a reasonable period after the Issue Date and will maintain such listing as long as the Notes are outstanding; provided, however, that if the Issuer can no longer maintain such listing or it becomes unduly burdensome to make or maintain such listing (for the avoidance of doubt, preparation of financial statements in accordance with IFRS or any accounting standard other than IFRS and any other standard pursuant to which the Issuer then prepares its financial statements shall be deemed unduly burdensome), the Issuer may cease to make or maintain such listing on the Luxembourg Stock Exchange provided that the Issuer will use its reasonable best efforts to obtain and maintain the listing of the Notes on another recognized listing exchange for high yield issuers (which may be a stock exchange that is not regulated by the European Union). There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes on the Euro MTF Market will be approved and settlement of the Notes is not conditioned on obtaining this listing.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange shall so require, copies of the financial statements included in these Listing Particulars may be obtained, free of charge, during normal business hours at the offices of the Paying Agent.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator, member or stockholder of the Issuer any of its parent companies or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver and release may not be effective to waive liabilities under the United States federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Consent to Jurisdiction and Service of Process

The Indenture will provide that the Issuer and each Guarantor will irrevocably appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Security Documents, as the case may be, brought in any federal or state court located in the Borough of Manhattan in the City of New York and that each of the parties submit to the jurisdiction thereof. If for any reason CT Corporation System is unable to serve in such capacity, the Issuer and such Guarantor shall appoint another agent reasonably satisfactory to the Trustee.

Concerning the Trustee

The Bank of New York Mellon, London Branch will be the Trustee, Principal Paying Agent and Transfer Agent with regard to the Notes. The Bank of New York Mellon (Luxembourg) S.A. will be Registrar with regard to the Notes.

Governing Law

The Indenture will provide that it and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Notices

Notices to the holders regarding the Notes will be sent by the Issuer through the newswire service of Bloomberg (or if Bloomberg does not operate, any similar agency). So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding. Additionally, in the event the Notes are in the form of Definitive Notes, notices will be sent, by first class mail, with a copy to the Trustee, to each holder of the Notes at such holder's address as it appears on the registration books

of the Registrar. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. If and so long as such Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange. Notices given by publication will be deemed given on the first date on which publication is made and notices given by first class mail, postage prepaid, will be deemed given five calendar days after mailing.

Prescription

Claims against the Issuer for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Certain Definitions

“Acquired Indebtedness” means Indebtedness (i) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or (ii) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such acquisition. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (i) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (ii) of the preceding sentence, on the date of consummation of such acquisition of assets.

“Additional Assets” means:

- (1) any property or assets (other than Indebtedness and Capital Stock) to be used by the Issuer or a Restricted Subsidiary in a Related Business or are otherwise useful in Related Business (it being understood that capital expenditure on property or assets already used in a Related Business or to replace any property or assets that are the subject of such Asset Disposition or any operating expenses Incurred in the day-to-day operations of a Related Business shall be deemed an Investment in Additional Assets);
- (2) the Capital Stock of a Person that is engaged in a Related Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary of the Issuer; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Issuer.

“Affiliate” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Applicable Premium” means, with respect to a Note at any redemption date prior to March 15, 2016, the excess of (A) the present value at such redemption date of (1) the redemption price of such Note on March 15, 2016 (such redemption price being described under “— *Optional Redemption — Optional Redemption on or after March 15, 2016*” exclusive of any accrued and unpaid interest) plus (2) all required remaining scheduled interest payments due on such Note through March 15, 2016 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate plus 50 basis points over (B) the principal amount of such Note on such redemption date.

“Asset Disposition” means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than an operating lease entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “disposition”) by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction.

Notwithstanding the preceding, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary (other than a Receivables Entity) to a Restricted Subsidiary;
- (2) the sale or disposition of cash or of Cash Equivalents or Investment Grade Securities in the ordinary course of business;
- (3) a disposition of inventory, trading stock, communications capacity or other assets in the ordinary course of business;
- (4) a disposition of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and that is disposed of in each case in the ordinary course of business;
- (5) transactions permitted under “— *Certain Covenants — Merger and Consolidation*”;
- (6) an issuance of Capital Stock by a Restricted Subsidiary of the Issuer to the Issuer or to another Restricted Subsidiary;
- (7) for purposes of “— *Certain Covenants — Limitation on Sales of Assets and Subsidiary Stock*” only, the making of a Permitted Investment or a disposition subject to “*Certain Covenants — Limitation on Restricted Payments*”;
- (8) dispositions of assets in a single transaction or series of related transactions with an aggregate fair market value in any calendar year of less than €10.0 million (with unused amounts in any calendar year being carried over to the next succeeding year subject to a maximum of €10.0 million of carried over amounts for any calendar year);
- (9) dispositions in connection with Permitted Liens;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (11) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases or subleases of other property;
- (12) foreclosure, condemnation or similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) sales of accounts receivable and related assets or an interest therein of the type specified in the definition of “Qualified Receivables Transaction” to a Receivables Entity;
- (15) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (17) disposals of assets, rights or revenue not constituting part of the Distribution Business of the Issuer and its Restricted Subsidiaries;
- (18) disposals of other interests in other entities in an amount not to exceed €5.0 million; and
- (19) any other disposal of assets comprising in aggregate percentage value of 10% or less of the Total Assets of the Issuer and its Restricted Subsidiaries as set forth in the consolidated financial statements of the Issuer as of September 30, 2009.

“Average Life” means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (2) the sum of all such payments.

“Bank Indebtedness” means any and all amounts, whether outstanding on the Issue Date or Incurred after the Issue Date, payable under or in respect of any Credit Facility (other than any refunding, replacement, restructuring or refinancing thereof) and any related notes, collateral documents, letters of

credit and guarantees and any Interest Rate Agreement entered into in connection with any Credit Facility, including principal, premium, if any, interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization at the rate specified therein whether or not a claim for post filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

“Board of Directors” means, as to any Person, the board of directors of such Person or any duly authorized committee thereof; *provided*, any action required to be taken under the Indenture by the Board of Directors of the Issuer can, in the alternative, at the option of the Issuer, be taken by the Board of Directors of the Ultimate Parent.

“Bund Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

- (1) “Comparable German Bund Issue” means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to March 15, 2016 and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to March 15, 2016; *provided*, however, that, if the period from such redemption date to March 15, 2016 is not equal to the fixed maturity of the German Bundesanleihe security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear interpolation (calculated to the nearest one-twelfth of a year) from the yields of German Bundesanleihe securities for which such yields are given, except that if the period from such redemption date to March 15, 2016, is less than one year, a fixed maturity of one year shall be used;
- (2) “Comparable German Bund Price” means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) “Reference German Bund Dealer” means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and
- (4) “Reference German Bund Dealer Quotations” means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Issuer in good faith of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3.30 p.m. Frankfurt, Germany, time on the third Business Day preceding the redemption date.

“Business Day” means each day that is not a Saturday, Sunday or other day on which banking institutions in Luxembourg, Frankfurt, Germany, New York, New York or London, England are authorized or required by law to close.

“Capital Stock” of any Person means any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

“Capitalized Lease Obligation” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“Cash Equivalents” means:

- (1) securities issued or directly and fully guaranteed or insured by the United States Government or a member state of the European Union as of January 1, 2004 (each a “Qualified Country”) or any agency or instrumentality thereof (*provided* that the full faith and credit of such Qualified

Country is pledged in support thereof), having maturities of not more than one year from the date of acquisition;

- (2) marketable general obligations issued by any political subdivision of any Qualified Country or any public instrumentality thereof maturing within one year from the date of acquisition of the United States (*provided* that the full faith and credit of the Qualified Country is pledged in support thereof) and, at the time of acquisition, having a credit rating of “A2” or better from either Standard & Poor’s Ratings Services or Moody’s Investors Service, Inc.;
- (3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to any Credit Facility or by any bank or trust company (x) the long-term debt of which is rated at the time of acquisition thereof at least “A” or the equivalent thereof by Standard & Poor’s Ratings Services, or “A” or the equivalent thereof by Moody’s Investors Service, Inc. (or if at the time neither is issuing comparable ratings, then a comparable rating of another nationally recognized rating agency);
- (4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1), (2) and (3) entered into with any bank meeting the qualifications specified in clause (3) above;
- (5) commercial paper rated at the time of acquisition thereof at least “A-2” or the equivalent thereof by Standard & Poor’s Ratings Services or “P-2” or the equivalent thereof by Moody’s Investors Service, Inc., or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and
- (6) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (5) above.

“Change of Control” means:

- (1) UGC (a) ceases to be the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer and (b) ceases, by virtue of any powers conferred by the articles of association or other documents regulating the Issuer to, directly or indirectly, direct or cause the direction of management and policies of the Issuer;
- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) other than a Permitted Holder;
- (3) the adoption by the stockholders of the Issuer of a plan or proposal for the liquidation or dissolution of the Issuer, other than a transaction complying with the covenant described under “— *Certain Covenants — Merger and Consolidation*”; or
- (4) either (a) the consummation of any transaction (including, without limitation, any merger, consolidation, scheme of arrangement or amalgamation), the result of which is that Liberty Global Europe Financing B.V., UPC Holding and/or any of their Subsidiaries becomes the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of the Issuer, (b) the direct or indirect sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole to Liberty Global Europe Financing B.V., UPC Holding and/or any of their Subsidiaries or (c) the Issuer ceases to own, directly or indirectly, all of the Capital Stock of Unitymedia Hessen.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Collateral” means any assets in which a security interest has been or will be granted pursuant to any Security Document to secure the Obligations under the Indenture, the Notes or any Subsidiary Guarantee.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or nonvoting) of such Person’s common stock whether or not outstanding on the Issue Date, and includes, without limitation, all series and classes of such common stock.

“Consolidated EBITDA” means, for any period without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization expense;
- (5) any reasonable expenses, charges or other costs related to any Equity Offering, Permitted Investment, acquisition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture, in each case, as determined in good faith by an Officer of the Issuer and without duplication of any amounts excluded under clause (3) of the definition of “Consolidated Net Income”; and
- (6) other non-cash charges reducing Consolidated Net Income (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash charges in any future period) less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash payments in any future period).

Notwithstanding the foregoing, the provision for taxes and the depreciation, amortization and non-cash items of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income or loss of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be distributed to the Company by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, governmental rules and regulations applicable to such Restricted Subsidiary or its shareholders (other than any restriction specified in sub-clauses (a) through (e) of clause (2) of the definition of “Consolidated Net Income”).

“Consolidated Income Taxes” means taxes based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority taken into account in calculating Consolidated Net Income.

“Consolidated Interest Expense” means, for any period the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries (in each case, determined on the basis of IFRS), whether paid or accrued, including any such interest and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations;
- (2) amortization of debt discount and debt issuance cost;
- (3) non-cash interest expense;
- (4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;
- (5) costs associated with Hedging Obligations;
- (6) dividends on other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Subsidiary of the Issuer;
- (7) the consolidated interest expense that was capitalized during such period; and
- (8) interest actually paid by the Issuer or any Restricted Subsidiary, under any Guarantee of Indebtedness or other obligation of any other Person.

“Consolidated Leverage Ratio”, as of any date of determination, means the ratio of:

- (1) the outstanding Indebtedness (other than (x) Subordinated Shareholder Loans, (y) any Indebtedness which is a contingent obligation of the Issuer or a Restricted Subsidiary and (z) for the purposes of determining the Consolidated Leverage Ratio under clause (1) of the first paragraph under “— *Certain Covenants — Limitations on Indebtedness*”, outstanding

Indebtedness of the Issuer, including guarantees of such Indebtedness by any Restricted Subsidiary) of the Issuer and its Restricted Subsidiaries on a Consolidated basis, to

- (2) the *Pro forma* EBITDA for the period of the most recent two consecutive fiscal quarters for which financial statements have previously been furnished to holders of the Notes pursuant to the covenant described under “— *Certain Covenants — Reports*”, multiplied by 2.0.

“Consolidated Net Income” means, for any period, net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) (A) subject to the limitations contained in clause (3) below, any net income (loss) of any Person (other than the Issuer) if such Person is not a Restricted Subsidiary, except that the Issuer’s equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below); and (B) the Issuer’s equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period will be included in determining such Consolidated Net Income;
- (2) any net income (loss) of any Restricted Subsidiary if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Revolving Credit Facility, the Notes, the Existing Senior Notes or the Senior Secured Notes) and other restrictions with respect to any Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than restrictions in effect on the Issue Date and (d) restrictions as in effect on the Issue Date specified in clause (8), or restrictions specified in clause (10), of the second paragraph of the covenant described under “— *Certain Covenants — Limitation on Restrictions on Distributions from Restricted Subsidiaries*”), except that (x) the Issuer’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause) and (y) the Issuer’s equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income;
- (3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors of the Issuer);
- (4) the cumulative effect of a change in accounting principles;
- (5) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards;
- (6) all deferred financing costs written off and premiums paid in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;
- (7) any unrealized gains or losses in respect of Hedging Obligations;
- (8) any goodwill or other intangible asset impairment charge;
- (9) the impact of capitalized interest on Subordinated Shareholder Loan; and
- (10) any derivative instruments gains or losses, foreign exchange gains or losses, and gains or losses associated with fair value adjustment on financial instruments.

“Consolidation” means the consolidation of the accounts of each of the Restricted Subsidiaries with those of the Issuer in accordance with IFRS consistently applied; *provided, however*, that “Consolidation” will not include consolidation of the accounts of any Unrestricted Subsidiary, but the interest of the Issuer or any Restricted Subsidiary in an Unrestricted Subsidiary will be accounted for as an investment. The term “Consolidated” has a correlative meaning.

“Credit Facility” means, one or more debt facilities or arrangements (including, without limitation, the Revolving Credit Facility) or commercial paper facilities with banks or other institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions or investors and whether provided under the Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement or instrument (i) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (ii) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (iii) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

“Currency Agreement” means, in respect of a Person, any foreign exchange contract, currency swap agreement, futures contract, option contract, derivative or other similar agreement as to which such Person is a party or a beneficiary.

“Default” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“Designated Senior Indebtedness” means (1) any Senior Indebtedness permitted under the Indenture that has, at the time of designation, an aggregate principal amount outstanding of at least €100.0 million (including the amount of all undrawn commitments and matured and contingent reimbursement obligations pursuant to letters of credit thereunder) and that has been designated by the Issuer in an instrument evidencing such Senior Indebtedness and in an Officer’s Certificate delivered to the Trustee as “Designated Senior Indebtedness” for purposes of the Indenture, (2) all Indebtedness arising under the Revolving Credit Facility and (3) all Indebtedness arising under the Senior Secured Notes Indentures and the Senior Secured Notes.

“Disinterested Director” means, with respect to any transaction with an Affiliate, a member of the Board of Directors of a Parent of the Issuer having no material direct or indirect financial interest in or with respect to such transaction with an Affiliate. A member of the Board of Directors of such Parent of the Issuer shall not be deemed to have such a financial interest by reason of such member’s holding Capital Stock of the Issuer or any Parent or any options, warrants or other rights in respect of such Capital Stock.

“Disqualified Stock” means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

- (1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;
- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary);
or
- (3) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of the date (a) of the Stated Maturity of the Notes or (b) on which there are no Notes outstanding, *provided* that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; *provided, further* that any Capital Stock

that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (each defined in a substantially identical manner to the corresponding definitions in the Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable), *provided* that the Issuer may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Issuer with the provisions of the Indenture described under the captions “— *Certain Covenants — Change of Control*” and “— *Certain Covenants — Limitation on Sales of Assets and Subsidiary Stock*” and such repurchase or redemption complies with “— *Certain Covenants — Limitation on Restricted Payments*”.

“Distribution Business” means: (1) the business of upgrading, constructing, creating, developing, acquiring, operating, owning, leasing and maintaining cable television networks (including for avoidance of doubt master antenna television, satellite master antenna television, single and multi-channel microwave single or multi-point distribution systems and direct-to-home satellite systems) for the transmission, reception and/or delivery of multi-channel television and radio programming, telephony and internet and/or data services to the residential markets; or (2) any business which is incidental to or related to and, in either case, material to such business.

“Enforcement Sale” means (1) any sale or disposition (including by way of public auction) of the Collateral pursuant to an enforcement action taken by the Security Trustee in accordance with the provisions of the Intercreditor Agreement, including on behalf of the Senior Indebtedness Incurred under the Revolving Credit Facility, the holders of the Senior Secured Notes or certain hedging counter parties, to the extent such sale or disposition is effected in compliance with the provisions of the Intercreditor Agreement, or (2) any sale or disposition of the Collateral pursuant to the enforcement of security in favor of other Senior Indebtedness of the Issuer or its Restricted Subsidiaries which complies with the terms of an Additional Intercreditor Agreement (or if there is no such intercreditor agreement, would substantially comply with the requirements of clause (1) hereof).

“Equity Offering” means a sale of (x) Capital Stock of the Issuer (other than Disqualified Stock), or (y) Capital Stock of a Parent the proceeds of which are contributed as equity share capital to the Issuer or (z) Subordinated Shareholder Loans.

“Euro Equivalent” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the “Currency Rates” section (or, if *The Financial Times* is no longer published, or if such information is no longer available in *The Financial Times*, such source as may be selected in good faith by the Issuer) on the date of such determination.

“European Government Obligations” means any security that is (1) a direct obligation of Ireland, Belgium, the Netherlands, France, The Federal Republic of Germany or any other country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Excluded Contribution” means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the Issuer after the original issue date of the Existing Senior Notes or from the issuance or sale (other than to a Restricted Subsidiary) of Capital Stock (other than Disqualified Stock) of the Issuer, in each case to the extent designated as an Excluded Contribution pursuant to an Officers’ Certificate of the Issuer.

“Existing Dollar Senior Secured Notes” refers to Unitymedia Hessen’s and Unitymedia NRW’s \$845 million aggregate principal amount of 8½% Senior Secured Notes due 2017 issued pursuant to an indenture dated November 20, 2009 among, inter alia, Unitymedia and The Bank of New York Mellon as trustee.

“Existing Euro Senior Secured Notes” refers to Unitymedia Hessen’s and Unitymedia NRW’s €1,430 million aggregate principal amount of 8½% Senior Secured Notes due 2017 issued pursuant to an

indenture dated November 20, 2009 among, inter alia, Unitymedia and The Bank of New York Mellon as trustee.

“Existing Senior Notes” means the €665 million aggregate principal amount of 9⁵/₈% Senior Notes due 2019 issued by Unitymedia pursuant to an indenture dated November 20, 2009 among, inter alia, Unitymedia, the Guarantors as defined therein and The Bank of New York Mellon as trustee.

“Existing Senior Notes Indenture” means the indenture governing the Existing Senior Notes dated November 20, 2009 among, inter alios, Unitymedia, and Bank of New York Mellon, as trustee, as amended or supplemented from time to time.

“Existing Senior Secured Notes” means collectively, the Existing Euro Senior Secured Notes and the Existing Dollar Senior Secured Notes.

“fair market value” unless otherwise specified, wherever such term is used in the Indenture (except as otherwise specifically provided in this “Description of the New Senior Notes”), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“Fixed Rate Euro Notes” means Unitymedia Hessen’s and Unitymedia NRW’s €800 million aggregate principal amount of 7¹/₂% fixed rate senior secured notes due 2019 to be issued on the Issue Date.

“Floating Rate Notes” means Unitymedia Hessen’s and Unitymedia NRW’s €420 million aggregate principal amount of senior secured floating rate notes due 2018 to be issued on the Issue Date.

“GAAP” means generally accepted accounting principles in the United States as in effect on the Issue Date. “Grantor” means any Guarantor and any other person that has pledged Collateral to secure the obligations under the Notes and the Subsidiary Guarantees.

“guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or
- (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term “guarantee” will not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning.

“guarantor” means the obligor under a guarantee.

“Guarantor” means (1) each of Unitymedia Hessen, Unitymedia Hessen Verwaltung GmbH, Unitymedia NRW and Unitymedia Management GmbH in its capacity as guarantor of the Notes and (2) each Additional Guarantor in its capacity as an additional guarantor of the Notes.

“Hedging Obligations” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

“holder” means a Person in whose name a Note is registered on the Registrar’s books.

“Holding Company” means, in relation to a person, an entity of which that person is a Subsidiary.

“IFRS” means the accounting standards issued by the International Accounting Standards Board and its predecessors as in effect on the Issue Date. Except as otherwise expressly provided in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in conformity with IFRS. At any time after the Issue Date, the Issuer may elect to apply for all purposes of the Indenture, in lieu of IFRS, GAAP and, upon such election, references to IFRS herein will be construed to mean GAAP as in effect at the Issue Date; *provided* that (1) all financial statements and reports to be provided, after such election, pursuant to the Indenture shall be prepared on the basis of GAAP as in effect from time to time (including that, upon first reporting its fiscal year results under GAAP, the Issuer shall restate its financial statements on the basis of GAAP for the fiscal year ending immediately prior to the first fiscal year for which financial statements have been prepared on the basis of GAAP), and (2) from and after

such election, all ratios, computations, and other determinations based on IFRS contained in the Indenture shall still be required to be computed in conformity with IFRS. Thereafter, the Issuer may re-elect to apply for all purposes of the Indenture, in lieu of GAAP, IFRS, subject to the foregoing.

“Incur” means issue, create, assume, guarantee, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms “Incurred” and “Incurrence” have meanings correlative to the foregoing.

“Indebtedness” means, with respect to any Person on any date of determination (without duplication):

- (1) money borrowed or raised and debit balances at banks;
- (2) any bond, note, loan stock, debenture or similar debt instrument;
- (3) acceptance or documentary credit facilities;
- (4) receivables sold or discounted (otherwise than on a non-recourse basis and other than in the normal course of business for collections);
- (5) payments for assets acquired or services supplied deferred for a period of over 180 days (or 360 days if such deferral is in accordance with the terms pursuant to which the relevant assets were or are to be acquired or services were or are to be supplied) after the relevant assets were or are to be acquired or the relevant services were or are to be supplied to the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money;
- (6) Capitalized Lease Obligations (excluding network and duct leases) of such Person;
- (7) any other transaction (including without limitation forward sale or purchase agreements) having the commercial effect of a borrowing or raising of money or any of (2) to (6) above;
- (8) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends); and
- (9) the principal component of Indebtedness of other Persons to the extent guaranteed by such Person,

provided that Indebtedness which has been cash-collateralized shall not be included in any calculation of Indebtedness to the extent so cash-collateralized.

Notwithstanding the foregoing, “Indebtedness” shall not include any deposits or prepayments received by the Issuer or a Restricted Subsidiary from a customer or subscriber for its service. The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

“Independent Financial Advisor” means an accounting, appraisal or investment banking firm of nationally recognized standing that is, in the good faith judgment of the Issuer, qualified to perform the task for which it has been engaged.

“Intercreditor Agreement” refers to the intercreditor agreement dated November 20, 2009 (as amended from time to time) among, inter alios, UPC Germany Holding B.V., UPC Germany, Unitymedia and Credit Suisse AG, London Branch, as security agent;

“Interest Rate Agreement” means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

“Investment” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan (other than advances or extensions of credit to customers in the ordinary course of business) or other extensions of credit (including by way of guarantee or similar arrangement, but excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any

purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS; *provided* that none of the following will be deemed to be an Investment:

- (1) Hedging Obligations entered into in the ordinary course of business and in compliance with the Indenture;
- (2) endorsements of negotiable instruments and documents in the ordinary course of business; and
- (3) an acquisition of assets, Capital Stock or other securities by the Issuer or a Subsidiary for consideration to the extent such consideration consists of Common Stock of the Issuer.

For purposes of the definition of “Unrestricted Subsidiary” and “— *Certain Covenants — Limitation on Restricted Payments*”,

- (1) “Investment” will include the portion (proportionate to the Issuer’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer’s “Investment” in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Issuer’s equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors of the Issuer in good faith) of such Subsidiary at the time that such Subsidiary is so redesignated a Restricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Issuer.

If the Issuer or a Restricted Subsidiary transfers, conveys, sells, leases or otherwise disposes of Voting Stock of a Restricted Subsidiary such that such Subsidiary is no longer a Restricted Subsidiary, then the Investment of the Issuer in such Person shall be deemed to have been made as of the date of such transfer or other disposition in an amount equal to the fair market value (as determined by the Board of Directors of the Issuer in good faith).

“Investment Grade Securities” means:

- (1) securities issued by the U.S. government or by any agency or instrumentality thereof (other than Cash Equivalents) or directly and fully guaranteed or insured by the U.S. government and in each case with maturities not exceeding two years from the date of the acquisition;
- (2) securities issued by or a member of the European Union as of January 1, 2004, or any agency or instrumentality thereof (other than Cash Equivalents) or directly and fully guaranteed or insured by a member of the European Union as of January 1, 2004, and in each case with maturities not exceeding two years from the date of the acquisition;
- (3) debt securities or debt instruments with a rating of A or higher by Standard & Poor’s Ratings Services or A-2 or higher by Moody’s Investors Service, Inc. or the equivalent of such rating by such rating organization, or if no rating of Standard & Poor’s Ratings Services or Moody’s Investors Service, Inc. then exists, the equivalent of such rating by any other nationally recognized securities ratings agency, by excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1) through (3) which fund may also hold immaterial amounts of cash and Cash Equivalents pending investment and/or distribution; and
- (5) corresponding instruments in countries other than those identified in clauses (1) and (2) above customarily utilized for high quality investments and, in each case, with maturities not exceeding two years from the date of the acquisition.

“Investment Grade Status” shall occur when the Notes receive both of the following:

- (1) a rating of “Baa3” (or the equivalent) or higher from Moody’s Investors Service, Inc. or any of its successors or assigns; and

- (2) a rating of “BBB-” (or the equivalent) or higher from Standard & Poor’s Ratings Services, or any of its successors or assigns,

in each case, with a “stable outlook” from such rating agency. “Issue Date” means the date of first issuance of the Notes.

“Liberty” means Liberty Global, Inc., a Delaware corporation, and any successor (by merger, consolidation, transfer, conversion of legal form or otherwise) to all or substantially all of its assets.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“Management Fees” means any management, consultancy or similar fees payable by the Issuer or any Restricted Subsidiary.

“Net Available Cash” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

“Net Cash Proceeds”, with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

“New Euro Senior Secured Notes” means collectively, the Fixed Rate Euro Notes and the Floating Rate Notes.

“New Dollar Senior Secured Notes” means Unitymedia Hessen’s and Unitymedia NRW’s \$500 million aggregate principal amount of 7½% Senior Secured Notes due 2019 to be issued on the Issue Date.

“New Senior Secured Notes” means collectively, the New Euro Senior Secured Notes and the New Dollar Senior Secured Notes.

“Non-Recourse Debt” means Indebtedness of a Person:

- (1) as to which neither the Issuer nor any Restricted Subsidiary (a) provides any guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise);
- (2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Issuer or any Restricted Subsidiary to

declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

- (3) the explicit terms of which provide there is no recourse against any of the assets of the Issuer or its Restricted Subsidiaries.

“Officer” of any Person means the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, any Managing Director, the Treasurer or the Secretary of such Person.

“Officers’ Certificate” means a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Issuer.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Issuer or the Trustee.

“Parent” means the Ultimate Parent, any Subsidiary of the Ultimate Parent of which the Issuer is a Subsidiary on the Issue Date and any other Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date.

“Parent Expenses” means:

- (1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, applicable rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary;
- (2) indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person with respect to its ownership or the Issuer or the conduct of the business of the Issuer and its Restricted Subsidiaries;
- (3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) with respect to its ownership or the Issuer or the conduct of the business of the Issuer and its Restricted Subsidiaries; and
- (4) general corporate overhead expenses, including professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, including acquisitions by the Issuer or its Subsidiaries permitted hereunder (whether or not successful),

in each case, to the extent such costs, obligations and/or expenses are not paid by another Subsidiary of such Parent.

“Pari Passu Indebtedness” means Indebtedness of the Issuer that ranks equally or junior in right of payment with the Notes.

“Permitted Asset Swap” means the concurrent purchase and sale or exchange of related business assets or a combination of related business, cash and Cash Equivalents between the Issuer or any of its Restricted Subsidiaries and another Person.

“Permitted Business” means any business:

- (1) that consists of the upgrade, construction, creation, development, marketing, acquisition (to the extent permitted under this Indenture), operation, utilization and maintenance of networks that use existing or future technology for the transmission, reception and delivery of voice, video and/or other data (including networks that transmit, receive and/or deliver services such as multi-channel television and radio, programming, telephony, Internet services and content, high speed data transmission, video, multi-media and related activities); or
- (2) that supports, is incidental to or is related to any such business; or
- (3) that comprises being a Holding Company of one or more persons engaged in such business.

“Permitted Collateral Liens” means:

- (1) Liens on the Collateral arising by operation of law that are described in one or more of clauses (4), (5) and (10) of the definition of “Permitted Liens” and that, in each case, would not

materially interfere with the ability of the Security Trustee to enforce the Security Interest in the Collateral; and

- (2) Liens on the Collateral to secure (a) any Additional Notes, (b) Indebtedness of the Issuer or a Guarantor that is permitted to be Incurred under the first paragraph of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*” or clauses (1), (3), or (12) (in the case of (12), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens) of the second paragraph of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*”; (c) Hedging Obligations Incurred by the Company or any Subsidiary Guarantor for bona fide hedging purposes (as determined in good faith by the Board of Directors or senior management of the Issuer) in respect of the Notes, the Senior Secured Notes, other Indebtedness (provided that, in each case such Indebtedness could be secured by a Permitted Collateral Lien pursuant to clause (2) of this definition of Permitted Collateral Liens) or Indebtedness incurred under clause (15) of the second paragraph of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*” and in the case of each of the foregoing substantially correspond in terms of notional amount, currencies and interest rates, as applicable, to such Notes, Senior Secured Notes and such other Indebtedness and (d) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a), (b) or (c); *provided, however*, that such Lien ranks (a) equal to all other Liens on such Collateral securing Senior Indebtedness of the Issuer or such Guarantor, as applicable, if such Indebtedness is Senior Indebtedness of the Issuer or such Guarantor, as applicable (except that any creditors with respect to the foregoing may provide for an ordering of payments with respect to any proceeds received upon enforcement of such Lien), (b) equal to all other Liens on such Collateral securing Senior Subordinated Indebtedness, if such Indebtedness is Senior Subordinated Indebtedness or (c) junior to the Liens securing the Notes or the Subsidiary Guarantees, *provided, further, however*, that only Indebtedness represented by obligations under the Notes (including any Additional Notes), the Indenture and any other *Pari Passu* Indebtedness of the Issuer may be secured by a Lien on the shares of the Issuer.

“Permitted Holders” means, collectively, (1) Liberty, (2) any Affiliate or Related Person of a Permitted Holder described in clause (1) above, and any successor to such Permitted Holder, Affiliate, or Related Person and (3) any Person who is acting as an underwriter in connection with any public or private offering of Capital Stock of the Issuer, acting in such capacity.

“Permitted Investment” means an Investment by the Issuer or any Restricted Subsidiary in:

- (1) the Issuer or a Restricted Subsidiary (other than a Receivables Entity) or a Person which will, upon the making of such Investment, become a Restricted Subsidiary (other than a Receivables Entity);
- (2) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary (other than a Receivables Entity);
- (3) cash and Cash Equivalents or Investment Grade Securities;
- (4) receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;
- (5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) loans or advances to employees made in the ordinary course of business consistent with past practices of the Issuer or such Restricted Subsidiary;
- (7) Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including without limitation an Asset Disposition, in each case, that was made in compliance with “— *Certain Covenants — Limitation on Sales of Assets and Subsidiary Stock*”;
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;
- (10) Currency Agreements and Interest Rate Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with “— *Certain Covenants — Limitation on Indebtedness*”;
- (11) Investments by the Issuer or any of its Restricted Subsidiaries, together with all other Investments pursuant to this clause (11), in an aggregate amount at the time of such Investment not to exceed 2.0% of Total Assets at any one time, provided that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under “— *Certain Covenants — Limitation on Restricted Payments*,” such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause;
- (12) Investments by the Issuer or a Restricted Subsidiary in a Receivables Entity or any Investment by a Receivables Entity in any other Person, in each case, in connection with a Qualified Receivables Transaction, provided, however, that any Investment in any such Person is in the form of a Purchase Money Note, or any equity interest or interests in Receivables and related assets generated by the Issuer or a Restricted Subsidiary and transferred to any Person in connection with a Qualified Receivables Transaction or any such Person owning such Receivables;
- (13) guarantees issued in accordance with “— *Certain Covenants — Limitation on Indebtedness*”;
- (14) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “— *Certain Covenants — Limitation on Liens*”;
- (15) the Notes, the Existing Senior Notes and the Senior Secured Notes;
- (16) so long as no Default or Event of Default of the type specified in clause (1) or (2) under “— *Events of Default*” has occurred and is continuing, (a) minority Investments in any Person engaged in a Permitted Business and (b) Investments in joint ventures that conduct a Permitted Business to the extent that, after giving *pro forma* effect to any such Investment, the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries would not exceed 5.00 to 1.00; and
- (17) any Investment to the extent made using as consideration Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Loans or Capital Stock of any Parent.

“Permitted Liens” means:

(A) with respect to any Restricted Subsidiary:

- (1) Liens securing Indebtedness Incurred under Credit Facilities, to the extent Incurred in compliance with the first paragraph or clause (1) under the second paragraph of the covenant described under “— *Certain Covenants — Limitation on Indebtedness*”;
- (2) Liens on Receivables and related assets of the type described in the definition of “Qualified Receivables Transaction” Incurred in connection with a Qualified Receivables Transaction;
- (3) pledges or deposits by such Person under workmen’s compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or United States government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, in each case Incurred in the ordinary course of business;

- (4) Liens imposed by law, including carriers', warehousemen's, mechanics' landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings if a reserve or other appropriate provisions, if any, as shall be required by IFRS, shall have been made in respect thereof;
- (5) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings provided appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (6) Liens in favor of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of such Person in the ordinary course of its business; provided, however, that such letters of credit do not constitute Indebtedness;
- (7) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;
- (8) Liens securing Hedging Obligations so long as the related Indebtedness is, and is permitted to be incurred under the Indenture, secured by a Lien on the same property securing such Hedging Obligation;
- (9) leases, licenses, subleases and sublicenses of assets (including, without limitation, real property and intellectual property rights) which do not materially interfere with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries;
- (10) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (11) Liens for the purpose of securing the payment of all or a part of the purchase price of, or Capitalized Lease Obligations, purchase money obligations or other payments Incurred to finance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business provided that:
 - (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and does not exceed the cost of the assets or property so acquired or constructed; and
 - (b) such Liens are created within 180 days of construction or acquisition of such assets or property and do not encumber any other assets or property of the Issuer or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto;
- (12) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository institution; provided that such deposit account is not intended by the Issuer or any Restricted Subsidiary to provide collateral to the depository institution;
- (13) Liens arising from United States Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;
- (14) Liens existing on, or provided for under written arrangements existing on, the Issue Date;
- (15) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary; provided, however, that such Liens are not created,

Incurred or assumed in connection with, or in contemplation of, such other Person becoming a Restricted Subsidiary; provided further, however, that any such Lien may not extend to any other property owned by the Issuer or any other Restricted Subsidiary;

- (16) Liens on property at the time a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into any Restricted Subsidiary; provided, however, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; provided further, however, that such Liens may not extend to any other property owned by any other Restricted Subsidiary;
 - (17) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary;
 - (18) Permitted Collateral Liens;
 - (19) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, provided that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is the security for a Permitted Lien hereunder;
 - (20) Liens securing the Notes or the Subsidiary Guarantees;
 - (21) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;
 - (22) Liens on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;
 - (23) any encumbrance or restriction (including, but not limited to, put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
 - (24) Liens over rights under loan agreements relating to, or over notes or similar instruments evidencing, the on-loan of proceeds received by a Restricted Subsidiary from the issuance of Indebtedness, which Liens are created to secure payment of such Indebtedness;
 - (25) Liens Incurred with respect to obligations that do not exceed €30.0 million at any time outstanding; and
 - (26) Liens securing obligations under the Senior Secured Notes Indentures, the Senior Secured Notes and any Additional Notes (as defined under the Senior Secured Notes Indentures) and guarantees thereof.
- (B) with respect to the Issuer:
- (1) Liens securing the Notes;
 - (2) Permitted Collateral Liens;
 - (3) Liens securing guarantees of Indebtedness Incurred under Credit Facilities, to the extent the underlying Indebtedness was Incurred in compliance with the first paragraph or clause (1) under the second paragraph of the covenant described under “— Certain Covenants — Limitation on Indebtedness”;
 - (4) Liens on property at the time the Issuer acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer; provided, however, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; provided further, however, that such Liens may not extend to any other property owned by the Issuer; and
 - (5) Liens of the type described in clauses (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (17), (19) and, (20), (21), (22) and (24) of clause (A) of this definition of “Permitted Liens”.

“Person” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision hereof or any other entity.

“Preferred Stock”, as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

“*Pro forma* EBITDA” means, for any period, the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries, *provided, however*, that for the purposes of calculating *Pro forma* EBITDA for such period, if, as of such date of determination:

- (1) since the beginning of such period the Issuer or any Restricted Subsidiary will have made any Asset Disposition or disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a “Sale”) or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, *Pro forma* EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;
- (2) since the beginning of such period the Issuer or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a “Purchase”) including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and
- (3) since the beginning of such period any Person (that became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Issuer or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For purposes of this definition and the definition of Consolidated Leverage Ratio, (i) whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including without limitation in respect of anticipated expense and cost reductions) and (ii) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period and (iii) interest on any Indebtedness that bears interest at a floating rate and that is being given *pro forma* effect shall be calculated as if the rate in effect on the date of calculation had been applicable for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness).

“Public Debt” means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale. The term “Public Debt” (a) shall not include the Notes (or any Additional Notes) and (b) for the avoidance of doubt, shall not be construed to include any Indebtedness issued to institutional investors in a direct placement of such Indebtedness that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than ten Persons (*provided* that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall be deemed not to be underwritten), or any Indebtedness under the Revolving Credit Facility, commercial bank or similar Indebtedness, Capitalized Lease Obligation or recourse transfer of any financial asset or any other type of Indebtedness incurred in a manner not customarily viewed as a “securities offering”.

“Public Offering Expenses” means expenses Incurred by any Parent in connection with any public offering of Capital Stock or Indebtedness (whether or not successful):

- (1) where the net proceeds of such offering are intended to be received by or contributed or loaned to the Issuer or a Restricted Subsidiary; or

- (2) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received, contributed or loaned; or
- (3) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed,

in each case, to the extent such expenses are not paid by another Subsidiary such Parent.

“Purchase Money Note” means a promissory note of a Receivables Entity evidencing the deferred purchase price of Receivables (and related assets) and/or a line of credit, which may be irrevocable, from the Issuer or any Restricted Subsidiary in connection with a Qualified Receivables Transaction with a Receivables Entity, which deferred purchase price or line is repayable from cash available to the Receivables Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts owing to such investors and amounts paid in connection with the purchase of newly generated Receivables.

“Qualified Receivables Transaction” means any transaction or series of transactions that may be entered into by the Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (1) a Receivables Entity (in the case of a transfer by the Issuer or any of its Restricted Subsidiaries) and (2) any other Person (in the case of a transfer by a Receivables Entity), or may grant a security interest in, any Receivables (whether now existing or arising in the future) of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such Receivables, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such Receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitization involving Receivables.

“Receivable” means a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit and shall include, in any event, any items of property that would be classified as an “account”, “chattel paper”, “payment intangible” or “instrument” under the Uniform Commercial Code as in effect in the State of New York and any “supporting obligations” as so defined.

“Receivables Entity” means a Wholly Owned Subsidiary (or another Person in which the Issuer or any Restricted Subsidiary makes an Investment and to which the Issuer or any Restricted Subsidiary transfers Receivables and related assets) which engages in no activities other than in connection with the financing of Receivables and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Entity:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:
 - (a) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);
 - (b) is recourse to or obligates the Issuer or any Restricted Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings; or
 - (c) subjects any property or asset of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which neither the Issuer nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Transaction) other than on terms no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, other than fees payable in the ordinary course of business in connection with servicing Receivables; and
- (3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity’s financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a certified copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions.

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) (collectively, "refinance", "refinances", and "refinanced" shall have a correlative meaning) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness, *provided, however*, that:

- (1) (a) if the Stated Maturity of the Indebtedness being refinanced is earlier than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced or (b) if the Stated Maturity of the Indebtedness being refinanced is later than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity later than the Stated Maturity of the Notes;
- (2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced;
- (3) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and
- (4) in the case of the refinancing of any Subordinated Obligation, such Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the holders of the Notes as those contained in the documentation governing the Subordinated Obligation being extended, refinanced, renewed, replaced, defeased or refunded.

"Related Business" means any business that is the same as or related, ancillary or complementary to, any of the businesses of the Issuer and its Restricted Subsidiaries on the Issue Date.

"Related Person" with respect to any Permitted Holder, means:

- (1) any controlling equity holder or majority (or more) owned Subsidiary of such Permitted Holder; or
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein.

"Related Taxes" means:

- (1) any taxes, including but not limited to sales, use, transfer, rental, *ad valorem*, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar taxes (other than (x) taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid by any Parent by virtue of its:
 - (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than the Issuer or any of the Issuer's Subsidiaries), or
 - (b) being a holding company parent of the Issuer or any of the Issuer's Subsidiaries, or

- (c) receiving dividends from or other distributions in respect of the Capital Stock of the Issuer, or any of the Issuer's Subsidiaries, or
- (d) having guaranteed any obligations of the Issuer or any Subsidiary of the Issuer, or
- (e) having made any payment in respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*— Certain Covenants — Limitation on Restricted Payments*",

in each case, to the extent such taxes are not paid by another Subsidiary such Parent; or

- (2) any taxes measured by income for which any Parent is liable up to an amount not to exceed with respect to such taxes the amount of any such taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries and any taxes imposed by way of withholding on payments made by one Parent to another Parent on any financing that is provided, directly or indirectly in relation to the Issuer and its Subsidiaries (reduced by any taxes measured by income actually paid by the Issuer and its Subsidiaries).

"Representative" means any trustee, agent or representative (if any) for an issue of Senior Indebtedness or the provider of Senior Indebtedness (if provided on a bilateral basis), as the case may be.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"Revolving Credit Facility" means the senior secured revolving credit facility agreement entered into on December 21, 2009 among, inter alios, Unitymedia Hessen and Unitymedia NRW, as borrowers, Credit Suisse AG, London Branch, as facility agent and as security agent, and certain banks and financial institutions as lenders, as amended or supplemented from time to time.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired whereby the Issuer or a Restricted Subsidiary transfers such property to a Person and the Issuer or a Restricted Subsidiary leases it from such Person.

"SEC" means the United States Securities and Exchange Commission. "Securities Act" means the United States Securities Act of 1933, as amended.

"Security Documents" means share pledges or interest pledges of Capital Stock of Unitymedia, Unitymedia Management, Unitymedia Hessen and Unitymedia Verwaltung, and any other agreement or Document that provides for a Lien over any Collateral for the benefit of the holders of the Notes, in each case as amended or supplemented from time to time.

"Security Trustee" means Credit Suisse, London Branch or an Affiliate thereof.

"Senior Indebtedness" means, whether outstanding on the Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of the Issuer or any Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer or such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided, however*, that Senior Indebtedness will not include:

- (1) any Indebtedness Incurred in violation of the Indenture;
- (2) any obligation of the Issuer to any Restricted Subsidiary or any obligation of any Guarantor to the Issuer or any Restricted Subsidiary;
- (3) any liability for taxes owed or owing by the Issuer or any Restricted Subsidiary;
- (4) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);
- (5) any Indebtedness, guarantee or obligation of the Issuer or any Guarantor that is expressly subordinate or junior in right of payment to any other Indebtedness, guarantee or obligation of the Issuer or such Guarantor, including, without limitation, any Subordinated Obligation; or
- (6) any Capital Stock.

“Senior Secured Notes” means collectively, the Existing Senior Secured Notes and the New Senior Secured Notes.

“Senior Secured Notes Indentures” means the indenture governing the Existing Senior Secured Notes dated November 20, 2009 among, inter alios, Unitymedia Hessen, Unitymedia NRW and Bank of New York Mellon, as trustee, as amended or supplemented from time to time.

“Senior Subordinated Indebtedness” means, with respect to a Guarantor, the Subsidiary Guarantee issued by such Guarantor and any other Indebtedness of such Guarantor (whether outstanding on the Issue Date or thereafter Incurred) that specifically provides that such Indebtedness is to rank equally with such Subsidiary Guarantee in right of payment and is not subordinated by its terms in right of payment to any Indebtedness or other obligation of such Guarantor which is not Guarantor Senior Indebtedness.

“Significant Subsidiary” means any Restricted Subsidiary that would be a “Significant Subsidiary” of the Issuer within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

“SLA Agreements” or “SLAs” means the service level agreements (including the term sheets attached thereto and included therein) with Deutsche Telekom AG and its Affiliates and with Nortel GmbH and its Affiliates in effect on the Issue Date (each, an “Existing Service Level Agreement”), including agreements for the lease of cable duct and tower space and other premises, the use of fiber optic transmission systems and other infrastructure components and services and the supply of electrical power, as well as any additional or other service level agreements or any replacement, amendment, supplement or waiver of any such service level agreement; *provided, however*, that any additional or other service level agreement shall be of a type similar to one or more Existing Service Level Agreements and any such service level agreement as replaced, amended, supplemented or waived shall have terms that are similar to an Existing Service Level Agreement or any such additional or other service level agreement.

“Standard Securitization Undertakings” means representations, warranties, covenants and indemnities entered into by the Issuer or any Restricted Subsidiary of the Issuer which are reasonably customary in securitization of Receivables transactions.

“Stated Maturity” means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“Subordinated Obligation” means, in the case of the Issuer, any Indebtedness of the Issuer (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinate or junior in right of payment to the Notes pursuant to a written agreement and, in the case of a Guarantor, any Indebtedness of such Guarantor (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinate or junior in right of payment to the Subsidiary Guarantee of such Guarantor pursuant to a written agreement.

“Subordinated Shareholder Loans” means Indebtedness of the Issuer (and any security into which such Indebtedness is convertible or for which it is exchangeable at the option of the holder) issued to and held by any Parent that (either pursuant to its terms or pursuant to an agreement with respect thereto):

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such Indebtedness into Capital Stock (other than Disqualified Stock) of the Issuer or any Indebtedness meeting the requirements of this definition);
- (2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;
- (3) contains no change of control or similar provisions that are effective, and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment prior to the first anniversary of the Stated Maturity of the Notes;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Restricted Subsidiaries;
- (5) is subordinated in right of payment to the prior payment in full of the Notes in the event of (a) a total or partial liquidation, dissolution or winding up of the Issuer, (b) a bankruptcy,

reorganization, insolvency, receivership or similar proceeding relating to the Issuer or its property, (c) an assignment for the benefit of creditors or (d) any marshalling of the Issuer's assets and liabilities;

- (6) under which the Issuer may not make any payment or distribution of any kind or character with respect to any obligations on, or relating to, such Subordinated Shareholder Loans if (x) a payment Default on the Notes occurs and is continuing or (y) any other Default under the Indenture occurs and is continuing on the Notes that permits the holders of the Notes to accelerate their maturity and the Issuer receives notice of such Default from the requisite holders of the Notes, until in each case the earliest of (a) the date on which such Default is cured or waived or (b) 180 days from the date such Default occurs (and only once such notice may be given during any 360 day period); and
- (7) under which, if the holder of such Subordinated Shareholder Loans receives a payment or distribution with respect to such Subordinated Shareholder Loan (a) other than in accordance with the Indenture or as a result of a mandatory requirement of applicable law or (b) under circumstances described under clauses (5)(a) through (d) above, such holder will forthwith pay all such amounts to the Trustee to be held in trust for application in accordance with the Indenture.

“Subsidiary” of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or persons performing similar functions) or (b) any partnership, joint venture limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Issuer.

“Total Assets” means the consolidated total assets of the Issuer and its Restricted Subsidiaries as shown on the most recent balance sheet (excluding the footnotes thereto) of the Issuer.

“UGC” means UnitedGlobalCom, Inc., a Delaware corporation, and any successor (by merger, consolidation, transfer, conversion of legal form or otherwise) to all or substantially all of its assets.

“Ultimate Parent” means Liberty.

“Unitymedia Group” means Unitymedia and its Subsidiaries.

“Unitymedia Hessen” means Unitymedia Hessen GmbH & Co. KG, formerly iesy Hessen GmbH & Co. KG.

“Unitymedia Management” means Unitymedia Management GmbH.

“Unitymedia NRW” means Unitymedia NRW GmbH, Cologne, formerly the group of companies controlled by Kabelnetz NRW HoldCo GmbH, which was renamed ish NRW GmbH & Co. KG on September 2, 2005 and which was acquired by Unitymedia Hessen on June 24, 2005.

“Unitymedia Verwaltung” means Unitymedia Hessen Verwaltung GmbH.

“Unrestricted Subsidiary” means:

- (1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided below; and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;

- (2) all the Indebtedness of such Subsidiary and its Subsidiaries shall, at the date of designation, and will at all times thereafter, consist of Non-Recourse Debt;
- (3) such designation and the Investment of the Issuer in such Subsidiary complies with “— *Certain Covenants — Limitation on Restricted Payments*”; and
- (4) on the date such Subsidiary is designated an Unrestricted Subsidiary, such Subsidiary is not a party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary with terms substantially and materially less favorable to the Issuer than those that might have been obtained from Persons who are not Affiliates of the Issuer.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers’ Certificate certifying that such designation complies with the foregoing conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be Incurred as of such date.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof and either (x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under the covenant described under “— *Certain Covenants — Limitation on Indebtedness*” or (y) the Consolidated Leverage Ratio would be lower than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation.

“UPC Broadband” means UPC Broadband Holding B.V., together with its successors.

“UPC Exchange Transaction” means an exchange offer by UPC Holding pursuant to which one or more series of UPC Qualified Notes are offered in exchange for all outstanding Notes issued under the Indenture; *provided*, that (i) no Default or Event of Default has occurred and is continuing at the time any such exchange offer is made or would result therefrom, (ii) holders of a majority in aggregate principal amount of the outstanding Notes have elected to participate in such offer, (iii) for each €1,000 in principal amount of Euro Notes tendered and accepted, each holder tendering such Euro Notes will receive €1,000 in principal amount of UPC Qualified Notes, (iv) the exchange offer complies with Rule 14e-1 under the Exchange Act and any other applicable securities law or regulation, (v) UPC Holding accepts for exchange all Notes tendered in such exchange offer and issues the relevant UPC Qualified Notes in exchange therefor, (vi) the exchange offer is open to all holders of the notes on substantially similar terms, (vii) the exchange offer is not conditioned upon holders of the Notes consenting to any amendments to the terms of the notes or the Indenture and (viii) in connection therewith, the Issuer and its Restricted Subsidiaries will become direct or indirect Subsidiaries of UPC Broadband.

“UPC Germany” refers to UPC Germany Holdings GmbH, a company organized under the laws of Germany.

“UPC Holding” means UPC Holding B.V., together with its successors.

“UPC Qualified Notes” means senior notes issued by UPC Holding; *provided*, that (i) such senior notes will be guaranteed and secured to the same extent that other senior notes of UPC Holding existing on the date of the UPC Exchange Transaction are guaranteed and secured; *provided* that in any event such senior notes will be secured to the same extent as UPC Holding’s senior Indebtedness existing on the Issue Date, (ii) the Indebtedness incurred under such senior notes is permitted to be Incurred pursuant to the terms and conditions of any other Indebtedness of UPC Holding and its Subsidiaries outstanding upon consummation of the UPC Exchange Transaction, (iii) the terms and conditions of such senior notes and the indenture governing such senior notes (other than with respect to pricing and redemption) shall be substantially similar to, and in any event no less favorable to the holders of Notes than, the terms and conditions contained in the indentures governing the senior notes of UPC Holding outstanding on the date of the UPC Exchange Transaction, (iv) the interest rate applicable to each series of such senior notes shall not be less than the interest rate applicable to the series of Notes for which they are exchanged, (v) all amounts due and owing on such senior notes will be payable in the same currency as the Notes for which they are exchanged, (vi) the redemption provisions of such senior notes will have at least the remaining call protection applicable to the Notes for which they are exchanged and (vii) the Stated Maturity of such senior notes will be no later than the Stated Maturity of the Notes.

“U.S. Government Obligations” means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

“Voting Stock” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

“Wholly Owned Subsidiary” means a Restricted Subsidiary of the Issuer, all of the Capital Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

BOOK ENTRY, DELIVERY AND FORM OF NEW NOTES

General

Each series of the New Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “Regulation S Global Notes”). The Regulation S Global Note representing the New Euro SSNs (the “Euro Senior Secured Regulation S Global Note”) and the Regulation S Global Note representing the New Senior Notes (the “Senior Regulation S Global Note” and together with the Euro Senior Secured Regulation S Global Note, the “Euro Regulation S Global Notes”) will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. The Regulation S Global Note representing the New Dollar SSNs (the “Dollar Senior Secured Regulation S Global Note”) will be deposited upon issuance with the Trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Each series of New Notes sold within the United States to qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act, in a private transaction in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section 4(2) thereof will initially be represented by a global note in registered form without interest coupons attached (the “144A Global Notes” and, together with the Regulation S Global Notes, the “Global Notes”). The 144A Global Note representing the New Euro SSNs (the “Euro Senior Secured 144A Global Note”) and the 144A Global Note representing the New Senior Notes (the “Senior 144A Global Note” and, together with the Senior Secured 144A Global Note and the Euro Regulation S Global Notes, the “Euro Global Notes”), will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. The 144A Global Note representing the New Dollar SSNs (the “Dollar Senior Secured 144A Global Note” and, together with the Dollar Senior Secured Regulation S Global Note, the “Dollar Global Notes”) will be deposited upon issuance with the Trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of interests in the 144A Global Notes (“144A Book-Entry Interests”) and ownership of interests in the Regulation S Global Notes (the “Regulation S Book-Entry Interest”, and together with the 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants.

The Book-Entry Interests will not be held in definitive form. Instead, DTC, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests.

In addition, while the New Notes are in global form, “holders” of Book-Entry Interests will not be considered the owners or “holders” of the New Notes for any purpose. Only the registered holder of a New Note will be treated as the owner of such New Note.

So long as the New Notes are held in global form, DTC, Euroclear and/or Clearstream, as applicable, (or their respective nominees) will be considered the sole holders of Global Notes for all purposes under each New Indenture. As such, participants must rely on the procedures of DTC, Euroclear and/or Clearstream and indirect participants must rely on the procedures of DTC, Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under each New Indenture.

None of the New Issuers or the Trustees under the New Indentures or any of the New Issuers’ respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered New Notes

Under the terms of the New Indentures, owners of Book-Entry Interests will receive definitive New Notes in registered form (the “Definitive Registered Notes”):

- (1) if DTC (with respect to the Dollar Global Notes), or if Euroclear and/or Clearstream (with respect to the Euro Global Notes) notify the relevant New Issuer that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the relevant New Issuer within 120 days;
- (2) in whole, but not in part, if the relevant New Issuer, DTC (with respect to the Dollar Global Notes), or Euroclear and/or Clearstream (with respect to the Euro Global Notes) so request following an Event of Default under the relevant New Indenture; or
- (3) if the owner of a Book-Entry Interest requests such exchange in writing delivered through DTC, Euroclear and/or Clearstream or to the relevant New Issuer following an Event of Default under the relevant New Indenture.

Euroclear has advised the New Issuers that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (3), its current procedure is to request that the relevant New Issuer issue or cause to be issued the relevant New Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC, Euroclear and/or Clearstream, or New Issuers, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in “*Transfer Restrictions*”, unless that legend is not required by the relevant New Indenture or applicable law.

The New Issuers, the Trustees, the Paying Agent and the Registrar shall treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the New Issuers or the Registrar on their behalf, and such registration is a means of evidencing title to the New Notes.

No New Issuer shall impose any fees or other charges in respect of the New Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and/or Clearstream, as applicable.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, DTC, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note, subject to any applicable withholding taxes. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof), subject to any applicable withholding taxes. The New Issuers understand that under existing practices of DTC, Euroclear and Clearstream, if fewer than all of the New Notes are to be redeemed at any time, DTC, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 or \$150,000, as applicable, in principal amount at maturity, may be redeemed in part.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the relevant New Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depository for Euroclear and/or Clearstream (in the case of the Euro Global Notes) and to DTC or its nominee (in the case of the Dollar Global Notes), which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the New Indentures, the New Issuers and the Trustees will treat the registered holder of the Global Notes (i.e., DTC, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the New Issuers nor the Trustees or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- DTC, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in “street name”.

Currency and Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Global Notes, will be paid to holders of interest in such New Notes (the “Euroclear/Clearstream Holders”) through Euroclear and/or Clearstream in euro. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Global Notes will be paid to holders of interest in such New Notes (the “DTC Holders”) through DTC in dollars.

Action by Owners of Book-Entry Interests

DTC, Euroclear and Clearstream have advised the New Issuers, as applicable, that they will take any action permitted to be taken by a holder of New Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of New Notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the New Notes, each of DTC, Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the relevant New Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the New Indentures.

The Global Notes will bear a legend to the effect set forth in “*Transfer Restrictions*”. Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in “*Transfer Restrictions*”.

144A Book-Entry Interests may be transferred to a person who takes delivery in the form of Regulation S Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the New Indentures) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act. Prior to 40 days after the date of initial issuance of the New Notes, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with DTC, Euroclear or Clearstream or persons who hold interests through DTC, Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such periods unless such resale or transfer is made pursuant to Rule 144A. Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the relevant New Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a

“qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities laws of any other jurisdiction.

Subject to the foregoing, and as set forth in “*Transfer Restrictions*”, Book-Entry Interests may be transferred and exchanged as described under “*Description of the New Senior Secured Notes — Transfer and Exchange*” and “*Description of the New Senior Notes — Transfer and Exchange*”. Any Book-Entry Interest in a Global Note that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination and series will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as that person retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “*Description of the New Senior Secured Notes — Transfer and Exchange*” and “*Description of the New Senior Notes — Transfer and Exchange*” and, if required, only if the transferor first delivers to the relevant Trustee a written certificate (in the form provided in the relevant New Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such New Notes. See “*Transfer Restrictions*”.

This paragraph refers to transfers and exchanges with respect to Dollar Global Notes only. Transfers involving an exchange of a Regulation S Book-Entry Interest for 144A Book-Entry Interest in a Dollar Global Note will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the corresponding 144A Global Note. The policies and practices of DTC may prohibit transfers of unrestricted Book-Entry Interests in the Regulation S Global Note prior to the expiration of the 40 days after the date of initial issuance of the New Notes.

Information Concerning DTC, Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. The New Issuers provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the New Issuers nor the Dealer Manager are responsible for those operations or procedures.

DTC advised the New Issuers that it is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (that DTC’s direct participants deposit with DTC). DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants’ accounts. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to

Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because DTC, Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC, Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the DTC, Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through DTC, Euroclear or Clearstream participants.

Initial Settlement

Initial settlement for the New Notes will be made in euro and dollars. Book-Entry Interests owned through DTC, Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC, Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading, Global Clearance and Settlement under the Book-Entry System

Application will be made to the Luxembourg Stock Exchange for the New Notes represented by the Global Notes to be admitted to listing and trading on the Euro MTF Market. The Global Notes are expected to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in the New Notes will, therefore, be required by DTC to be settled in immediately available funds. We expect that secondary trading in any certificated New Notes will also be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Notes, cross-market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC's rules on behalf of each of Euroclear or Clearstream by the common depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and regulations and within the established deadlines of such system (Brussels time). Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes from DTC, and making and receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depository.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received by Euroclear and Clearstream as a result of a sale of an interest in a Global Note by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

The Book-Entry Interests will trade through participants of DTC and Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the New Issuers, any guarantor, the Trustees or the Principal Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

TRANSFER RESTRICTIONS

The Exchange Offers and the issuance of New Notes have not been, and will not be, registered under the U.S. Securities Act or any other applicable securities laws and, unless so registered, the New Notes may not be offered, sold, pledged or otherwise transferred within the U.S. or to or for the account of any U.S. person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws. The Exchange Offers were made, and the New Notes were offered and issued, only (1) to holders of KBW Notes that were “qualified institutional buyers” as defined in Rule 144A under the U.S. Securities Act, in a private transaction in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section 4(2) thereof and (2) outside the United States, to holders of KBW Notes other than “U.S. persons” as defined in Rule 902 under the U.S. Securities Act in offshore transactions in compliance with Regulation S under the U.S. Securities Act, and who are also “non-U.S. qualified offerees” (as defined below).

Each participating holder of KBW Notes, by submitting or sending an electronic acceptance instruction to the applicable Clearing System in the Exchange Offers, were deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

- (1) You are a holder of KBW Notes.
- (2) You are not an “affiliate” (as defined in Rule 144 under the U.S. Securities Act) of the New Issuers, you are not acting on behalf of the New Issuers and you (A) (i) are a “qualified institutional buyer” (as defined in Rule 144A under the U.S. Securities Act), (ii) are aware that the sale to you is being made in reliance on Rule 144A; and (iii) are acquiring the New Notes for your own account or for the account of a qualified institutional buyer; or (B) are not a U.S. person (as defined in Regulation S under the U.S. Securities Act), is a non-U.S. qualified offeree, (and are not acquiring the New Notes for the account or benefit of a U.S. person, other than a distributor) and are acquiring the New Notes in an offshore transaction pursuant to Regulation S.
- (3) You understand that the New Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the New Notes have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the New Notes, such New Notes may be offered, resold, pledged or otherwise transferred only (i) for so long as the New Notes are eligible for resale under Rule 144A, in the United States to a person whom you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying with the provisions of Regulation S under the U.S. Securities Act; or (iii) to the New Issuers, in each case in accordance with any applicable securities laws; and (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the New Notes from you or it of the resale restrictions referred to the legend below.
- (4) You acknowledge that none of the New Issuers, the Dealer Manager or any person representing the New Issuers or the Dealer Manager has made any representation to you with respect to the New Issuer or the Exchange Offers or sale of any of the New Notes, other than by the New Issuers with respect to the information contained in the Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the New Notes. You acknowledge that the Dealer Manager makes no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the New Issuers, the New Indentures, the New Notes and the security documents as you deemed necessary in connection with your decision to acquire any of the New Notes, including an opportunity to ask questions of, and request information from, the New Issuers and the Dealer Manager.
- (5) You also acknowledge that:
 - (a) the New Issuers and the Trustees reserve the right to require in connection with any offer, sale or other transfer of New Notes under the paragraph two above the delivery of an

opinion of counsel, certifications and/or other information satisfactory to the New Issuers and the Trustees; and

- (b) each Global Note will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) THAT IS IN THE CASE OF RULE 144A NOTES: ONE YEAR AND IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUERS OR ANY AFFILIATES OF THE ISSUERS WERE THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUERS, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE ISSUERS’ AND THE TRUSTEE’S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

BY ACCEPTING THIS NEW NOTE (OR AN INTEREST IN THE NEW NOTES REPRESENTED HEREBY) EACH ACQUIRER AND EACH TRANSFEREE IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) EITHER (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTE OR ANY INTEREST HEREIN IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”)), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, (“CODE”), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA)), BY REASON OF SUCH AN EMPLOYEE

BENEFIT PLAN'S AND/OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "BENEFIT PLAN INVESTOR"), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA AND/OR SECTION 4975 OF THE CODE ("SIMILAR LAWS"), AND NO PART OF THE ASSETS USED BY IT TO ACQUIRE OR HOLD THIS NOTE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR AN INTEREST HEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); (2) NONE OF THE ISSUERS OR ANY OF THEIR AFFILIATES IS A "FIDUCIARY" (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975 OF THE CODE OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUERS OR ANY OF THEIR AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUERS OR ANY OF THEIR AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER OR HOLDER IN CONNECTION WITH THE NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE.

If you acquire the New Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these New Notes as well as to holders of these New Notes.

- (1) You acknowledge that the Registrar will not be required to accept for registration of transfer any New Notes acquired by you, except upon presentation of evidence satisfactory to the New Issuers and the Registrar that the restrictions set forth herein have been complied with.
- (2) You acknowledge that:
 - (a) the New Issuers, the Dealer Manager and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify the New Issuers and the Dealer Manager promptly in writing; and
 - (b) if you are acquiring any New Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:
 - (i) you have sole investment discretion; and
 - (ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements.
- (3) You agree that you will give to each person to whom you transfer these New Notes notice of any restrictions on the transfer of the New Notes.
- (4) The acquirer understands that no action has been taken in any jurisdiction (including the United States) by the New Issuers or the Dealer Manager that would permit a public offering of the New Notes or the possession, circulation or distribution of these Listing Particulars or the Offering Memorandum or any other material relating to the New Issuers or the New Notes in any

jurisdiction where action for the purpose is required. Consequently, any transfer of the New Notes will be subject to the selling restrictions set forth hereunder.

For purposes of the Exchange Offers, “non-U.S. qualified offeree” means:

- (1) in relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”):
 - (a) any legal entity which is a qualified investor as defined in the Prospectus Directive;
 - (b) fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Dealer Manager; or
 - (c) any other entity in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the New Notes shall require the New Issuers or the Dealer Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospective Directive,

the expression “Prospectus Directive” means Directive 2003/71/EC and amendments hereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU; or
- (2) any entity outside the U.S. and the EEA to whom the offers related to the New Notes may be made in compliance with any applicable laws and regulations.

ERISA Considerations

By acquiring the New Notes, you will be deemed to have further represented and agreed as follows:

- (1) With respect to the acquisition, holding and disposition of the New Notes, or any interest therein,
(A) either (i) you are not, and are not acting on behalf of (and for so long as you hold such New Notes or any interest therein will not be, and will not be acting on behalf of), an employee benefit plan (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”)), subject to the provisions of part 4 of subtitle B of Title I of ERISA, a plan to which Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (“Code”), applies, or any entity whose underlying assets include “plan assets” (within the meaning of 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA)) by reason of such an employee benefit plan’s and/or plan’s investment in such entity (each, a “Benefit Plan Investor”), or a governmental, church or non-U.S. plan which is subject to any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code (“Similar Laws”), and no part of the assets to be used by you to acquire or hold such New Notes or any interest therein constitutes the assets of any such Benefit Plan Investor or such a governmental, church or non U.S. plan, or (ii) your acquisition, holding and disposition of such New Note, or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws); and (B) none of the New Issuers or any of their affiliates is a Fiduciary (within the meaning of Section 3(21) of ERISA or Section 4975 of the Code or, with respect to a governmental, church or non U.S. plan, any definition of “fiduciary” under Similar Laws) with respect to you, as the purchaser or holder, in connection with your purchase or holding of the New Notes, or as a result of any exercise by the New Issuers or any of their affiliates of any rights in connection with the New Notes, and no advice provided by the New Issuers or any of their affiliates has formed a primary basis for any investment decision by or on behalf of you as the purchaser or holder in connection with the New Notes and the transactions contemplated with respect to the New Notes; and (C) you will not sell or otherwise transfer such New Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same

representations, warranties and agreements with respect to its acquisition, holding and disposition of any such New Notes or any interest therein.

- (2) You and any fiduciary causing you to acquire an interest in the New Notes agree to indemnify and hold harmless the New Issuers, the Dealer Manager and the Trustees and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.
- (3) Any purported acquisition or transfer of any New Note or beneficial interest therein to an acquirer or transferee that does not comply with the foregoing requirements shall be null and void *ab initio*.

CERTAIN TAX CONSIDERATIONS

The following is a summary based on present law of certain German and U.S. federal income tax considerations for prospective participants in the Exchange Offers and acquirers of the New Notes. It addresses only, in the case of a U.S. Holder (as defined below), that hold the New Notes as capital assets and use the U.S. dollar as their functional currency and, in the case of German-resident holders of the New Notes, that use the Euro as their functional currency. The discussion does not consider the circumstances of particular purchasers subject to special tax regimes, such as banks, insurance companies, dealers, tax exempt organizations or persons holding the New Notes as part of a hedge, straddle, conversion, integrated or constructive sale transaction. This summary is based upon the law as in effect and as applied on the date of the Offering Memorandum and is subject to any change in law, court rulings or administrative practice that may take effect after such date even with retrospective effect. The discussion is a general summary only. It is not a substitute for tax advice.

EACH PROSPECTIVE PARTICIPANT IN THE EXCHANGE OFFER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN OFFERED SECURITIES UNDER THE LAWS OF GERMANY, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

German Tax Considerations

Prospective participants in the Exchange Offers are advised to consult their own tax advisors for the tax consequences of the acquisition, the ownership and the disposition of the New Notes, including the effect of any state or local taxes under the tax laws of the Federal Republic of Germany as well as of any other country of which they are residents.

German Tax Resident Private Holders of the New Notes

General

Interest, including any Additional Amounts, received by German resident private holders of the New Notes (i.e. individuals that hold the New Notes as private assets (*Privatvermögen*) whose residence or habitual abode is located in Germany), is generally subject to income tax at a flat rate of 25 percent (plus 5.5 percent solidarity surcharge thereon and, if applicable, church tax) (*Abgeltungsteuer*).

The flat tax regime also applies to capital gains, including any Additional Amounts, from the sale or redemption of the New Notes held by German resident private holders of the New Notes. Losses from the sale or redemption of the New Notes can only be offset against other investment income within the meaning of the flat tax regime. In the event that an off-set is not possible in the assessment period in which the losses have been realized, such losses will be carried forward into future assessment periods only and can, subject to certain restrictions, be off-set against investment income within the meaning of the flat tax regime generated in future assessment periods.

Capital gains and losses are determined by the difference between the sales/redemption proceeds after the deduction of expenses directly connected to the sale/redemption and the acquisition costs of the New Notes.

Withholding Tax

For German resident private holders of the New Notes, the flat tax liability on interest on the New Notes is generally levied by way of withholding tax, provided that the New Notes are held in custody with a German custodian, who is required to deduct the withholding tax from such interest payments (the “Disbursing Agent”, *auszahlende Stelle*).

Disbursing Agents are German resident credit institutions, financial services institutions (including German permanent establishments of foreign institutions), securities trading companies or securities trading banks. The applicable withholding tax rate is 25 percent (plus 5.5 percent solidarity surcharge thereon and, if applicable, church tax which is withheld upon a respective application).

The withholding tax regime also applies to any gains from the sale or redemption of New Notes realized by private holders of the New Notes holding the New Notes in custody with a Disbursing Agent. However, to the extent the New Notes have not been held in custody with the same Disbursing Agent since their time of acquisition, withholding tax is levied on 30% of the proceeds from the disposal or redemption

unless the current Disbursing Agent has been provided with evidence of the actual acquisition costs of the New Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with Art. 17 para. 2 of the EU Council Directive 2003/48/EC dated June 3, 2003, on the Taxation of Savings Income in the form of interest payments (“EU Savings Tax Directive”).

For German resident private holders of the New Notes, the withholding tax is generally definitive (i.e. in principle there will be no further income tax liability on investment income from which withholding tax was deducted and the holder of the New Notes is not required to declare such income in his/her tax return). In the case of investment income which is not subject to the withholding tax regime, a special flat tax assessment procedure applies, i.e. the holder of the New Notes has to declare the income in his/her tax return and is taxed at the flat tax rate in accordance with the flat tax principles outlined above. This applies *mutatis mutandis* in the case that church tax (although due) is not levied by way of the withholding tax. Finally, the special flat tax assessment procedure applies upon request of the holder of the New Notes, provided that further pre-requisites are met. Private holders of the New Notes having a lower personal income tax rate may, upon application, also include the investment income in their general income tax return to achieve a lower tax rate. Taxes withheld in excess of the assessed tax liability will be refunded.

German resident private holders of the New Notes are entitled to lump-sum deduction (*Sparer Pauschbetrag*) from income from capital investments in the amount of €801 (€1,602 for married couples filing tax returns jointly) per annum, whereby higher expenses directly attributable to a capital investment are not deductible. The Disbursing Agent will take into account those lump-sum deductions upon filing of an exemption certificate (*Freistellungsauftrag*). No withholding tax will be deducted if the holder of New Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German Tax Resident Business holders of the New Notes

Interest, including any Additional Amounts, received by German resident business holders of the New Notes (i.e. individual or corporate holders of New Notes that hold the New Notes as business assets (*Betriebsvermögen*) whose residence, habitual abode, statutory seat or place of effective management is located in Germany) and capital gains from the sale or redemption of the New Notes are subject to income tax or corporate income tax, as the case may be, as well as solidarity surcharge (and in the case of individuals, if applicable, church tax); gains derived from an original issue discount, if any, are, in principle, treated as deferred income which is realized *pro rata temporis*. In addition, trade tax is levied to such income, if the New Notes are held as assets of a German business. Losses should as a rule be tax deductible.

The withholding tax regime outlined above also applies *mutatis mutandis* to business holders of the New Notes. However, German corporate holders of the New Notes and other holders of the New Notes holding the New Notes as assets of a German business are in essence not subject to the withholding tax on gains from the sale or redemption of the New Notes (i.e. for these holders of the New Notes only interest, including any Additional Amounts, but not gains from the sale or redemption of the New Notes are subject to the withholding tax regime, if, in case of corporate holders of New Notes, the corporate status is evidenced by a certificate of the competent tax office). The holder of the New Notes is obliged to include the respective income and related (business) expenses in the annual income tax return.

Any withholding tax imposed is credited against the income tax liability of the holder of New Notes (corporate or individual and the solidarity surcharge as well as, if applicable, church tax) in the course of the tax assessment procedure, i.e. the withholding tax is not definitive. Any potential surplus of the withholding tax will be refunded.

The trade tax liability depends on the trade tax factor determined by the municipality where the holder of the New Notes maintains his/her permanent establishment.

Foreign Tax Resident holders of the New Notes

Generally, foreign resident holders of the New Notes (i.e. individual or private holders of New Notes whose residence, habitual abode, statutory seat or place of effective management is not located in Germany) should not be taxable in Germany with interest, including any Additional Amounts, on and the gains from the sale or redemption of the New Notes generally, unless (i) the New Notes form part of the business of a permanent establishment in Germany or (ii) the income otherwise constitutes German source

income. In cases (i) and (ii) a tax regime similar to that explained above applies. Generally, no German withholding tax is withheld from such income. This should hold true, even if the New Notes are held in custody with a German custodian; however, in this case withholding tax may be levied under certain circumstances, but should be refunded based on an assessment to tax or under an applicable tax treaty.

Treatment under the Investment Tax Act

The New Issuers take the view that the special provisions of the Investment Tax Act (*Investmentsteuergesetz*) are not applicable to the New Notes.

European Union Directive on the Taxation of Savings Income

Under the EU Savings Tax Directive each Member State is required to provide to the tax authorities of another Member State details of interest payments or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State. However, Austria and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at a current rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. The directive has been implemented in Germany by the Decree on the Taxation of Interest Income (*Zinsinformationsverordnung*) which applies from July 1, 2005, onwards.

On September 15, 2008, the European Commission issued a report to the Council of the European Union on the operations of the EU Savings Tax Directive, which included the Commission's advice on the need for changes to the EU Savings Tax Directive. On November 13, 2008, the European Commission published a more detailed proposal for amendments to the EU Savings Tax Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on April 24, 2009. The Council of the European Union discussed this amended version on January 19, 2010, and May 17, 2011. Meanwhile, the European Commission issued a second report on the assessment of the EU Savings Tax Directive on March 2, 2012. This report repeats the need for the proposed amendment of the EU Savings Tax Directive. If any of those proposed changes are made in relation to the EU Savings Tax Directive, they may amend or broaden the scope of the requirements described above.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

Certain U.S. Federal Income Tax Considerations

Pursuant to U.S. Treasury Department Circular 230, we hereby inform you that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code of 1986 as amended (the "Code"). Such description was written in connection with the marketing by the New Issuers of the Exchange Offers, the Special Optional Redemptions and the New Notes. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The following is a description of certain U.S. federal income tax considerations relevant to the Exchange Offers and the Special Optional Redemptions to a U.S. Holder (as defined below). This description only applies to holders that hold the KBW Notes and the New Notes as capital assets (generally, property held for investment) and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- persons that are not U.S. Holders;
- banks or other financial institutions;
- insurance companies;
- real estate investment trusts;

- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that own the KBW Notes or New Notes through partnerships or other pass through entities;
- dealers or traders in securities or currencies that use a mark-to-market method of accounting;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- certain former citizens and former long-term residents of the United States; or
- U.S. Holders that hold a KBW Note or will hold a New Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the Exchange Offers or the Special Optional Redemptions or the ownership and disposition of the New Notes and does not address the new Medicare tax on unearned income or the U.S. federal income tax treatment of holders that do not acquire the New Notes as part of the Exchange Offers. Each Holder should consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of the Exchange Offers and the Special Optional Redemptions and of holding and disposing of the New Notes.

This description is based on the Code, U.S. Treasury Regulations promulgated thereunder, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof, all of which are subject to change or differing interpretations (possibly with retroactive effect), which could affect the tax consequences described herein. No opinion of counsel or ruling from the U.S. Internal Revenue Service (the “IRS”) has been or will be given with respect to any of the considerations discussed herein. No assurances can be given that the IRS would not assert, or that a court would not sustain, a position different from any of the tax considerations discussed below.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of the KBW Notes or the New Notes who for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the KBW Notes or New Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

Participating and Non-Participating U.S. Holders

The New Issuers believe that the surrender of the KBW Notes in exchange for the New Notes should not be a taxable exchange for U.S. federal income tax purposes. Accordingly, a U.S. Holder should not recognize gain or loss as a result of the Exchange Offers, and a U.S. Holder’s tax basis, holding period and other tax characteristics in the New Notes should generally be the same as that in the KBW Notes surrendered in the Exchange Offers. Similarly, the New Issuers believe that a U.S. Holder whose KBW Notes are neither exchanged nor redeemed in a Special Optional Redemption should not undergo a taxable event for U.S. federal income tax purposes as a result of the Exchange Offers. Different tax consequences would result if the Exchange Offers were a taxable event, and holders should consult their tax advisors regarding such tax consequences, including the consequences that follow from the treatment of the internal reorganizations described immediately below.

The 2011 Reorganization and the 2012 Reorganization

It is not clear how the 2011 Reorganization or the 2012 Reorganization (including the assumption of obligations under the KBW Senior Secured Notes by Kabel BW GmbH or the KBW Senior Notes by UPC Germany HC1) (together, the “Pre-Exchange Reorganizations”) should be treated for U.S. federal income tax purposes. It is possible that one or more of the Pre-Exchange Reorganizations may have involved a taxable or tax-free exchange of the KBW Notes for U.S. federal income tax purposes, giving rise to gain or loss (some of which may be treated as ordinary income or loss), original issue discount and/or premium, and a new holding period and tax basis, for U.S. federal income tax purposes. If the Pre-Exchange Reorganizations caused a deemed re-issuance of any of the KBW Notes and the deemed re-issued KBW Notes were treated as issued with original issue discount, such original issue discount may carry over to the New Notes issued in the Exchange Offers, and a U.S. Holder of the New Notes would be required to include such original issue discount in income as it accrues on the New Notes.

The Post-Settlement Reorganization

It is also not clear how the Post-Settlement Reorganization as generally described in this memorandum should be treated for U.S. federal income tax purposes. If we elect to implement the Post-Settlement Reorganization, it is possible that the Post-Settlement Reorganization may involve a taxable or tax-free exchange of the New Notes (or any remaining KBW Notes) for U.S. federal income tax purposes, giving rise to gain or loss (some of which may be treated as ordinary income or loss), original issue discount and/or premium, and a new holding period and tax basis, for U.S. federal income tax purposes.

U.S. Holders are urged to consult their own tax advisors regarding the tax consequences of the Pre-Exchange Reorganizations and the Post-Settlement Reorganization.

Additional Notes

The New Issuers may issue Additional Notes as described under “*Description of the New Senior Secured Notes — General*” and “*Description of the New Senior Notes — General*.” Even if these Additional Notes are treated for non-tax purposes as part of the same series as the original New Notes, they may not be fungible with the original New Notes for U.S. federal income tax purposes. In such a case, this may affect the market value of the original New Notes if the Additional Notes are not otherwise distinguishable from the original New Notes.

U.S. Holders Whose KBW Notes Are Redeemed

Gain or Loss

U.S. Holders whose KBW Notes are redeemed pursuant to a Special Optional Redemption will recognize gain or loss equal to the difference between the amount realized on the disposition of the KBW Notes (other than any amount received in respect of accrued and unpaid interest or market discount on the KBW Notes) and the U.S. Holder’s adjusted tax basis in such KBW Notes. Such adjusted tax basis would generally be the U.S. Holder’s cost of the KBW Notes, increased by any unpaid original issue discount (taking into account any acquisition premium that offset such original issue discount) or market discount previously included in income on the KBW Notes and decreased by any previously amortized bond premium. If the U.S. Holder held the KBW Notes during a Pre-Exchange Reorganization involving the issuer of such KBW Notes, the tax basis of the KBW Notes could be impacted by the U.S. tax treatment of such reorganization. See discussion above under “— *The 2011 Reorganization and the 2012 Reorganization*”. U.S. Holders are urged to consult their own tax advisors regarding the adjusted tax basis with respect to their KBW Notes.

The cost of a KBW Euro Senior Secured Note, KBW Senior Secured Floating Rate Note or KBW Senior Note (each a “Euro Note”) to a U.S. Holder will generally be the U.S. dollar value of the euro purchase price on the date of purchase calculated at the spot rate of exchange on that date. The amount realized upon the redemption of a Euro Note pursuant to a Special Optional Redemption will generally be the U.S. dollar value of the amount received by the U.S. Holder on the date of the redemption calculated at the spot rate of exchange on that date. The New Issuers believe that the Euro Notes should be treated as traded on an established securities market, as defined by the applicable U.S. Treasury Regulations. Accordingly, a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder) should determine the U.S. dollar value of the cost of or amount received on the Euro Note, as applicable, by translating the

amount paid or received at the spot rate of exchange on the settlement date of the purchase or redemption, as applicable. The election available to accrual basis U.S. Holders in respect of the purchase and redemption of foreign currency notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Subject to the foreign currency rules and market discount rules discussed below, any gain or loss recognized on the redemption of KBW Notes pursuant to a Special Optional Redemption will be capital gain or loss, and will be long-term capital gain or loss if the KBW Notes have been held for more than one year. If the U.S. Holder held the KBW Notes during a Pre-Exchange Reorganization involving the issuer of such KBW Notes, the holding period of the KBW Notes could be impacted by the U.S. tax treatment of such reorganization. See discussion above under “— *The 2011 Reorganization and the 2012 Reorganization*”. U.S. Holders are urged to consult their own tax advisors regarding the holding period with respect to their KBW Notes. Long-term capital gain of a non-corporate U.S. Holder is generally taxed at preferential rates. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any gain or loss recognized by a U.S. Holder upon a Special Optional Redemption will generally be treated as gain or loss from sources within the U.S.

Gain or loss recognized by a U.S. Holder on the redemption of a Euro Note will generally be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in foreign currency exchange rates during the period in which the U.S. Holder held such Euro Note. Such foreign currency gain or loss will equal the difference between (i) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Note calculated at the spot rate of exchange on the date of the redemption and (ii) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Note calculated at the spot rate of exchange on the date of purchase of the Euro Note. With respect to a cash basis U.S. Holder (and if it so elects, an accrual basis U.S. Holder), such foreign currency gain or loss will equal the difference between (x) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Note calculated at the spot rate of exchange on the settlement date of the redemption and (y) the U.S. dollar value of the U.S. Holder's euro purchase price for the Euro Note calculated at the spot rate of exchange on the settlement date of the purchase of the Euro Note.

A U.S. Holder may also recognize additional foreign currency gain or loss with respect to the accrued interest, as further discussed below. The realization of any foreign currency gain or loss will be limited to the amount of overall gain or loss realized on the redemption of the Euro Notes.

A U.S. Holder will have a tax basis in any euros received equal to the U.S. dollar value of the euros received, determined at the time of the sale of the Euro Note. Any gain or loss realized by a U.S. Holder on a sale or other disposition of euros, including an exchange for U.S. dollars, will be treated as ordinary income or loss.

Market Discount

If a U.S. Holder acquired its KBW Notes after their original issuance (or a deemed re-issuance as a result of a Pre-Exchange Reorganization), such KBW Notes may have market discount. Subject to a *de minimis* threshold, market discount generally means the excess, if any, of the principal amount (or, if the KBW Notes were issued with original issue discount, the “revised issue price”) of the KBW Notes over the holder's adjusted cost basis in the relevant KBW Notes. If a U.S. Holder acquired its KBW Notes at a market discount and elected to include the market discount in gross income currently as ordinary income, the amount of market discount included in such U.S. Holder's income increases such U.S. Holder's adjusted tax basis in its KBW Notes. If such election were made with respect to a Euro Note acquired with market discount, the amount of foreign currency gain or loss with respect to accrued market discount on the Euro Note is determined, for both cash basis and accrual basis taxpayers, in accordance with the rules described below under “— *Accrued and Unpaid Interest*” applicable to accrual basis taxpayers. If the U.S. Holder did not elect to include the market discount in gross income as it accrued, any gain realized by such U.S. Holder pursuant to a Special Optional Redemption will be treated as ordinary income to the extent of the market discount that accrued while such U.S. Holder held its KBW Notes. With respect to the Euro Notes, the amount of such ordinary income is determined by translating the accrued market discount at the spot rate on the date on which the Euro Notes are disposed.

Accrued and Unpaid Interest

Any consideration received by a U.S. Holder, pursuant to a Special Optional Redemption in respect of accrued and unpaid interest on a KBW Note should generally be subject to tax as ordinary interest income for U.S. federal income tax purposes to the extent not previously included in income, and regardless of whether a holder realizes an overall gain or loss in the transaction.

U.S. Holders using the cash basis method of accounting will be required to include in income the U.S. dollar value of amounts received in respect of accrued and unpaid interest on a Euro Note based on the spot rate in effect on the date the payment is received, regardless of whether the payment is in fact converted into U.S. dollars at that time. Accrual basis U.S. Holders will recognize ordinary foreign currency gain or loss on the receipt of payments in respect of accrued interest in an amount equal to the difference between (i) the U.S. dollar value of the payment (as determined based on the spot rate in effect on the date the payment is received) and (ii) the amount of interest income accrued in respect of the payment (generally determined using the average rate of exchange for the accrual period or at the spot rate of exchange on the last day of the accrual period).

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders of euro denominated Notes that participate in “reportable transactions” (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of such Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale or other disposition of the such Notes.

U.S. Backup Withholding Tax and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments of principal of, and interest and accruals of original issue discount, if any, on, an obligation and to proceeds of the sale or disposition of an obligation, to certain U.S. Holders. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman or certain of their affiliates, in connection with the Special Optional Redemptions to, on a KBW Note or New Note to, or from gross proceeds of the sale or disposition of a KBW Note or New Note paid to, a U.S. Holder if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder’s U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for a refund with the IRS and furnishing any required information in a timely manner.

Certain U.S. Holders who are individuals are required to report information relating to an interest in the New Notes, subject to certain exceptions (including an exception for New Notes held in custodial accounts maintained by certain financial institutions). U.S. Holders are urged to consult their own tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the New Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the Exchange Offers or the Special Optional Redemptions. Holders of KBW Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

CERTAIN EMPLOYEE BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain fiduciary standards and certain other requirements on employee benefit plans subject to ERISA, including entities such as collective investment funds, certain insurance company separate accounts, certain insurance company general accounts, and entities whose underlying assets are treated as being subject to ERISA (collectively, “ERISA Plans”), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment should be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of such investment, including, but not limited to, the matters discussed above under “*Risk Factors*” and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the New Notes or any interest therein.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, “Plans”), and certain persons (referred to as “parties in interest” under ERISA or “disqualified persons” under the Code) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and/or other liabilities under ERISA and the Code, and the transaction may have to be rescinded.

Governmental plans, certain church plans and certain non-U.S. plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to federal, state, local, non-U.S. or other laws or regulations (such as the prohibited transaction rules of Section 503 of the Code) that are substantially similar to the foregoing provisions of ERISA or the Code (“Similar Laws”).

Each of the New Issuers, the Dealer Manager, the Trustees and certain other parties, or their respective affiliates, may be the sponsor of, or “fiduciary” (within the meaning of Section 3(21) of ERISA or Section 4975 of the Code or, with respect to a governmental, church or Non-US plan, any definition of “fiduciary” under Similar Laws, (a “**Fiduciary**”)), to, one or more Plans. Because such parties may receive certain benefits in connection with the sale of the New Notes to such Plans, the purchase of such New Notes using the assets of a Plan with respect to which any of such parties is the sponsor or a Fiduciary might be deemed to be a violation of the prohibited transaction rules of Section 406 of ERISA and/or Section 4975 of the Code for which no exemption may be available. Accordingly, the New Notes may not be purchased using the assets of any Plan if any of the New Issuers, the Dealer Manager, the Trustees or their respective affiliates is the sponsor of or Fiduciary to, such Plan in the absence of an applicable exemption.

In addition, if the New Notes are acquired by a Plan with respect to which the New Issuers, the Dealer Manager, the Trustees, any holder of New Notes or any of their respective affiliates is a party in interest or a disqualified person, other than a sponsor of, or Fiduciary to, such Plan, such transaction could be deemed to be a direct or indirect prohibited transaction within the meaning of Section 406 of ERISA and/or Section 4975 of the Code. In addition, if a party in interest or disqualified person with respect to a Plan owns or acquires a 50% or more beneficial interest in the New Issuers, the acquisition or holding of the New Notes by or on behalf of such Plan could be considered to constitute an indirect prohibited transaction. Moreover, the acquisition or holding of the New Notes or other indebtedness issued by the New Issuers by or on behalf of a party in interest or disqualified person with respect to a Plan that owns or acquires an equity interest in the New Issuers also could give rise to an indirect prohibited transaction.

Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code could be applicable, however, to a Plan’s acquisition of a New Note depending in part upon the type of Fiduciary making the decision to acquire a New Note and the circumstances under which such decision is made. Included among these exemptions are U.S. Department of Labor Prohibited Transaction Class Exemption (“PTE”) 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 84-14 (amended effective November 3, 2010), regarding transactions effected by a “qualified professional asset manager;” PTE 96-23, regarding investments by certain “in-house asset managers;” and PTE 95-60, regarding

investments by insurance company general accounts. In addition to the class exemptions listed above, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory prohibited transaction exemption for transactions between a Plan and a person or entity that is a party in interest, or a disqualified person, respectively, to such Plan solely by reason of providing services to the Plan (other than a party in interest or a disqualified person that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Plan involved in the transaction), *provided* that the Plan receives no less, and pays no more than, “adequate consideration” (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might not cover all acts which might be construed as prohibited transactions.

EACH ACQUIRER AND EACH TRANSFEREE OF A NOTE OR ANY INTEREST THEREIN WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN THAT (1) EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF) AN EMPLOYEE BENEFIT PLAN, AS DEFINED IN SECTION 3(3) OF ERISA, THAT IS SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE CODE APPLIES, OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA)) BY REASON OF SUCH EMPLOYEE BENEFIT PLAN’S OR PLAN’S INVESTMENT IN SUCH ENTITY (EACH, A “BENEFIT PLAN INVESTOR”) OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAWS, AND NO PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD SUCH NOTES OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE OR ANY INTEREST THEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); (2) NEITHER THE ISSUERS NOR ANY OF THEIR AFFILIATES IS A FIDUCIARY (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975 OF THE CODE OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY DEFINITION OF “FIDUCIARY” UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTE, OR AS A RESULT OF ANY EXERCISE BY THE ISSUERS OR ANY OF THEIR AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTE, AND NO ADVICE PROVIDED BY THE ISSUERS OR ANY OF THEIR AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER OR HOLDER IN CONNECTION WITH THE NOTE AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTE; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH NOTE OR ANY INTEREST THEREIN OTHERWISE THAN TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF ANY SUCH NOTE.

THE ISSUERS, THE DEALER MANAGER AND THE TRUSTEES, AND THEIR RESPECTIVE AFFILIATES, SHALL BE ENTITLED TO CONCLUSIVELY RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY ACQUIRERS AND TRANSFEREES OF ANY NOTES WITHOUT FURTHER INQUIRY. THE ACQUIRER AND ANY FIDUCIARY CAUSING IT TO ACQUIRE AN INTEREST IN ANY NOTES AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUERS, THE DEALER MANAGER AND THE TRUSTEES, AND THEIR RESPECTIVE AFFILIATES, FROM AND AGAINST ANY COST, DAMAGE OR LOSS INCURRED BY ANY OF THEM AS A RESULT OF ANY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS BEING OR BECOMING FALSE.

ANY PURPORTED ACQUISITION OR TRANSFER OF ANY NOTE OR BENEFICIAL INTEREST THEREIN TO AN ACQUIRER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE REQUIREMENTS DESCRIBED HEREIN SHALL BE NULL AND VOID AB INITIO.

It should be noted that an insurance company's general account may be deemed to include assets of Plans under certain circumstances, e.g., where a Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering participating in the Exchange Offers and acquiring New Notes with assets of its general account should consider such acquisition and the insurance company's ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and a regulation promulgated by the U.S. Department of Labor under Section 401(c) of ERISA, Section 2550.401c-1 of Title 29 of the U.S. Code of Federal Regulations, as amended.

A fiduciary of an ERISA Plan or other employee benefit plan that is subject to Similar Laws, prior to participating in the Exchange Offers and acquiring the New Notes or any interest therein, should take into account, among other considerations, whether the Fiduciary has the authority to make the investment; the composition of the plan's portfolio with respect to diversification by type of asset; the plan's funding objectives; the tax effects of the investment; and whether, under the general fiduciary standards of ERISA or other applicable laws, including investment prudence and diversification, the participation in the Exchange Offers and acquisition of the New Notes or any interest therein is appropriate for the plan, taking into account the plan's particular circumstances and all of the facts and circumstances of the investment, including such matters as the overall investment policy of the plan and the composition of the plan's investment portfolio.

The transfer of any New Note or any interest therein to a Plan or a governmental, church or non-U.S. plan that is subject to any Similar Laws is in no respect a representation by the New Issuers, the Dealer Manager or the Trustees, or any of their respective affiliates, that such an investment meets all relevant legal requirements with respect to investments by such plans generally or any particular such plan; that the prohibited transaction exemptions described above, or any other prohibited transaction exemption, would apply to such an investment by such plans in general or any particular such plan; or that such an investment is appropriate for such plans generally or any particular such plan.

The discussion of ERISA and Section 4975 of the Code contained in these Listing Particulars, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

Any Plan or employee benefit plan not subject to ERISA or Section 4975 of the Code, and any fiduciary thereof, proposing to participate in the Exchange Offer and acquire the New Notes or any interest therein should consult with its legal advisors regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA, Section 4975 of the Code and any Similar Laws, to such investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of any applicable requirement of ERISA, Section 4975 of the Code or Similar Laws.

LEGAL MATTERS

Certain legal matters in connection with the Exchange Offers were passed upon for us by Ropes & Gray International LLP, London, England as to matters of United States federal and New York law, and by Freshfields Bruckhaus Deringer LLP, Germany, as to matters of German law. Certain legal matters in connection with the Exchange Offers were passed upon for the Dealer Manager by Latham & Watkins (London) LLP, London, England, as to matters of United States federal and New York law and by Latham & Watkins LLP, Germany, as to matters of German law.

ENFORCEMENT OF JUDGMENTS

We have been advised by our German counsel, Freshfields Bruckhaus Deringer LLP, that there is doubt as to the enforceability in Germany of civil liabilities based on the securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. courts. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters.

Under applicable legal rules, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, will not be directly enforceable in Germany per se. However, under current practice, a final judgment by a U.S. court may be given binding effect within the territory of Germany, unless the German court finds that, inter alia, the recognition of the U.S. judgment leads to a result manifestly irreconcilable with material principles of German law or that proper legal procedures have not been observed.

German courts usually deny the recognition and enforcement of punitive damages. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

A final U.S. judgment for payment based on civil liability would generally be recognized by a German court upon the following:

- U.S. courts could take jurisdiction of the case in accordance with the principles on jurisdictional competence according to German law;
- the document introducing the proceedings was duly made known to the defendant in a timely manner that allowed for adequate defense;
- the judgment is not contrary to (i) any prior judgment which became res judicata rendered by a German court or (ii) any prior judgment which became res judicata rendered by a foreign court which is to be recognized in Germany and the procedure leading to the respective judgment is not in contradiction to a proceeding previously commenced in Germany;
- the judgment is consistent with the procedure of a matter pending before a German court, provided that such matter was pending before the German court before the procedure on which the U.S. court rendered its judgement commenced;
- the effects of its recognition will not be in conflict with material principles of German law, including without limitation, fundamental rights under the constitution of German (*Grundrechte*). In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are regarded to be in conflict with material principles of German law;
- the reciprocity of enforcement of judgments is guaranteed; and
- the judgment became res judicata in accordance with the law of the place where it was pronounced.

Furthermore, enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an enforcement decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. In particular, the obligations need to be of a specific kind and type for which an enforcement procedure exists under German law. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditor's rights generally.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. Insofar as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

If the party in whose favor such final judgment is rendered brings a new suit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the Company or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

INDEPENDENT AUDITORS

The statutory auditors of Unitymedia GmbH are KPMG AG Wirtschaftsprüfungsgesellschaft, Tersteegenstr. 19-31, 40474 Düsseldorf, Germany, independent auditors (“KPMG”). The consolidated financial statements of Unitymedia GmbH and its subsidiaries as of and for the financial years ended December 31, 2011 and 2010 included in these Listing Particulars have been audited by KPMG, as stated in their reports appearing herein. The consolidated financial statements of Kabel BW Erste Beteiligungs GmbH as of and for the financial years ended December 31, 2010 and 2009 included in these Listing Particulars have been audited by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstraße 6, 40476 Düsseldorf, Germany, independent auditors (“Deloitte”), as stated in their report appearing herein. The consolidated financial statements of Kabel BW Erste Beteiligungs GmbH as of and for the financial year ended December 31, 2011 have been jointly audited by KPMG and Deloitte, as stated in their report appearing herein.

LISTING AND GENERAL INFORMATION

Application to Trading and Listing

Application has been made for the New Notes to be admitted to trading on the Euro MTF Market and to listing on the Official List of the Luxembourg Stock Exchange, in accordance with the rules and regulations of such exchange.

Listing Information

For so long as the New Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange require, copies of the following documents may be inspected and obtained free of charge at the specified office of the Luxembourg listing agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- (1) the organizational documents of each New Issuer;
- (2) the financial statements included in these Listing Particulars;
- (3) the New Indentures; and
- (4) the Dealer Manager Agreement.

Copies of the annual and quarterly reports required to be delivered under the covenant described under “*Description of the New Senior Secured Notes — Certain Covenants — Reports*” and “*Description of the New Senior Notes — Certain Covenants — Reports*” will be available free of charge at the offices of the Paying Agent.

The New Issuers have appointed the Bank of New York Mellon (Luxembourg) S.A. as Luxembourg listing agent and registrar with respect to the New Notes. The New Issuers reserve the right to vary such appointment in accordance with the terms of the indenture governing to the New Notes.

Pursuant to Part 1, point 703 of the Rules and Regulations of the Luxembourg Stock Exchange, the New Notes will be freely transferable on the Luxembourg Stock Exchange and therefore, no transaction involving the New Notes made on the Luxembourg Stock Exchange may be cancelled.

The New Issuers accept responsibility for the information contained in these Listing Particulars. The New Issuers declare that, having taken all reasonable care to ensure that such is the case, the information contained in these Listing Particulars is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Clearing Information

The New Euro SSNs issued pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 077075062 and 077080619, respectively. The international securities identification number (the “ISIN Number”) for the New Euro SSNs issued pursuant to Regulation S is XS0770750627 and the ISIN Number for the New Euro SSNs issued pursuant to Rule 144A is XS0770806197.

The New Dollar SSNs issued pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of DTC and Euroclear and Clearstream under common codes 077212779 and 077212710, respectively. The ISIN number for the New Dollar SSNs issued pursuant to Regulation S is USD85455AA73 and the ISIN number for the New Dollar SSNs issued pursuant to Rule 144A is US913364AA36. The CUSIP number for the New Dollar SSNs issued pursuant to Regulation S is D85455 AA7 and the CUSIP number for the New Dollar SSNs issued pursuant to Rule 144A is 913364AA3.

The New FRNs issued pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 077086285 and 077086269, respectively. The ISIN Number for the New FRNs issued pursuant to Regulation S and Rule 144A is XS0770862851 and XS0770862695, respectively.

The New Senior Notes issued pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 077092935 and 077090665, respectively. The ISIN Number for the New Senior Notes issued pursuant to Regulation S is XS0770929353 and the ISIN Number for the New Senior Notes issued pursuant to Rule 144A is XS0770906658.

Legal Information

New Senior Secured Notes Issuers

Unitymedia Hessen GmbH & Co. KG

Unitymedia Hessen GmbH & Co. KG is a German limited partnership established under the laws of Germany on April 18, 2000. Unitymedia Hessen GmbH & Co. KG has operations of its own in addition to holding ownership interests in the Unitymedia Group. Unitymedia Hessen GmbH & Co. KG is in the business of providing digital and analog cable television and broadband internet and telephony services. The principal office of Unitymedia Hessen GmbH & Co. KG is Aachener Stasse 746-750, 50933, Köln, Germany, telephone number +49 221 377920. Unitymedia Hessen GmbH & Co. KG is registered with the commercial registry of the local court (*Amtsgericht*) of Cologne under number HRA 24116. The aggregate liability contribution (*Hafteinlage*) of the limited partners of Unitymedia Hessen GmbH & Co. KG amounts to €100,000 of ordinary limited partnership interests and has been fully paid up. The general partner of Unitymedia Hessen GmbH & Co. KG did not make any capital contribution and holds a general partnership interest without equity interest or voting rights. Unitymedia Hessen GmbH & Co. KG's fiscal year ends on December 31. Unitymedia GmbH and its subsidiaries, including Unitymedia Hessen GmbH & Co. KG, publish consolidated audited financial statements. Please refer to the Unitymedia Consolidated Financial Statements included in these Listing Particulars. Unitymedia Hessen GmbH & Co. KG is exempt from publishing statutory accounts pursuant to Sec. 264b HGB. Unitymedia Hessen GmbH & Co. KG is indirectly wholly-owned by Unitymedia GmbH. See “*Summary — Pro Forma Summary Corporate and Financing Structure*”.

Unitymedia Hessen GmbH & Co. KG, as co-issuer, has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the New Senior Secured Notes. The creation and issuance of the New Senior Secured Notes was authorized by Unitymedia Hessen GmbH & Co. KG's partners on March 30, 2012 and April 27, 2012.

Unitymedia NRW GmbH

Unitymedia NRW GmbH is a German limited liability company (*Gesellschaft mit beschränkter Haftung*) and was incorporated under the laws of Germany on October 26, 2000. Unitymedia NRW GmbH has operations of its own in addition to holding ownership interests in the Unitymedia Group. Unitymedia NRW GmbH is in the business of providing digital and analog cable television and broadband internet and telephony services. The principal office of Unitymedia NRW GmbH is Aachener Stasse 746-750, 50933, Köln, Germany, telephone number +49 221 377920. Unitymedia NRW GmbH is registered with the commercial registry of the local court (*Amtsgericht*) of Cologne under number HRB 55984. Unitymedia NRW GmbH has an issued share capital of €10,000,100 in the form of ordinary shares which have been fully paid up. Unitymedia NRW GmbH's fiscal year ends on December 31. Unitymedia GmbH and its subsidiaries, including Unitymedia NRW GmbH, publish consolidated audited financial statements. Please refer to the Unitymedia Consolidated Financial Statements included in these Listing Particulars. Unitymedia NRW GmbH is exempt from publishing statutory accounts pursuant to Sec. 264(3) HGB. Unitymedia NRW GmbH is indirectly wholly-owned by Unitymedia GmbH. See “*Summary — Pro Forma Summary Corporate and Financing Structure*”.

Unitymedia NRW GmbH, as co-issuer, has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the New Senior Secured Notes. The creation and issuance of the New Senior Secured Notes was authorized by Unitymedia NRW GmbH's sole shareholder on March 30, 2012 and April 27, 2012.

New Senior Notes Issuer

Unitymedia GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) and was incorporated under the laws of Germany on October 15, 2009. Unitymedia GmbH is a holding company and its operations consist of managing and holding ownership interest in the Unitymedia Group. The principal office of Unitymedia GmbH is Aachener Stasse 746-750, 50933, Köln, Germany, telephone number +49 221 377920. Unitymedia GmbH is registered with the commercial registry of the local court (*Amtsgericht*) of Cologne under number HRB 57237. Unitymedia GmbH has an issued share capital of €25,000 in the form of ordinary shares which have been fully paid up. Unitymedia GmbH is wholly-owned by UPC Germany Holding B.V. See “*Summary — Pro Forma Summary Corporate and Financing Structure*.”

Unitymedia GmbH, as issuer, has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the New Senior Notes.

The creation and issuance of the New Senior Notes was authorized by Unitymedia NRW GmbH's sole shareholder on March 30, 2012 and April 27, 2012.

Guarantors

The companies that are Senior Notes Guarantors and Senior Secured Notes Guarantors (other than the New Senior Secured Notes Issuers and the New Senior Notes Issuer listed above) have the following corporate information:

Unitymedia Management GmbH

Unitymedia Management GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) and was incorporated under the laws of Germany on October 24, 2002. Unitymedia Management GmbH is a holding company and its operations consist of managing and holding ownership interest in the Unitymedia Group. The principal office of Unitymedia Management GmbH is Aachener Stasse 746-750, 50933, Köln, Germany, telephone number +49 221 377920. Unitymedia Management GmbH is registered with the commercial registry of the local court (*Amtsgericht*) of Cologne under number HRB 57277. The guarantee of the New Senior Secured Notes and New Senior Notes by Unitymedia Management GmbH was authorized and approved by Unitymedia Management GmbH's sole shareholder on March 30, 2012 and April 27, 2012.

Unitymedia Hessen Verwaltung GmbH

Unitymedia Hessen Verwaltung GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) and was incorporated under the laws of Germany on February 1, 2000. Unitymedia Hessen Verwaltung GmbH is a holding company. The principal office of Unitymedia Hessen Verwaltung GmbH is Aachener Stasse 746-750, 50933, Köln, Germany, telephone number +49 221 377920. Unitymedia Hessen Verwaltung GmbH is registered with the commercial registry of the local court (*Amtsgericht*) of Cologne under number HRB 58137. The guarantee of the New Senior Secured Notes and New Senior Notes by Unitymedia Hessen Verwaltung GmbH was authorized and approved by Unitymedia Hessen Verwaltung GmbH's sole shareholder on March 30, 2012 and April 27, 2012.

Kabel Baden-Württemberg Verwaltungs-GmbH

Kabel Baden-Württemberg Verwaltungs-GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) and was incorporated under the laws of Germany on April 27, 2000. Kabel Baden-Württemberg Verwaltungs-GmbH is a holding company. The principal office of Kabel Baden-Württemberg Verwaltungs-GmbH is Im Breitspiel 2-4, 69216 Heidelberg, Germany, telephone number +49 221 377920. Kabel Baden-Württemberg Verwaltungs-GmbH is registered with the commercial registry of the local court (*Amtsgericht*) of Mannheim under HRB 337469. The guarantee of the New Senior Secured Notes and New Senior Notes by Kabel Baden-Württemberg Verwaltungs-GmbH was authorized and approved by Kabel Baden-Württemberg Verwaltungs-GmbH's sole shareholder on March 30, 2012 and April 27, 2012.

Kabel BW GmbH

Kabel BW GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) and was incorporated under the laws of Germany on January 27, 2006. Kabel BW GmbH is an operating company. Kabel BW GmbH is in the business of providing digital and analog cable television and broadband internet and telephony services. The principal office of Kabel BW GmbH is Im Breitspiel 2-4, 69216 Heidelberg, Germany, telephone number +49 221 377920. Kabel BW GmbH is registered with the commercial registry of the local court (*Amtsgericht*) of Mannheim under HRB 702325. The guarantee of the New Senior Secured Notes and the New Senior Notes by Kabel BW GmbH was authorised and approved by Kabel BW GmbH's sole shareholder on March 30, 2012 and April 27, 2012.

UPC Germany HoldCo 1 GmbH

UPC Germany HoldCo 1 GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) and was incorporated under the laws of Germany on January 18, 2011. UPC Germany HoldCo 1 GmbH is a holding company. The principal office of UPC Germany HoldCo 1 GmbH is Im Breitspiel 2-4, 69216 Heidelberg, Germany, telephone number +49 221 377920. UPC Germany HoldCo 1 GmbH is registered with the commercial registry of the local court (*Amtsgericht*) of Mannheim under registration number HRB 713866. The guarantee of the New Senior Secured Notes and New Senior Notes by UPC Germany

Holdco 1 GmbH was authorized and approved by UPC Germany HoldCo 1 GmbH's sole shareholder on March 30, 2012 and April 27, 2012.

UPC Germany Holdings GmbH

UPC Germany Holdings GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) and was incorporated under the laws of Germany on January 18, 2011. UPC Germany Holdings GmbH is a holding company. The principal office of UPC Germany Holdings GmbH is Im Breitspiel 2-4, 69216 Heidelberg, Germany, telephone number +49 221 377920. UPC Germany Holdings GmbH is registered with the commercial registry of the local court (*Amtsgericht*) of Mannheim under HRB 714018. The guarantee of the New Senior Secured Notes and New Senior Notes by UPC Germany Holdings GmbH was authorized and approved by UPC Germany Holdings GmbH's sole shareholder on March 30, 2012 and April 27, 2012.

Additional Capitalization Information of Unitymedia for Listing

The following table sets forth, in each case as of March 31, 2012, (i) the actual consolidated cash and cash equivalents and capitalization of Unitymedia and the Kabel BW Group and (ii) the consolidated cash and cash equivalents and capitalization of Unitymedia on an as adjusted basis after giving effect to (a) the KBW Fold-in, (b) the Exchange Offers and (c) the Special Optional Redemptions.

This table has been included herein for the purpose of listing the New Notes on the Official List of the Luxembourg Stock Exchange and should be read in conjunction with Unitymedia's condensed consolidated unaudited financial statements dated March 31, 2012 annexed to the Unitymedia Consolidated Financial Statements included elsewhere in these Listing Particulars.

The impact of any derivative instruments that Unitymedia may enter into to manage foreign currency or interest rate risk associated with the New Notes has not been reflected in the as adjusted data presented in this table. Except as set forth in the footnotes to this table, there have been no material changes to Unitymedia's cash and cash equivalents and third-party capitalization since March 31, 2012.

CASH AND CASH EQUIVALENTS AND CAPITALIZATION OF UNITYMEDIA	March 31, 2012		
	Actual		
	Unitymedia	Kabel BW Group combined in millions	As Adjusted
Total cash and cash equivalents⁽¹⁾	€ 13.4	€ 48.7	€ 62.1
Third-party debt:			
UM Senior Notes	€ 651.8	€ —	€ 651.8
KBW Senior Notes ⁽²⁾	—	678.2	—
New Senior Notes ⁽²⁾	—	—	616.4
UM Senior Secured Notes	2,029.6	—	2,029.6
KBW Senior Secured Notes ⁽²⁾	—	1,605.1	—
New Senior Secured Notes ⁽²⁾	—	—	1,484.6
2012 Unitymedia Facilities Agreement ⁽³⁾	—	—	105.0
Unitymedia Revolving Credit Facility ⁽⁴⁾	—	—	80.0
Transaction costs, accrued interest and finance lease obligations	25.4	9.0	34.4
Total third-party debt	2,706.8	2,292.3	5,001.8
Unitymedia Shareholder Loans, including accrued interest thereon⁽⁵⁾	155.0	—	155.0
Shareholder's equity⁽⁶⁾	805.0	872.2	1,675.5
Total capitalization	€ 3,666.8	€ 3,164.5	€ 6,832.3

(1) The amount of cash and cash equivalents presented in the "As Adjusted" column assumes €1.8 million of expenses associated with the completion of the Exchange Offers are funded with borrowings under the 2012 Unitymedia Facilities Agreement.

(2) The "As Adjusted" amounts reflect (a) the exchange of 90.9% of the KBW Senior Notes for New Senior Notes and 92.5% of the KBW Senior Secured Notes for the New Senior Secured Notes and (b) the completion of the Special Optional Redemptions.

- (3) The “*As Adjusted*” amount reflects the entry into the 2012 Unitymedia Facilities Agreement by Unitymedia Hessen and drawings of €105.0 million thereunder to fund a portion of the Special Optional Redemptions. See “*Summary — The Transactions — 2012 Unitymedia Facilities Agreement*”.
- (4) The Unitymedia Revolving Credit Facility is an €80.0 million senior secured revolving credit facility entered into on December 21, 2009. The Unitymedia Revolving Credit Facility was undrawn as at March 31, 2012. The “*As Adjusted*” amount reflects €80.0 million of drawings under the Unitymedia Revolving Credit Facility to fund a portion of the Special Optional Redemptions. In addition, the KBW Revolving Credit Facility, which was undrawn at March 31, 2012, was terminated in connection with the KBW Fold-in.
- (5) Represents loans payable to Unitymedia’s shareholder, UPC Germany Holding, resulting primarily from (i) transactions that were completed in connection with the LGI/Unitymedia Transaction and (ii) fees and allocations charged from UPC Holding and other Liberty Global subsidiaries. All principal (€151.8 million at March 31, 2012) and accrued interest (€3.2 million at March 31, 2012) outstanding under these loans is due and payable on January 1, 2030. The amounts outstanding under these loans bear interest at 8.58% per annum. See “*Certain Relationships and Related-Party Transactions of Unitymedia*”.
- (6) Shareholder’s equity represents the excess of Unitymedia’s and the Kabel BW Group’s assets over their respective liabilities. The “*As Adjusted*” amount reflects (a) a €1.5 million loss related to third-party transaction costs incurred in connection with the Exchange Offers, net of an assumed tax impact of €0.4 million, (b) a €1.7 million loss on extinguishment of debt related to the payment of the redemption premiums in connection with the Special Optional Redemptions, net of an assumed tax impact of €0.5 million and (c) a €0.8 million gain on extinguishment of debt related to the proportionate write-off of the net premium on the KBW Notes in connection with the Special Optional Redemptions, net of an assumed tax impact of €0.2 million.

General

Except as disclosed in these Listing Particulars:

- there has been no material adverse change in Unitymedia GmbH and its subsidiaries consolidated financial position since December 31, 2011; and
- neither Unitymedia GmbH, nor any of its direct or indirect subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issuance of the New Notes except as otherwise disclosed in these Listing Particulars, and, so far as Unitymedia GmbH and its subsidiaries are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

The language of these Listing Particulars is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable laws.

GLOSSARY

ADSL or ADSL2+	An asymmetric digital subscriber line is a system for high-speed data transmission over existing telephone cables. In the ADSL system, the telephone cable is effectively divided into three bands: the downstream band from the service provider to the end customer; the upstream band from the end customer to the service provider; and a voice band through which (using a splitter) telephone calls (analog or via ISDN) can be made). ADSL2+ extends the capacity of the underlying ADSL system by further utilizing the frequency spectrum and extending transfer speeds for the downstream band to up to 25 Mbps.
Analog	Comes from the word “analogous”, which means “similar to” in telephone transmission, the signal being transmitted (voice, video or image) is “analogous” to the original signal.
Backbone	A backbone refers to the principal data routes between large, interconnected networks or within a large operator’s network.
Bandwidth	The transmission capacity of a communication line or transmission link at any given time. The bandwidth is generally indicated in bits per second or amount of spectrum available in MHz.
Broadband	A signaling method that includes a relatively wide range of frequencies, that can be divided into channels or frequency “bins”, and by which various data components are sent at the same time in order to increase the rate of transmission. The wider the bandwidth, the more information it can carry within a certain period of time.
Bundle/bundling	Bundling is a marketing strategy that involves offering several products for sale as one combined product.
Digital	The use of a binary code to represent information in telecommunications recording and computing. Analog signals, such as voice or music, are encoded digitally by sampling the voice or music analog signals many times a second and assigning a number to each sample. Recording or transmitting information digitally has two major benefits: First, digital signals can be reproduced more precisely so digital transmission is “cleaner” than analog transmission and the electronic circuitry necessary to handle digital is becoming cheaper and more powerful; and second, digital signals require less transmission capacity than analog signals.
DSL	Digital Subscriber Line is a generic name for a range of digital technologies relating to the transmission of internet and data signals from the telecommunications service provider’s central office to the end customer’s premises over the standard copper wire used for voice services.
DTT	Digital terrestrial video broadcast, or digital broadcasting of television signals over terrestrial antennas and other earthbound circuits without any use of satellite.
DVB-T	Digital terrestrial video broadcast, or digital broadcasting of television signals over terrestrial antennas and other earthbound circuits without any use of satellite.
DVR	Digital video recorder is a device that allows end users to digitally record television programming for later playback.

EuroDOCSIS	Data Over Cable Service Interface Specification (DOCSIS) is an international standard that defines the communications and operation support interface requirements for a data over cable system. It permits the addition of high-speed data transfer to an existing cable TV system. Cable companies use the EuroDOCSIS standard to improve speeds they can offer. While the EuroDOCSIS 2.0 standard allows regular speeds of up to 50 Mbps, the new EuroDOCSIS 3.0 broadband technology allows speed levels of 100 Mbps and beyond.
Evergreen contract	A contract that renews itself from one term to the next in the absence of cancellation by one of the parties.
Fiber-to-the building (FTTB)/ Fiber-to-the-home (FTTH)	Network architecture that uses optical fiber to reach the end user's street or home in order to deliver broadband internet services.
Free-to-air	Transmission of content for which television viewers are not required to pay a fee for receiving transmissions.
Headend	A master facility for receiving television signals for processing and distribution over a cable television system.
Housing associations	Public property investors, public property owners, property management firms and financial investors who own or manage multi- dwelling units.
HDTV	High definition television
IP	Internet Protocol is a protocol used for communicating data across a packet-switched network. It is used for transmitting data over the Internet and other similar networks. The data is broken down into data packets, each data packet is assigned an individual address, then the data packets are transmitted independently and finally reassembled at the destination.
IPTV	Internet Protocol Television is the transmission of television content using IP over a network infrastructure, such as a broadband connection.
Kbps	Kilobits per second; a unit of data transfer rate equal to 1,000 bits per second.
Local loop infrastructure	The local loop is the physical link between the first demarcation point of the customer's premises and the delivery point into the network of the provider renting the local loop. The local loop is referred to as the "last mile".
Mbps	Megabits per second; a unit of data transfer rate equal to 1,000,000 bits per second. The bandwidths of broadband networks are often indicated in Mb/s.
MHz	Megahertz (or one million hertz) is the basic measure of frequency and represents one million cycles per second.
MMA	Our wholesale Multimedia Anschluss or "MMA" offer is a service tailored for housing associations to purchase bulk Internet access at 128 Kbps to enable their properties with Internet access. MMA-equipped apartments can upgrade to any of our digital television, broadband and flat rate telephony services.
Network coverage area	The area considered by our management to contain homes passed.

NVoD	Near Video-on-Demand; a pay per view facility offered by Unitymedia where a subscriber can request from a list of videos a movie with staggered start times (usually half to quarter-hour intervals).
Smart card	A smart card is any pocket-sized card with embedded integrated circuits which can process data and provide identification and authentication for digital services.
Triple-play	Offering of digital television, broadband Internet and telephony services packaged in a bundle.
Unbundled local loop	The twisted-pair connection between the local exchange and the home.
Upgraded portion	The portion of our network coverage area that has been upgraded to a bi-directional standard with a 862 MHz capacity. In order to calculate the percentage of our network that has been upgraded we divide the number of homes passed by the upgraded portion of the network by the total number of homes passed.
VoD	Video-on-Demand is the transmission of digital video data on demand, by either streaming data or allowing data to be downloaded. The data is transmitted to the end customer via a broadband connection.
VDSL	Very high bit rate DSL.
VoIP	Voice over IP or the transmission of voice calls via Internet Protocol.

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Independent Auditor's Report (Translation)

The following auditor's report (Bestätigungsvermerk) has been issued in accordance with § 322 German Commercial Code (Handelsgesetzbuch) in German language on the German version of the consolidated financial statements of Unitymedia GmbH as of and for the fiscal year ended December 31, 2011 and the group management report. The group management report is not included here. The management discussion & analysis was not subject to the audit.

"Independent Auditor's Report

We have audited the consolidated financial statements prepared by Unitymedia GmbH, Cologne, comprising the consolidated balance sheets, the consolidated statements of operations, the consolidated statements of changes in shareholder's equity (deficit), the consolidated statements of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2011 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a I HGB (Handelsgesetzbuch "German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer Institute of Public Auditor's in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a I HGB and give a true and fair view of the net assets, financial position and results of operations of Unitymedia GmbH in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Düsseldorf, March 28, 2012

KPMG AG

Wirtschaftsprüfungsgesellschaft

Original German version signed by:

Wallraf	Laue
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	German Public Auditor

UNITYMEDIA GMBH
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2011	2010
	in millions	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	€ 20.1	€ 58.7
Trade receivables and unbilled revenue, net (note 9)	44.7	35.2
Loan receivable — related party (note 17)	54.0	—
Other current assets (note 6)	13.8	11.4
Total current assets	132.6	105.3
Property and equipment, net (note 8)	2,041.2	2,029.2
Goodwill (note 8)	1,436.1	1,436.1
Intangible assets subject to amortization, net (note 8)	562.3	656.8
Investment in associate (note 17)	61.0	—
Other noncurrent assets (notes 6, 9 and 10)	96.3	72.7
Total noncurrent assets	4,196.9	4,194.8
Total assets	€ 4,329.5	€ 4,300.1

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

UNITYMEDIA GMBH
CONSOLIDATED BALANCE SHEETS (continued)

	December 31,	
	2011	2010
	in millions	
<u>LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)</u>		
Current liabilities:		
Accounts payable	€ 32.7	€ 34.3
Accrued liabilities (note 11)	112.1	133.2
Accounts payable and accrued liabilities — related party (note 17)	13.4	4.2
Corporate income taxes payable	10.1	1.1
Current provisions (note 12)	18.4	24.3
Deferred revenue and advance payments from subscribers and others	64.3	73.7
Current portion of debt and finance lease obligations (note 13)	22.7	21.8
Other current liabilities (note 6)	5.9	17.1
Total current liabilities	279.6	309.7
Noncurrent debt and finance lease obligations (note 13):		
Third party	2,722.4	2,689.8
Related party	193.1	1,167.0
Deferred tax liabilities (note 15)	307.1	333.3
Noncurrent provisions (note 12)	9.1	8.4
Other noncurrent liabilities	7.8	9.3
Total noncurrent liabilities	3,239.5	4,207.8
Total liabilities	3,519.1	4,517.5
Commitments and contingencies (note 14)		
Shareholder's equity (deficit) (note 16):		
Share capital	—	—
Additional paid-in capital	1,178.5	17.0
Accumulated deficit	(368.1)	(234.4)
Total shareholder's equity (deficit)	810.4	(217.4)
Total liabilities and shareholder's equity	€ 4,329.5	€ 4,300.1

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

UNITYMEDIA GMBH
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		Period from
	2011	2010	October 23, 2009 to December 31, 2009
	in millions		
Revenue	€ 1,025.2	€ 866.9	€ —
Operating costs and expenses:			
Operating (other than depreciation and amortization) (OpEx) (note 17)	271.9	251.4	—
Selling, general and administrative expenses (other than depreciation and amortization) (including stock-based compensation) (SG&A) (note 17)	140.6	130.4	—
Restructuring and other operating charges (note 5)	0.5	26.7	—
Related-party fees and allocations, net (note 17)	35.8	23.8	—
Total operating costs and expenses	448.8	432.3	—
Earnings before interest, taxes, depreciation and amortization (EBITDA)	576.4	434.6	—
Depreciation and amortization	388.3	324.5	—
Earnings before interest and taxes (EBIT)	188.1	110.1	—
Financial and other expense:			
Interest expense:			
Third party	(244.7)	(257.0)	(27.1)
Related party (note 17)	(99.9)	(85.8)	—
Foreign currency transaction losses, net	(20.2)	(16.1)	(0.6)
Realized and unrealized gains (losses) on derivative instruments, net (note 6)	27.7	38.8	(35.7)
Other income (expense), net	(0.8)	1.4	0.9
Net financial and other expense	(337.9)	(318.7)	(62.5)
Loss from continuing operations before income taxes	(149.8)	(208.6)	(62.5)
Income tax benefit (note 15)	16.1	35.5	—
Loss from continuing operations, net of taxes	(133.7)	(173.1)	(62.5)
Earnings from discontinued operations (note 5)	—	1.2	—
Net loss / comprehensive loss(a)	€ (133.7)	€ (171.9)	€ (62.5)
Further details of OpEx and SG&A:			
Direct costs (interconnect, programming, copyright and other)	€ 87.5	€ 79.3	€ —
Staff-related costs (excluding restructuring charges)	96.7	85.4	—
Network operating costs	85.9	83.6	—
Sales and marketing costs	62.0	68.4	—
Other indirect costs	80.4	65.1	—
	€ 412.5	€ 381.8	€ —
Further details of restructuring and other operating charges:			
Staff-related costs	€ 0.4	€ 3.4	€ —
Direct acquisition costs	0.1	23.3	—
	€ 0.5	€ 26.7	€ —

(a) There were no items of comprehensive earnings or loss in the current year or prior periods other than the loss for the period and, accordingly, no statements of comprehensive earnings or loss are presented.

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

UNITYMEDIA GMBH
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (DEFICIT)

	Additional paid-in capital	Accumulated deficit in millions	Total shareholder's equity (deficit)
Balance at October 23, 2009	€ —	€ —	€ —
Net loss	—	(62.5)	(62.5)
Balance at December 31, 2009	—	(62.5)	(62.5)
Net loss	—	(171.9)	(171.9)
Equity contribution (note 16)	17.0	—	17.0
Balance at December 31, 2010	17.0	(234.4)	(217.4)
Net loss	—	(133.7)	(133.7)
Conversion of related-party loans to equity (notes 13 and 16)	1,100.0	—	1,100.0
Equity contribution (note 16)	61.0	—	61.0
Stock-based compensation (note 17)	0.5	—	0.5
Balance at December 31, 2011	<u>€ 1,178.5</u>	<u>€ (368.1)</u>	<u>€ 810.4</u>

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

UNITYMEDIA GMBH
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		Period from October 23, 2009 to December 31, 2009
	2011	2010	
	in millions		
Cash flows from operating activities:			
Net loss	€ (133.7)	€ (171.9)	€ (62.5)
Earnings from discontinued operations	—	(1.2)	—
Loss from continuing operations	(133.7)	(173.1)	(62.5)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:			
Stock-based compensation expense	0.5	—	—
Restructuring and other operating charges	0.5	26.7	—
Related-party fees and allocations, net	35.8	23.8	—
Depreciation and amortization	388.3	324.5	—
Amortization of deferred financing costs and non-cash interest accretion	12.1	10.9	1.2
Non-cash related-party interest expense	99.9	85.8	—
Foreign currency transaction losses, net	20.2	16.1	0.6
Realized and unrealized losses (gains) on derivative instruments, net	(27.7)	(38.8)	35.7
Deferred tax benefit	(26.1)	(36.2)	—
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	(52.4)	(14.0)	25.9
Net cash used by discontinued operations	(2.9)	(9.9)	—
Net cash provided by operating activities	314.5	215.8	0.9
Cash flows from investing activities:			
Capital expenditures	(298.6)	(243.3)	—
Investment in associate	(61.0)	—	—
Advances to a Liberty Global subsidiary	(54.0)	—	—
Cash paid in connection with acquisitions, net of cash acquired	—	(1,880.1)	—
Other investing activities	0.2	0.2	—
Net cash used by investing activities	(413.4)	(2,123.2)	—
Cash flows from financing activities:			
Repayments of third-party debt and finance lease obligations	(160.7)	(1,770.6)	—
Borrowings of third-party debt	160.0	165.0	2,605.3
Contributions from parent	61.0	17.0	—
Decrease (increase) in cash collateral	—	2,593.6	(2,541.1)
Net related-party borrowings	—	1,050.9	—
Net cash paid related to derivative instruments	—	(66.6)	—
Payment of financing costs and debt premiums	—	(27.0)	(65.1)
Other financing activities	—	3.8	—
Net cash provided (used) by financing activities	60.3	1,966.1	(0.9)
Net increase (decrease) in cash and cash equivalents	(38.6)	58.7	—
Cash and cash equivalents:			
Beginning of period	58.7	—	—
End of period	€ 20.1	€ 58.7	€ —
Cash paid for interest (excluding payments related to derivative instruments)	€ 231.9	€ 265.3	€ —
Net cash paid for taxes:			
Continuing operations	€ 3.6	€ 12.8	€ —
Discontinued operations	—	4.3	—
	€ 3.6	€ 17.1	€ —

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

UNITYMEDIA GMBH
Notes to Consolidated Financial Statements
December 31, 2011

(1) General and Basis of Presentation

Unitymedia GmbH (Unitymedia), is an indirect subsidiary of Liberty Global, Inc. (Liberty Global). Unitymedia was formed by Liberty Global on October 15, 2009 and registered with the trade register on October 23, 2009 in contemplation of the issuance of debt financing in connection with Unitymedia's then potential acquisition of the entity (Old Unitymedia) that owned the second largest cable operator in Germany. The sole shareholder of Unitymedia is UPC Germany Holding B.V. (UPC Germany Holding), an indirect subsidiary of Liberty Global. In the following text, the terms "Unitymedia," "we," "our," "our company," and "us" may refer, as the context requires, to Unitymedia or collectively to Unitymedia and its subsidiaries.

Unitymedia, which operates in the German states of North Rhine-Westphalia and Hesse, provides video, broadband internet and telephony services to its customers. In addition to this core business, Unitymedia's arena segment operated a direct-to-home satellite (DTH) digital pay-TV platform that, as further described in note 5, we closed down effective September 30, 2010. We have presented Unitymedia's arena segment as a discontinued operation in our consolidated statements of operations and cash flows. As such, all statement of operations and cash flow statement amounts presented in the notes to these consolidated financial statements relate only to our continuing operations, unless otherwise noted.

On September 16, 2010, Old Unitymedia merged with Unitymedia and Unitymedia became the surviving entity (the Unitymedia Merger). The Unitymedia Merger, along with the new basis of accounting that resulted from Unitymedia's January 28, 2010 acquisition of 100% of Old Unitymedia (the LGI/Unitymedia Transaction), has been given effect as of January 28, 2010 in the accompanying consolidated financial statements. Accordingly, Old Unitymedia is not included in our historical consolidated financial statements prior to January 28, 2010. For additional information concerning the LGI/Unitymedia Transaction, see note 5.

Our annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) and the additional requirements of German Commercial Law pursuant to Sec. 315 a (3) German Commercial Code (HGB).

The UM Senior Secured Notes and UM Senior Notes, as defined and described in note 13, are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market, which is not a regulated market (as defined by Article 1(13) of Directive 93/22/EEC).

Our functional currency is the euro. Unless otherwise indicated, convenience translations into euros are calculated as of December 31, 2011.

These consolidated financial statements were approved for publication by the Managing Directors on March 28, 2012.

UNITYMEDIA GMBH
Notes to Consolidated Financial Statements (continued)
December 31, 2011

(2) Accounting Changes and Recent Pronouncements

First-time Application of Accounting Standards

The application of the following accounting standards did not have any impact on our consolidated financial statements:

Standard/ Interpretation	Title	Applicable for reporting periods beginning on or after	Date of endorsement by the EU
Annual Improvements to IFRS (May 2010)	Collection of amendments to several standards and interpretations	January 1, 2011 Partly applicable: July 1, 2010	February 18, 2011
IFRS 1 (amendments)	Limited exemption from comparative IFRS 7 disclosures for first-time adopters	July 1, 2010	June 30, 2010
International Accounting Standard (IAS) 24 (revised)	Related party disclosures	January 1, 2011	July 19, 2010
IAS 32 (amendments)	Classification of Rights Issues	February 1, 2010	December 23, 2009
IFRS Interpretations Committee (IFRIC) 14 (amendments)	IAS 19 — The limit of a defined benefit asset, minimum funding requirements and their interaction	January 1, 2011	July 19, 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	July 1, 2010	July 23, 2010

In May 2010, as part of its project of annual improvements, the International Accounting Standards Board (IASB) issued a collection of amendments to six accounting standards and one interpretation, which include amendments in relation to recognition, measurement and presentation of transactions as well as terminology and editorial amendments. The application of these amendments did not have any significant impact on our consolidated financial statements.

UNITYMEDIA GMBH
Notes to Consolidated Financial Statements (continued)
December 31, 2011

New Accounting Standards, Not Yet Effective

The following accounting standards have been issued by the IASB but are not yet effective for the reporting period. We have not early adopted any of these accounting standards.

Standard/ Interpretation	Title	Applicable for reporting periods beginning on or after	Date of endorsement by the EU
IAS 1 (amendments)	Presentation of items of other comprehensive income	July 1, 2012	Not yet endorsed
IAS 12 (amendments)	Deferred tax: recovery of underlying assets	January 1, 2012	Not yet endorsed
IAS 19 (revised)	Amendments to IAS 19 employee benefits	January 1, 2013	Not yet endorsed
IAS 27 (amendments)	Separate financial statements	January 1, 2013	Not yet endorsed
IAS 28 (amendments)	Investments in associates and joint ventures	January 1, 2013	Not yet endorsed
IAS 32 (amendments)	Offsetting Financial Assets and Financial Liabilities	January 1, 2014	Not yet endorsed
IFRS 1 (amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters	July 1, 2011	Not yet endorsed
IFRS 7 (amendments)	Amendments to IFRS 7 financial instruments: disclosures	July 1, 2011	November 22, 2011
IFRS 7 (amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities	January 1, 2013	Not yet endorsed
IFRS 9	Financial instruments	January 1, 2015	Not yet endorsed
IFRS 10	Consolidated financial statements	January 1, 2013	Not yet endorsed
IFRS 11	Joint arrangements	January 1, 2013	Not yet endorsed
IFRS 12	Disclosure of interests in other entities	January 1, 2013	Not yet endorsed
IFRS 13	Fair value measurement	January 1, 2013	Not yet endorsed

We have not fully evaluated the impacts of applying these new, but not yet effective accounting standards on our consolidated financial statements, however, we currently do not expect the impact to be material.

(3) Summary of Significant Accounting Policies

Estimates

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation, including the reclassification of capitalized labor from other indirect costs to staff-related costs within our OpEx and SG&A.

UNITYMEDIA GMBH
Notes to Consolidated Financial Statements (continued)
December 31, 2011

Principles of consolidation

The accompanying consolidated financial statements include our accounts and the accounts of all voting interest entities where we exercise a controlling financial interest through the ownership of a direct or indirect controlling voting interest and special purpose entities over which we exercise control. All significant intercompany accounts and transactions have been eliminated in consolidation. Investments in special purpose entities that we do not control are accounted for using the equity method.

In addition to Unitymedia, the parent company, the following subsidiaries were included in our consolidated financial statements at December 31, 2011:

<u>Name of subsidiary^(a)</u>	<u>Headquarters location</u>	<u>Share of equity %</u>
Unitymedia Management GmbH ^(b)	Cologne, Germany	100.0
Unitymedia Hessen Verwaltung GmbH	Cologne, Germany	100.0
Unitymedia Hessen GmbH & Co. KG (Unitymedia Hessen) ^(c) . .	Cologne, Germany	100.0
Unitymedia NRW GmbH (Unitymedia NRW) ^(b)	Cologne, Germany	100.0
Unitymedia Services GmbH ^(b)	Cologne, Germany	100.0
iesy Hessen Verwaltungs-GmbH	Cologne, Germany	100.0
Arena Sport Rechte und Marketing GmbH	Cologne, Germany	100.0

(a) Unitymedia International GmbH (UMI), an entity in which Unitymedia owns a 100% equity interest, is excluded from our list of subsidiaries as UMI is a special purpose entity which is controlled by UPC Holding B.V. (UPC Holding), another Liberty Global subsidiary. For additional information regarding our accounting for UMI, see note 17. We will publish statutory accounts for UMI.

(b) Exempt from publishing statutory accounts pursuant to Sec. 264 (3) HGB.

(c) Exempt from publishing statutory accounts pursuant to Sec. 264b HGB.

Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash on hand and demand deposits which have a maturity of three months or less at the time of acquisition. Cash and cash equivalents are measured at cost.

Restricted cash includes cash held in escrow and cash pledged as collateral. Restricted cash amounts that are required to be used to purchase noncurrent assets or repay noncurrent debt are classified as noncurrent assets. All other cash that is restricted to a specific use is classified as current or noncurrent based on the expected timing of the disbursement.

Trade receivables

Our trade receivables are initially measured at fair value and subsequently reported at amortized cost, net of an allowance for impairment of trade receivables. The allowance for impairment of trade receivables is estimated based upon our assessment of anticipated loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions, specific customer and historical experience. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

Property and equipment

Property and equipment are measured at initial cost less accumulated depreciation and any accumulated impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The initial cost comprises the purchase price, borrowing costs (if applicable), costs of construction including direct materials and labor, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the costs of dismantling and removing the items and restoring the site on which the assets are located. No borrowing costs were capitalized during the periods presented.

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Notes to Consolidated Financial Statements (continued)
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Depreciation is computed on a straight-line basis over the estimated useful lives of each major component of an item of property and equipment. The distribution systems have estimated useful lives ranging from 3 to 30 years. Support equipment and buildings (including leasehold improvements) have estimated useful lives ranging from 3 to 20 years. Land is not depreciated. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and may be adjusted based on management's expectations of future use.

Property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment exists when the carrying value exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). We have determined that our property and equipment is part of a single cash-generating unit for purpose of impairment testing. Impairment losses are reversed if the reasons for the impairment loss no longer exist or the impairment loss has decreased.

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will be achieved and when the cost can be measured reliably. The carrying amount of any replaced item is derecognized. All other expenditures for repairs and maintenance are expensed as incurred.

Gains and losses due to disposals are included in restructuring and other operating charges.

Intangible assets

Our primary intangible assets are goodwill, customer relationships, trade name, subscriber acquisition costs and software. Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with finite lives are amortized over their respective estimated useful lives on a straight-line basis and reviewed for impairment when circumstances warrant. Each reporting period we evaluate the estimated useful lives of our intangible assets that are subject to amortization to determine whether events or circumstances warrant revised estimates of useful lives.

Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired. Goodwill is tested for impairment annually, or more frequently when there is an indication that it may be impaired. We have identified one cash-generating unit to which all goodwill is assigned. If the recoverable amount (i.e. the higher of fair value less costs to sell or value in use) of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets pro-rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Customer relationships and trade name are recognized at their fair values in connection with business combinations and are amortized over lives of approximately 7 years and 5 years, respectively. Subscriber acquisition costs are recognized as incurred when such costs are directly attributable to obtaining a new customer contract, are paid to a third party, can be measured reliably and meet the definition of an intangible asset. Subscriber acquisition costs are amortized over the applicable contractual life, which generally ranges from 1 to 2 years.

Costs associated with maintaining computer software are expensed as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by us for which it is probable that the expected future economic benefits attributable to the assets would flow to our company beyond one year are recognized as intangible assets. Capitalized internal-use software costs include only external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote time to the project. Capitalization of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. Capitalized internal-use software costs are amortized on a straight-line basis over their applicable expected useful lives, which generally approximate 3 years. Where no internal-use intangible asset can be recognized, development expenditures are expensed as incurred.

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Subsequent expenditures related to intangible assets are capitalized only when the expenditures increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated brands, are expensed as incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to us. Property and equipment acquired by way of a finance lease are initially stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. The leased asset is subsequently depreciated over the shorter of its useful life or the lease term and is subject to impairment assessments as a component of the applicable cash-generating unit. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in noncurrent debt with the interest element of the lease payment charged to our consolidated statements of operations over the lease period. All other leases are classified as operating lease payments and recognized in our consolidated statements of operations on a straight-line basis over the term of the lease.

We have entered into various long-term service level agreements with Deutsche Telekom AG (Deutsche Telekom) and certain of its affiliates that are significant to our business, in particular for the lease of cable duct space. Generally, the terms per the agreements are unlimited, yet we have certain termination rights which are entirely at our discretion. According to German law, lease agreements are subject to a termination right of either party after a term of 30 years. We do not capitalize these cable ducts as finance leases as a result of management assumptions made regarding the expected usage of the cable ducts at the inception of the contracts.

Financial Instruments

Cash and cash equivalents, current trade and other receivables, other current assets, accounts payable, accrued liabilities, subscriber advance payments and deposits and other current liabilities are initially recognized at fair value and subsequently carried at amortized cost. Due to their relatively short maturities, the carrying values of these financial instruments approximate their respective fair value. The carrying amounts of trade receivables with a remaining term of more than one year are included in noncurrent assets and the carrying amount of these receivables approximates their fair value.

Loans and other receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

For information concerning the fair value of our debt, see note 13.

Derivative instruments

All derivative instruments are recorded on the balance sheet at fair value. Although we enter into derivative instruments to manage foreign exchange risk, we do not apply hedge accounting to any of our derivative instruments. Changes to the fair value of our derivative instruments are recognized in the line item realized and unrealized gains (losses) on derivative instruments in our consolidated statements of operations.

Bonds and bank liabilities

Bonds and bank liabilities are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value of our bond and bank liabilities is recognized in our consolidated statements of operations over the respective terms of the borrowings using the effective interest method.

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Notes to Consolidated Financial Statements (continued)
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Provisions

Provisions are liabilities of uncertain timing and/or amount. A provision is recognized when a present legal or constructive obligation as a result of a past event exists, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Foreign Currency Transactions

The euro is our functional currency. Transactions denominated in currencies other than the euro are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to monetary items (e.g. cash held in a foreign currency or assets and liabilities to be received or paid in a fixed or determinable number of foreign currency units) recorded in our consolidated balance sheet result in transaction gains and losses that are reflected in our consolidated statement of operations as foreign currency transaction gains (losses).

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of our activities. Revenue is presented net of value-added tax, rebates and discounts and after eliminating intercompany sales within the consolidated group.

We derive revenue from five main business activities: our digital and analog cable television products and services, broadband internet services, telephony products and services (including subscription and usage fees) and carriage fees paid by broadcasters.

Revenue is recognized when services have been provided, the costs incurred can be measured reliably, and we are not obliged to provide any future services. Prepayments are deferred and amortized on a straight-line basis over the service period.

When free or discounted service periods or other customer incentives are offered to customers in relation to a subscription, we recognize the total amount of billable revenue that we expect to receive from customers in equal monthly installments over the term of the contract provided that we have the enforceable and contractual right to deliver products to the customer after the promotional period. If free months are given without a contract at the beginning of a subscription period, we do not recognize revenue during the free months as the customer's continuance is not assured.

For multiple element arrangements, the recognition criteria of revenue are applied to the separately identifiable components of the transaction. A component within an arrangement is separated if it has standalone value to the customer and if its fair value can be measured reliably. The fair value of the consideration received or receivable is allocated to the separate components of the arrangement using the residual fair value method.

Revenue resulting from the sale of goods is realized when the significant risks and rewards of ownership are transferred to the customer.

Installation fees generally are recognized as services are rendered.

For information regarding our policy for allocating product revenue, see *Segments* below.

Income taxes

Current taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities at undiscounted values. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted as of the balance sheet date.

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Notes to Consolidated Financial Statements (continued)
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Deferred taxes

Generally, deferred taxes are recognized for any temporary differences between the tax base and the EU-IFRS base, except in situations where goodwill is not recognized for tax purposes.

Deferred tax assets are recognized for deductible temporary differences and tax loss and interest carryforwards, if it is probable that future taxable earnings will be available against which the unused tax losses or temporary differences can be utilized. However, deferred tax assets are not recognized if the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting earnings nor taxable earnings.

The recoverability of the carrying value of deferred taxes is determined based on management's estimates of future taxable earnings. If it is no longer probable that enough future taxable earnings will be available against which the unused tax losses or temporary differences can be used, an impairment in a corresponding amount is recognized on the deferred tax assets.

Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred taxes are not discounted.

If the changes in the value of assets or liabilities are recognized in a separate component of equity, the change of value of the corresponding deferred tax assets and liabilities are also recognized in this separate component of equity (instead of income tax expense).

Deferred tax assets and liabilities are offset in our consolidated balance sheets if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

For additional information concerning our income taxes, see note 15.

Segments

Through September 30, 2010, we had two segments, cable and arena. Following the September 30, 2010 closure of our arena segment, as discussed in note 5, we operate in the cable segment only. Our cable segment provides digital and analog video, broadband internet and telephony services to residential and business customers over an integrated broadband communications network.

We operate in one geographical area, the country of Germany.

Our revenue by major product category is as follows:

	Year ended December 31,	
	2011	2010
	in millions	
Subscription revenue ^(a) :		
Video	€ 625.3	€ 571.7
Broadband internet	126.5	83.0
Telephony	148.6	109.4
Total subscription revenue	900.4	764.1
Non-subscription revenue ^(b)	124.8	102.8
Total revenue	€ 1,025.2	€ 866.9

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service.

(b) Non-subscription revenue includes carriage fee, interconnect and installation revenue.

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Notes to Consolidated Financial Statements (continued)
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(4) Financial Risk Management

Overview

We have exposure to the following risks that arise from our financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

Our exposure to each of these risks, the policies and procedures that we use to manage these risks and our approach to capital management are discussed below in this note. As a subsidiary of Liberty Global, our approach to the management of these risks is integrated with Liberty Global's overall risk management policies and procedures.

Credit Risk

Credit risk is the risk that we would experience financial loss if our customers or the counterparties to our derivative and other financial instruments, undrawn debt facilities and cash investments were to default on their obligations to us.

We manage the credit risks associated with our trade receivables by performing credit verifications, following established dunning procedures and engaging collection agencies. We also manage this risk by disconnecting services to customers whose accounts are delinquent. Concentration of credit risk with respect to trade receivables is limited due to the large number of customers.

We manage the credit risks associated with our derivative and other financial instruments, cash investments and undrawn debt facilities primarily through the evaluation and monitoring of the creditworthiness of the respective counterparties. In addition, most of our cash is invested in overnight deposits with banks having a minimum credit rating of A. To date, neither the access to, nor the value of, our cash and cash equivalent balances have been adversely impacted by liquidity problems of financial institutions. We and the counterparties to our derivative instruments do not post collateral or other security, nor have we entered into master netting arrangements with any of our counterparties.

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

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

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contracts would no longer be effectively hedged due to the insolvency of our counterparty, unless and until we novate or replace the derivative contract.

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

Our maximum exposure to credit risk is represented by the carrying amounts of our financial assets, excluding our loan receivable — related party, as discussed above. For information concerning these carrying amounts, see note 6.

In light of the related-party nature of our current loan receivable with UPC Germany Holding (the UPC Germany Holding Loan Receivable), we have not considered this financial instrument in our credit risk assessment.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting our financial obligations. We evaluate our liquidity risks at the parent (Unitymedia) and operating subsidiary levels. As a holding company, our primary assets other than cash and cash equivalents are our investments in consolidated subsidiaries. Our ability to access the financial assets of our operating subsidiaries is restricted by the terms of the indentures for the Unitymedia Notes, as defined and described in note 13. Tax considerations and other factors may also limit our ability to access the financial assets of our subsidiaries.

Our sources of liquidity at the parent level include (i) our cash and cash equivalents, (ii) our UPC Germany Holding Loan Receivable, (iii) funding from UPC Germany Holding (and ultimately from Liberty Global or other Liberty Global subsidiaries) in the form of loans or contributions, as applicable and (iv) subject to the certain restrictions, proceeds in the form of distributions or loans from Unitymedia Hessen, Unitymedia NRW or other subsidiaries. At December 31, 2011, substantially all of our consolidated cash and cash equivalents was held by our subsidiaries.

In addition to cash and cash equivalents, the primary sources of liquidity of Unitymedia Hessen, Unitymedia NRW and our other operating subsidiaries is cash provided by operations and, in the case of Unitymedia Hessen and Unitymedia NRW, any borrowing availability under the Unitymedia Revolving Credit Facility, as defined and described in note 13. At December 31, 2011, the Unitymedia Revolving Credit Facility was fully drawn.

The ongoing cash needs of Unitymedia include (i) corporate general and administrative expenses and (ii) interest payments on outstanding debt. From time to time, Unitymedia may also require cash in connection with (i) the repayment of outstanding debt, (ii) the satisfaction of contingent liabilities, (iii) acquisitions or (iv) other investment opportunities. No assurance can be given that funding from UPC Germany Holding (and ultimately from Liberty Global or other Liberty Global subsidiaries), our subsidiaries or external sources would be available on favorable terms, or at all.

The liquidity of Unitymedia Hessen, Unitymedia NRW and our other operating subsidiaries generally is used to fund capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time. Our subsidiaries may also require funding in connection with (i) the repayment of outstanding debt, (ii) acquisitions and other investment opportunities or (iii) distributions or loans to Unitymedia. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

Our most significant financial obligations are our debt obligations, as described in note 13. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory

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Notes to Consolidated Financial Statements (continued)
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and other factors, many of which are beyond our control. We believe that our cash on hand, the cash provided from the operations of our subsidiaries, any available borrowings under the Unitymedia Revolving Credit Facility and a €75.0 million financing commitment from another Liberty Global subsidiary, of which €58.0 million was unused at December 31, 2011, will be sufficient to fund our currently anticipated working capital needs, capital expenditures and debt service requirements through December 31, 2012, although no assurance can be given that this will be the case. However, as our debt matures 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 refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. 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.

Our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase the Adjusted EBITDA of our operating subsidiaries and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in our and our subsidiaries' various debt instruments. In this regard, if our Adjusted EBITDA were to decline, we could be required to repay or limit our borrowings under the Unitymedia Revolving Credit 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. As we use the term, Adjusted EBITDA is defined as EBITDA before stock-based compensation, impairment, restructuring and other operating charges or credits and related-party fees and allocations, net.

We and Liberty Global use budgeting and cash flow forecasting tools to ensure that we will have sufficient resources to timely meet our liquidity requirements. We and Liberty Global also maintain a liquidity reserve to provide for unanticipated cash outflows.

The following table shows the timing of expected payments based on the contractually agreed upon terms for our financial liabilities as of December 31, 2011.

	2012	2013	2014	2015	2016	Thereafter	Total
	in millions						
Debt principal:							
Third party	€ —	€ —	80.0 €	— €	— €	2,747.0	€2,827.0
Related party	—	—	—	—	—	179.2	179.2
Debt interest:							
Third party	231.5	231.5	231.5	227.5	227.5	355.5	1,505.0
Related party	15.4	15.4	15.4	15.4	15.4	199.9	276.9
Finance lease obligations-principal . . .	2.0	0.1	0.1	0.1	0.1	2.7	5.1
Finance lease obligations-interest . . .	0.3	0.3	0.3	0.3	0.3	2.4	3.9
Accrued liabilities (including related-party accrued liabilities)	119.2	—	—	—	—	—	119.2
Accounts payable (including related-party accounts payable)	39.0	—	—	—	—	—	39.0
Total	€ 407.4	€ 247.3	€ 327.3	€ 243.3	€ 243.3	€ 3,486.7	€4,955.3

Market Risk

Because we have certain debt that is denominated in United States (U.S.) dollars and other debt that has a floating interest rate, we are exposed to market risks relating to fluctuations in the foreign exchange rate between the U.S. dollar and the euro and changes in the EURIBOR. Each of these risks is discussed below.

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Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to the Unitymedia Revolving Credit Facility.

With respect to our fixed rate debt, changes in interest rates will impact the fair value of the debt instrument but not our cash flows. If however, we were to refinance our fixed rate debt, we would be exposed to interest rate risk with respect to the debt we would incur with respect to any such refinancing. While we and Liberty Global typically strive to mitigate this risk by refinancing well before the debt matures, no assurance can be given that we would be able obtain new debt financing on terms that are as attractive as our existing debt. As we do not carry our debt at fair value, changes in the fair value of our debt typically would not impact our results of operations.

For purposes of demonstrating the sensitivity of the interest expense on the Unitymedia Revolving Credit Facility to changes in interest rates, we present the change that would result from a hypothetical instantaneous change in the 3-month EURIBOR of 50 basis points (0.50%) as of December 31, 2011, holding all other variables constant. This sensitivity analysis assumes that this hypothetical rate was in effect, and that the Unitymedia Revolving Credit Facility was outstanding, for the entire year. This analysis is presented for illustrative purposes only. In practice, market rates rarely change in isolation and are likely to be interdependent. The impacts of these hypothetical changes in interest rates for the year ended December 31, 2011 are as follows:

	<u>Increase of 0.50%</u>	<u>Decrease of 0.50%</u>
	<u>in millions</u>	
Increase (decrease) in interest expense	€ 0.4	€ (0.4)
Increase (decrease) in loss from continuing operations before income taxes . . .	<u>€ 0.4</u>	<u>€ (0.4)</u>

Foreign Currency Risk

Our reporting currency is the euro. We historically have not had, and do not expect in the future to have, material amounts of cash inflows or outflows that are denominated in currencies other than the euro, with the exception of interest and principal payments on the UM Dollar Senior Secured Notes, as defined and described in note 13. Accordingly, these interest and principal payments represent our only material foreign currency risk. In accordance with our and Liberty Global's risk management policies, we have entered into a cross-currency swap to synthetically convert the interest and principal payments due under the UM Dollar Senior Secured Notes into euros throughout the term of such notes.

For purposes of demonstrating the sensitivity of (i) the outstanding principal and accrued interest associated with the UM Dollar Senior Secured Notes and (ii) the fair value of the related cross-currency swaps to changes in foreign currency exchange rates, we present the changes in these items that would result from a hypothetical instantaneous change in the euro to U.S. dollar foreign currency exchange rate of 10% as of December 31, 2011, holding all other variables constant. This sensitivity analysis assumes that the UM Dollar Senior Secured Notes and the related cross-currency swaps were outstanding for the entire year. This analysis is presented for illustrative purposes only. In practice, market rates rarely change in

UNITYMEDIA GMBH
Notes to Consolidated Financial Statements (continued)
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isolation and are likely to be interdependent. The impacts of these hypothetical changes in foreign exchange rates for the year ended December 31, 2011 are as follows:

	Value of euro relative to U.S dollar	
	10% increase	10% decrease
	in millions	
Decrease (increase) in foreign currency transaction losses	€ 65.2	€ (65.2)
Increase (decrease) in gain associated with change in fair value of cross currency swaps	(81.8)	81.8
Increase (decrease) in earnings before income taxes	€ (16.6)	€ 16.6

Capital Management

We manage our capital to ensure that we will be able to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, Liberty Global may determine to cause our company to return capital to our shareholder or make loans to our shareholder or other Liberty Global subsidiaries. In addition, Liberty Global may determine to cause one or more of its subsidiaries to provide funding to our company in the form of loans or capital contributions, as applicable.

We monitor our debt capital on the basis of our leverage covenants. As further discussed above, our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase the Adjusted EBITDA of our operating subsidiaries and to achieve adequate returns on our capital expenditures and acquisitions. For additional information regarding our debt, see note 13.

(5) Acquisition and Discontinued Operation

Acquisition

On January 28, 2010, Unitymedia completed the LGI/Unitymedia Transaction, whereby Unitymedia paid cash of €2,006.0 million (the Old Unitymedia Purchase Price), to acquire from Unity Media S.C.A. all of the issued and outstanding capital stock of Old Unitymedia. In addition to the €2,006.0 million Old Unitymedia Purchase Price, we acquired Old Unitymedia's net debt (aggregate principal amount of debt and capital lease obligations outstanding less cash and cash equivalents) of €1,586.3 million at January 28, 2010 and incurred direct acquisition costs of €23.3 million, which were recorded during the first quarter of 2010 and which are included in restructuring and other operating charges in our consolidated statements of operations. The LGI/Unitymedia Transaction was completed in order to achieve certain financial, operational and strategic benefits through the integration of Old Unitymedia with Liberty Global's existing European operations.

The Old Unitymedia Purchase Price was funded with (i) €849.2 million of cash from certain escrow accounts associated with the Unitymedia Notes, as defined and described in note 13, and (ii) loans payable to UPC Germany Holding, as further described in note 13.

We have accounted for the LGI/Unitymedia Transaction using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill.

The summarized financial position of Unitymedia (after giving retrospective effect to the Unitymedia Merger) as of January 28, 2010 is presented in the following table. The opening balance sheet presented

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below reflects our final purchase price allocation, including certain purchase accounting adjustments that were recorded prior to the finalization of the purchase price allocation (in millions):

Cash	€	125.9
Accounts receivable		197.0
Other current assets		20.3
Property and equipment, net		2,028.4
Goodwill ^(a)		1,436.1
Intangible assets subject to amortization ^(b)		732.2
Other assets, net		23.4
Current portion of noncurrent debt and capital lease obligations		(0.7)
Other current liabilities		(437.6)
Noncurrent debt and capital lease obligations		(1,711.5)
Other noncurrent liabilities		(407.5)
Total purchase price	€	<u>2,006.0</u>

-
- (a) The goodwill recognized in connection with the LGI/Unitymedia Transaction is primarily attributable to (i) the ability to exploit Old Unitymedia's existing advanced broadband communications network to gain immediate access to potential customers and (ii) substantial synergies that are expected to be achieved through the integration of Old Unitymedia with Liberty Global's other operations in Europe.
- (b) Amount primarily includes intangible assets related to customer relationships, which had a useful life of approximately 7 years at the acquisition date.

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The following pro forma statement of operations data of Unitymedia for the year ended December 31, 2010 gives effect to (i) the Unitymedia Merger, (ii) the LGI/Unitymedia Transaction and (iii) the refinancing of Old Unitymedia's debt as if such transactions had been completed as of January 1, 2010. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on such dates. The pro forma adjustments are based on currently available information and certain assumptions that we believe are reasonable (in millions).

Revenue:

Subscription revenue:

Video	€ 618.0
Broadband internet	88.8
Telephony	117.5
Total subscription revenue	824.3
Non-subscription revenue	110.9
	<u>935.2</u>

Operating costs and expenses:

OpEx	273.6
SG&A	140.7
Restructuring and other operating charges	26.7
Related-party fees and allocations, net	23.8
	<u>464.8</u>

EBITDA	470.4
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Depreciation and amortization	351.8
---	-------

EBIT	<u>118.6</u>
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Financial and other expense:

Interest expense:

Third party	(247.7)
Related party	(93.5)
Foreign currency transaction losses, net	(13.1)
Realized and unrealized gains on derivative instruments, net	33.2
Other income	1.5

Net financial and other expense	<u>(319.6)</u>
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Loss before income taxes	(201.0)
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Income tax benefit	33.1
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Loss from continuing operations	<u>€ (167.9)</u>
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Further details of OpEx and SG&A:

Direct costs (interconnect, programming, copyright and other)	€ 86.5
Staff-related costs	92.2
Network operating costs	90.5
Sales and marketing costs	73.0
Other indirect costs	72.1
	<u>€ 414.3</u>

Further details of Restructuring and other operating charges:

Staff-related costs	€ 3.4
Direct acquisition costs	23.3
	<u>€ 26.7</u>

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

Discontinued Operations

Effective September 30, 2010, we closed down the DTH operations of our arena segment. The operating results of our arena segment from January 28, 2010 to December 31, 2010 are classified as discontinued operations in our consolidated statement of operations and are summarized in the following table (in millions):

Revenue	€	7.8
Operating costs and expenses	€	7.1
EBITDA	€	0.7
Loss before income taxes	€	(0.8)
Income tax benefit	€	2.0
Earnings from discontinued operations	€	1.2

(6) Derivative Instruments

We have entered into certain derivative instruments to manage foreign currency exposure with respect to the U.S. dollar. We were also party to an interest rate swap contract that was originally entered into to manage interest rate risk with respect to the Old Floating Rates Notes, as defined and described in note 13, which were repaid on March 2, 2010. This interest rate swap contract matured on April 30, 2011.

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

	December 31, 2011			December 31, 2010		
	Current ^(a)	Noncurrent ^(a)	Total	Current ^(a)	Noncurrent ^(a)	Total
	in millions					
Assets:						
Cross-currency derivative contracts ^(b)	€ 4.4	€ 75.6	€ 80.0	€ 3.0	€ 50.3	€ 53.3
Liabilities:						
Interest rate derivative contract ^(b)	€ —	€ —	€ —	€ 9.2	€ —	€ 9.2

(a) Our current derivative assets and liabilities are included in other current assets and other current liabilities, respectively, and our noncurrent derivative assets are included in other noncurrent assets, in our consolidated balance sheets.

(b) We consider credit risk in our fair value assessments. As of December 31, 2011 and 2010, (i) the fair values of our cross-currency derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €7.8 million and €3.2 million, respectively. In addition, the fair value of our interest rate derivative contract at December 31, 2010 that represented a liability has been reduced by credit risk valuation adjustments that were not significant. Generally, adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and 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. The changes in the credit risk valuation adjustments associated with our derivative instruments resulted in gains (losses) of (€4.7 million), (€7.4 million) and €3.9 million during 2011, 2010 and 2009, respectively. These amounts are included in realized and unrealized gains (losses) on derivative instruments, net, in our consolidated statements of operations. For further information concerning our fair value measurements, see note 7.

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

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

	Year ended December 31,		Period from
	2011	2010	October 23, 2009 to December 31, 2009
	in millions		
Cross-currency derivative contracts	€ 27.8	€ 41.4	€ (35.7)
Interest rate derivative contract	(0.1)	(2.6)	—
Total	<u>€ 27.7</u>	<u>€ 38.8</u>	<u>€ (35.7)</u>

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

	Year ended December 31,	
	2011	2010
	in millions	
Operating activities	€ (8.1)	€ (19.6)
Financing activities	—	(66.6)
Total	<u>€ (8.1)</u>	<u>€ (86.2)</u>

Cross-currency Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at December 31, 2011 are as follows:

	Notional amount due from counterparty	Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
	in millions			
December 2017 ^(a)	<u>\$ 845.0</u>	<u>€ 569.4</u>	8.13%	8.49%

(a) The notional amount represents the aggregate of multiple derivative instruments that mature within the same calendar month. The interest rates are presented on a weighted average basis.

(7) Fair Value Measurements

Our derivative instruments are the only financial instruments that were accounted for at fair value as of December 31, 2011. The reported fair values of our derivative assets as of December 31, 2011 likely will not represent the value that will be realized upon their ultimate settlement or disposition. In this regard, we expect that the values realized will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

We disclose fair value measurements according to 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.

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

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

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

We do not have any financial instruments that fall under Level 1 or Level 3 of the fair value hierarchy.

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 our company, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of our company (our only cash-generating unit) is based at least in part on discounted cash flow analyses. With the exception of certain inputs in our weighted average cost of capital 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 our company to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We perform nonrecurring fair value measurements in connection with our goodwill impairment assessments. As further described in note 5, we also performed nonrecurring fair value measurements in connection with the LGI/Unitymedia Transaction during 2010.

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated balance sheets, are as follows:

		December 31, 2011		December 31, 2010	
	Category ^(a)	Carrying amount	Fair value	Carrying amount	Fair value
in millions					
Assets carried at fair value:					
Derivative financial instruments	I	€ 80.0	€ 80.0	€ 53.3	€ 53.3
Assets carried at cost or amortized cost:					
Trade receivables and unbilled revenue . . .	II	€ 45.6	€ 45.6	€ 35.4	€ 35.4
Restricted cash	II	1.9	1.9	1.6	1.6
Loan receivable — related party	II	54.0	54.0	—	—
Other current and noncurrent financial assets	II	13.7	13.7	9.1	9.1
Cash and cash equivalents	II	20.1	20.1	58.7	58.7
Total assets carried at cost or amortized cost		€ 135.3	€ 135.3	€ 104.8	€ 104.8
Liabilities carried at fair value:					
Derivative financial instruments	I	€ —	€ —	€ 9.2	€ 9.2
Liabilities carried at cost or amortized cost:					
Debt obligation	III	€ 2,740.0	€ 2,955.9	€ 2,707.0	€ 3,012.0
Loans payable — related party	III	193.1	193.1	1,167.0	1,167.0
Accrued liabilities (including related-party accrued liabilities)	III	119.2	119.2	137.3	137.3
Accounts payable and other (including related-party accounts payable)	III	40.2	40.2	35.0	35.0
Finance lease obligations	V	5.1	5.1	4.6	4.6
Total liabilities carried at cost or amortized cost		€ 3,097.6	€ 3,313.5	€ 4,050.9	€ 4,355.9

(a) Pursuant to IAS 39, category I refers to financial assets and liabilities held for trading, category II refers to loans and receivables, category III refers to financial liabilities measured at amortized cost, and category IV refers to derivatives designated as hedging instruments. Category V refers to finance leases outside the scope of IAS 39.

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

Pre-tax amounts recognized in our consolidated statements of operations during 2011, 2010 and 2009 related to our financial instruments are as follows:

	<u>Interest income</u>	<u>Interest expense</u>	<u>Other statement of operations effects^(a)</u>	<u>Impact on earnings before income taxes</u>
	in millions			
Year ended December 31, 2011:				
Derivative assets carried at fair value through our consolidated statement of operations	€ —	€ —	€ 27.9	€ 27.9
Assets carried at cost or amortized cost:				
Trade receivables ^(b)	0.3	—	(4.9)	(4.6)
Derivative liabilities carried at fair value through our consolidated statement of operations	—	—	(0.2)	(0.2)
Liabilities carried at cost or amortized cost	—	(344.6)	(20.2)	(364.8)
	<u>€ 0.3</u>	<u>€ (344.6)</u>	<u>€ 2.6</u>	<u>€ (341.7)</u>
Year ended December 31, 2010:				
Derivative assets carried at fair value through our consolidated statement of operations	€ —	€ —	€ 59.6	€ 59.6
Assets carried at cost or amortized cost:				
Trade receivables ^(b)	0.3	—	(8.4)	(8.1)
Restricted cash	—	—	31.7	31.7
Derivative liabilities carried at fair value through our consolidated statement of operations	—	—	(20.8)	(20.8)
Liabilities carried at cost or amortized cost	—	(342.8)	(47.8)	(390.6)
	<u>€ 0.3</u>	<u>€ (342.8)</u>	<u>€ 14.3</u>	<u>€ (328.2)</u>
Year ended December 31, 2009:				
Assets carried at cost or amortized cost:				
Restricted cash	€ —	€ —	€ 19.7	€ 19.7
Derivative liabilities carried at fair value through our consolidated statement of operations	—	—	(35.7)	(35.7)
Liabilities carried at cost or amortized cost	—	(27.1)	(20.3)	(47.4)
	<u>€ —</u>	<u>€ (27.1)</u>	<u>€ (36.3)</u>	<u>€ (63.4)</u>

(a) Except as noted in (b) below, amounts are included in net financial expense in our consolidated statements of operations.

(b) The “Other statement of operations effects” amounts represent provisions for impairment of trade receivables and are included in OpEx in our consolidated statements of operations.

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

(8) Long-lived Assets

Property and Equipment, Net

Changes during 2011 and 2010 in the carrying amounts of our property and equipment, net, are set forth below:

	<u>Cable distribution systems</u>	<u>Support equipment, buildings and land</u> in millions	<u>Total</u>
Cost:			
January 1, 2011	€ 2,129.3	€ 106.3	€ 2,235.6
Additions	231.7	26.0	257.7
Retirements and disposals	(18.4)	(0.1)	(18.5)
December 31, 2011	<u>€ 2,342.6</u>	<u>€ 132.2</u>	<u>€ 2,474.8</u>
Accumulated depreciation:			
January 1, 2011	€ 193.1	€ 13.3	€ 206.4
Depreciation	230.1	14.6	244.7
Retirements and disposals	(17.4)	(0.1)	(17.5)
December 31, 2011	<u>€ 405.8</u>	<u>€ 27.8</u>	<u>€ 433.6</u>
Property and equipment, net:			
December 31, 2011	<u>€ 1,936.8</u>	<u>€ 104.4</u>	<u>€ 2,041.2</u>
	<u>Cable distribution systems</u>	<u>Support equipment, buildings and land</u> in millions	<u>Total</u>
Cost:			
January 1, 2010	€ —	€ —	€ —
LGI/Unitymedia Transaction	1,930.2	98.2	2,028.4
Additions	203.3	8.1	211.4
Retirements and disposals	(4.2)	—	(4.2)
December 31, 2010	<u>€ 2,129.3</u>	<u>€ 106.3</u>	<u>€ 2,235.6</u>
Accumulated depreciation:			
January 1, 2010	€ —	€ —	€ —
Depreciation ^(a)	197.3	13.3	210.6
Retirements and disposals	(4.2)	—	(4.2)
December 31, 2010	<u>€ 193.1</u>	<u>€ 13.3</u>	<u>€ 206.4</u>
Property and equipment, net:			
December 31, 2010	<u>€ 1,936.2</u>	<u>€ 93.0</u>	<u>€ 2,029.2</u>

(a) Includes depreciation in the amount of €0.6 million for discontinued operations.

Goodwill

We performed our annual review for impairment as of October 1, 2011 and we concluded that the full amount of our goodwill was recoverable. Goodwill acquired in connection with the LGI/Unitymedia Transaction during 2010 has been assigned to one cash-generating unit. The change in the carrying amount

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

of goodwill during 2010 is entirely the result of the LGI/Unitymedia Transaction. For detailed information regarding the LGI/Unitymedia Transaction, see note 5.

With respect to our October 1, 2011 impairment assessment, we have not updated our determination of the recoverable amount of our cash-generating unit from the prior year test, because (i) the carrying amount of the unit, excluding related-party debt, has not changed significantly from the prior year, (ii) the recoverable amount exceeded the carrying amount of the unit by a substantial margin in the prior year test and (iii) the strong growth in our business during 2011 implies a remote likelihood that the current recoverable amount would be less than the current carrying amount.

Intangible Assets Subject to Amortization, net

Changes during 2011 and 2010 in the carrying amounts of our finite-lived intangible assets, net, are set forth below:

	<u>Customer relationships</u>	<u>Subscriber acquisition costs</u>	<u>Trade name in millions</u>	<u>Other^(a)</u>	<u>Total</u>
Cost:					
January 1, 2011	€ 700.0	€ 31.6	€ 9.0	€ 30.7	€ 771.3
Additions	—	46.5	—	2.6	49.1
Retirements and disposals	—	(25.0)	—	—	(25.0)
December 31, 2011	<u>€ 700.0</u>	<u>€ 53.1</u>	<u>€ 9.0</u>	<u>€ 33.3</u>	<u>€ 795.4</u>
Accumulated amortization:					
January 1, 2011	€ 88.6	€ 13.1	€ 1.7	€ 11.1	€ 114.5
Amortization	95.9	38.3	1.8	7.6	143.6
Retirements and disposals	—	(25.0)	—	—	(25.0)
December 31, 2011	<u>€ 184.5</u>	<u>€ 26.4</u>	<u>€ 3.5</u>	<u>€ 18.7</u>	<u>€ 233.1</u>
Intangible assets subject to amortization, net:					
December 31, 2011	<u>€ 515.5</u>	<u>€ 26.7</u>	<u>€ 5.5</u>	<u>€ 14.6</u>	<u>€ 562.3</u>

(a) Primarily includes computer software costs.

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

	<u>Customer relationships</u>	<u>Subscriber acquisition costs</u>	<u>Trade name in millions</u>	<u>Other^(a)</u>	<u>Total</u>
Cost:					
January 1, 2010	€ —	€ —	€ —	€ —	€ —
LGI/Unitymedia Transaction . . .	700.0	—	9.0	23.2	732.2
Additions	—	32.0	—	7.5	39.5
Retirements and disposals	—	(0.4)	—	—	(0.4)
December 31, 2010	<u>€ 700.0</u>	<u>€ 31.6</u>	<u>€ 9.0</u>	<u>€ 30.7</u>	<u>€ 771.3</u>
Accumulated amortization:					
January 1, 2010	€ —	€ —	€ —	€ —	€ —
Amortization ^(b)	88.6	13.5	1.7	11.1	114.9
Retirements and disposals	—	(0.4)	—	—	(0.4)
December 31, 2010	<u>€ 88.6</u>	<u>€ 13.1</u>	<u>€ 1.7</u>	<u>€ 11.1</u>	<u>€ 114.5</u>
Intangible assets subject to amortization, net:					
December 31, 2010	<u>€ 611.4</u>	<u>€ 18.5</u>	<u>€ 7.3</u>	<u>€ 19.6</u>	<u>€ 656.8</u>

(a) Primarily includes computer software costs.

(b) Includes amortization in the amount of €0.4 million for discontinued operations.

For information concerning pledged assets, see note 13. For information concerning purchase obligations for property and equipment, see note 14.

(9) Trade receivables and unbilled revenue, net

The details of our trade receivables and unbilled revenue are set forth below:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
	<u>in millions</u>	
Trade receivables, gross	€ 30.7	€ 34.7
Allowance for impairment of trade receivables	(11.7)	(15.7)
Trade receivables, net	19.0	19.0
Unbilled revenue	26.6	16.4
Trade receivables and unbilled revenue, net	<u>€ 45.6</u>	<u>€ 35.4</u>
Noncurrent unbilled revenue ^(a)	<u>€ 0.9</u>	<u>€ 0.2</u>
Current trade receivables and unbilled revenue, net	<u>€ 44.7</u>	<u>€ 35.2</u>

(a) Our noncurrent unbilled revenue primarily results from revenue accrued for free and discounted services and other customer incentives during promotional periods and are included in other noncurrent assets in our consolidated balance sheets.

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

The detailed aging of current trade receivables and related impairment amounts as of December 31, 2011 and 2010 is set forth below:

	December 31, 2011		December 31, 2010	
	Gross trade receivables	Allowance for impairment	Gross trade receivables	Allowance for impairment
	in millions			
<u>Days Past Due</u>				
Current	€ 8.8	€ —	€ 9.7	€ —
1 - 30	7.4	0.5	7.6	1.7
31 - 60	3.1	1.9	3.0	2.1
61 - 90	1.7	1.1	1.8	1.3
Over 90	9.7	8.2	12.6	10.6
Total	<u>€ 30.7</u>	<u>€ 11.7</u>	<u>€ 34.7</u>	<u>€ 15.7</u>

At December 31, 2011 and 2010, a total of €10.2 million and €9.3 million, respectively, was past due but not impaired. With respect to these trade receivables, there are no indications that the subscribers will not meet their payment obligations.

A provision for impairment of trade receivables is established based upon objective evidence that we will not be able to collect the amounts. Historical payment experience, as well as all known collection issues, is considered when evaluating receivables for impairment.

The following table shows the development of the allowance for impairment of trade receivables:

	December 31,	
	2011	2010
	in millions	
Allowance at January 1	€ 15.7	€ —
LGI/Unitymedia Transaction	—	18.1
Provisions for impairment of receivables	4.9	8.4
Write-offs of receivables	(8.9)	(10.8)
Allowance at December 31	<u>€ 11.7</u>	<u>€ 15.7</u>

When a trade receivable is uncollectible, it is written off against the allowance account. The provision for impairment of trade receivables is included in operating expenses in our consolidated statement of operations. We do not hold any trade receivables in a foreign currency.

(10) Other noncurrent assets

The details of our other noncurrent assets are set forth as follows:

	December 31,	
	2011	2010
	in millions	
Derivative instruments	€ 75.6	€ 50.3
Prepaid fiber leases	13.5	15.0
Restricted cash	1.9	1.6
Unbilled revenue	0.9	0.2
Other	4.4	5.6
Total other noncurrent assets	<u>€ 96.3</u>	<u>€ 72.7</u>

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

(11) Accrued liabilities, third party

The details of our accrued liabilities, third party are set forth as follows:

	December 31,	
	2011	2010
	in millions	
Accrued expenses (other than payroll related accruals)	€ 65.7	€ 80.4
Accrued capital expenditures	26.4	28.1
Accrued payroll related compensation and benefits	17.1	15.3
Other liabilities	2.9	9.4
Total accrued liabilities	<u>€ 112.1</u>	<u>€ 133.2</u>

(12) Provisions

The details of our provisions are set forth as follows:

	December 31,	
	2011	2010
	in millions	
Net pension liability	€ 9.1	€ 8.4
Other	18.4	24.3
Total provisions	<u>€ 27.5</u>	<u>€ 32.7</u>
Current portion	<u>€ 18.4</u>	<u>€ 24.3</u>
Noncurrent portion	<u>€ 9.1</u>	<u>€ 8.4</u>

The following table shows the development of provisions:

	Net pension liability	Other in millions	Total
January 1, 2011	€ 8.4	€ 24.3	€ 32.7
Additions	0.7	5.9	6.6
Releases	—	(6.2)	(6.2)
Cash payments	—	(5.6)	(5.6)
December 31, 2011	<u>€ 9.1</u>	<u>€ 18.4</u>	<u>€ 27.5</u>
January 1, 2010	€ —	€ —	€ —
LGI/Unitymedia Transaction	8.4	21.1	29.5
Additions	—	3.5	3.5
Cash payments	—	(0.3)	(0.3)
December 31, 2010	<u>€ 8.4</u>	<u>€ 24.3</u>	<u>€ 32.7</u>

Our expenses related to (i) our contributions to the German statutory pension system, (ii) our defined contribution plan and (iii) our defined benefit pension plan aggregated €9.9 million and €8.9 million during 2011 and 2010, respectively.

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December 31, 2011

(13) Debt and Finance Lease Obligations

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

	December 31, 2011			Estimated fair value(b)		Carrying value(c)					
	Interest rate(a)	Borrowing currency	Euro equivalent	December 31,		December 31,					
				2011	2010	2011	2010				
				in millions							
Parent:											
Shareholder loans payable(d)	8.580% €	179.2	€	179.2	(d)	(d)	€	179.2	€	1,081.2	
UM Senior Notes due 2019	9.625% €	665.0		665.0	€	686.6	€	729.8	651.5	650.5	
Subsidiaries:											
UM Euro Senior Secured Notes due 2017	8.125% €	1,430.0		1,430.0	€	1,485.2	€	1,516.3	1,405.4	1,402.3	
UM Dollar Senior Secured Notes due 2017	8.125% \$	845.0		652.0	€	686.2	€	670.4	641.3	620.2	
Unitymedia Revolving Credit Facility due 2014(e)	4.927% €	80.0		80.0	€	77.2	€	76.0	80.0	80.0	
Total debt before transaction costs and accrued interest(f)	8.399%		€	3,006.2					2,957.4	3,834.2	
Transaction costs									(58.9)	(65.5)	
Accrued interest:											
Related party(g)									13.9	85.8	
Third party									20.7	19.5	
Finance lease obligations									5.1	4.6	
Total debt and finance lease obligations									2,938.2	3,878.6	
Current maturities									(22.7)	(21.8)	
Noncurrent debt and finance lease obligations								€	2,915.5	€	3,856.8

- (a) Represents the stated interest rate of the debt instrument as of December 31, 2011 and does not include the impact of our interest rate derivative agreements, deferred financing costs, discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, discounts and commitment fees, but excluding the impact of financing costs, our estimated weighted average interest rate on our aggregate indebtedness was approximately 8.8% at December 31, 2011. Interest payments for the Unitymedia Notes (as defined below) commenced on June 1, 2010 and are made semi-annually on June 1 and December 1. For information concerning our derivative instruments, see note 6.
- (b) The estimated fair values of our debt instruments were determined using the average of the applicable bid and ask prices or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models. The discount rates used in the cash flow models are based on the market interest rates, estimated credit spreads and other relevant factors.
- (c) Amounts include the impact of discounts, where applicable.
- (d) Represents loans payable to our shareholder, UPC Germany Holding, resulting primarily from (i) transactions that were completed in connection with the LGI/Unitymedia Transaction and (ii) fees and allocations charged from UPC Holding, a Liberty Global subsidiary, and other Liberty Global subsidiaries. All principal (€179.2 million at December 31, 2011) and accrued interest (€13.9 million at December 31, 2011) outstanding under these loans is due and payable on January 1, 2030. The amounts outstanding under these loans bear interest at 8.58% per annum. Accrued interest is transferred to the loan balance annually on January 1. The net decrease in the principal of the loans payable — related party during 2011 includes (i) the conversion of €1,014.0 million to equity, (ii) the transfer of €85.8 million in non-cash accrued interest to the loan balance, (iii) cash borrowings of €82.0 million, (iv) cash payments of €82.0 million and (v) a €26.2 million non-cash increase related to the settlement of intercompany charges and allocations. The net increase in the principal of the loans payable — related party during 2010 includes (i) cash borrowings of €1,856.0 million, (ii) cash payments of €805.1 million and (iii) a €30.3 million non-cash increase related to the settlement of intercompany charges and allocations. The fair value of these loans is not subject to reasonable estimation due to the related-party nature of the loans.
- (e) The interest rate shown for the Unitymedia Revolving Credit Facility (as defined below) is based on the stated rate of EURIBOR plus a margin of 3.75% per annum. At December 31, 2011, the Unitymedia Revolving Credit Facility was fully drawn. A commitment fee of 1.25% per annum is payable on available but undrawn amounts under the Unitymedia Revolving Credit Facility.
- (f) The interest rate shown in this line item represents the weighted average stated interest rate of all of our outstanding debt instruments as of December 31, 2011.
- (g) During 2011, €86.0 million of accrued interest was converted to equity. For additional information, see note 16.

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

2010 Refinancing

On November 20, 2009, we issued (i) €1,430.0 million principal amount of 8.125% senior secured notes (the UM Euro Senior Secured Notes) at an issue price of 97.844%, resulting in cash proceeds of €1,399.2 million, (ii) \$845.0 million (€652.0 million) principal amount of 8.125% senior secured notes (the UM Dollar Senior Secured Notes and together with the UM Euro Senior Secured Notes, the UM Senior Secured Notes) at an issue price of 97.844%, resulting in cash proceeds of \$826.8 million (€556.8 million at the transaction date) before transaction costs and (iii) €665.0 million principal amount of 9.625% senior notes (the UM Senior Notes and together with the UM Senior Secured Notes, the Unitymedia Notes) at an issue price of 97.652%, resulting in cash proceeds of €649.4 million, before transaction costs. The UM Senior Secured Notes mature on December 1, 2017 and the UM Senior Notes mature on December 1, 2019. The net proceeds from the sale of the Unitymedia Notes (€2,541.0 million at the transaction date), were placed into two escrow accounts. On January 28, 2010, we used €849.2 million of cash from the escrow accounts to fund a portion of the Old Unitymedia Purchase Price (see note 5).

On March 2, 2010, the remaining balances in the escrow accounts were released in connection with the repayment of our then-existing indebtedness, which consisted of the following:

- €1,350.0 million senior secured floating rate notes due 2013 (the Old Floating Rate Notes), of which €1,024.0 million was outstanding;
- €235.0 million 10.125% senior notes due 2015 (the Old €235m Senior Notes) and payment of applicable call premium of €11.9 million;
- €215.0 million 8.75% senior notes due 2015 (the Old €215m Senior Notes, and together with the Old €235m Senior Notes, the Old Euro Senior Notes) and payment of applicable call premium of €9.4 million;
- \$151.0 million (€116.5 million) 10.375% senior notes due 2015 (the Old Dollar Senior Notes, and together with the Old Euro Senior Notes, the Old Senior Notes) and payment of applicable call premium of \$7.8 million (€6.0 million); and
- €100.0 million term loan facility (the Old Term Loan and together with the Old Senior Notes and the Old Floating Rate Notes, the Old Indebtedness).

Also on March 2, 2010, (i) the obligations under the UM Senior Secured Notes were assumed by Old Unitymedia's indirect subsidiaries Unitymedia Hessen and Unitymedia NRW (the UM Senior Secured Notes Co-Issuers), (ii) the obligations under the UM Senior Notes were assumed by Old Unitymedia and (iii) the obligations under the Unitymedia Revolving Credit Facility, as defined and described below, were assumed by Unitymedia Hessen and Unitymedia NRW. Additionally, Old Unitymedia's existing undrawn €130.0 million revolving credit facility was cancelled. Accrued interest on the Old Indebtedness of €12.8 million in the aggregate was also paid. Old Unitymedia used approximately €198.0 million of its existing cash to repay a portion of the Old Indebtedness. The remainder was paid by utilizing the escrow cash from the November 20, 2009 Unitymedia Notes offering. These debt assumption transactions and the above-described repayments of the Old Indebtedness are collectively referred to as the "Unitymedia Debt Pushdown".

Unitymedia Notes

The UM Senior Secured Notes and the UM Senior Notes are senior obligations of the UM Senior Secured Notes Co-Issuers and Unitymedia (each a Unitymedia Issuer), respectively, that rank equally with all of the existing and future senior debt and are senior to all existing and future subordinated debt of the UM Senior Secured Notes Co-Issuers. The UM Senior Secured Notes are secured by a first-ranking pledge over the shares of the UM Senior Secured Notes Co-Issuers and certain other asset security of certain subsidiaries of Unitymedia. The UM Senior Notes are secured by a first-ranking pledge over the shares of Unitymedia and junior-priority share pledges and other asset security of certain subsidiaries of Unitymedia.

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Notes to Consolidated Financial Statements (continued)
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The Unitymedia Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €25.0 million or more in the aggregate of a Unitymedia Issuer or any of the Restricted Subsidiaries (as defined in the applicable indenture) is an event of default under the Unitymedia Notes.

The Unitymedia Notes contain an incurrence-based Consolidated Leverage Ratio test, as defined in the applicable indenture.

At any time prior to December 1, 2012 in the case of the UM Senior Secured Notes and December 1, 2014 in the case of the UM Senior Notes, the applicable Unitymedia Issuer may redeem some or all of the Unitymedia Notes at a redemption price equal to the sum of (i) 100% of the principal amount thereof, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price on December 1, 2012 and December 1, 2014, respectively, as set forth in the table below, plus (2) all required remaining scheduled interest payments due through December 1, 2012 and December 1, 2014, respectively, computed using the discount rate specified in the applicable indenture, over (b) the principal amount of the applicable Unitymedia Notes on the redemption date and (iii) accrued but unpaid interest and Additional Amounts (as defined in the applicable indenture), if any, to the applicable redemption date.

The applicable Unitymedia Issuer may redeem some or all of the Unitymedia Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on December 1 of the years set out below:

Year	Redemption Price	
	UM Senior Secured Notes	UM Senior Notes
2012	108.125%	N.A.
2013	104.063%	N.A.
2014	102.031%	104.813%
2015	100.000%	103.208%
2016	100.000%	101.604%
2017 and thereafter	100.000%	100.000%

In addition, at any time prior to December 1, 2012, the applicable Unitymedia Issuer may redeem up to 35% of the Unitymedia Notes (at a redemption price of 108.125% of the principal amount in the case of the UM Senior Secured Notes and 109.625% of the principal amount in the case of the UM Senior Notes) with the net proceeds from one or more specified equity offerings.

At any time prior to November 20, 2012, the applicable Unitymedia Issuer has the option, following completion of a UPC Exchange Transaction (as defined below), to redeem all, but not less than all, of the Unitymedia Notes. The redemption price in such case (expressed as a percentage of the principal amount thereof) would be 102%. A UPC Exchange Transaction means an exchange offer by UPC Broadband Holding B.V. (UPC Broadband Holding), a Liberty Global subsidiary, or UPC Holding, as applicable, pursuant to which one or more series of senior notes issued by UPC Broadband Holding or UPC Holding, as applicable, are, subject to certain terms and conditions (including consent by holders of a majority in aggregate principal amount of Unitymedia Notes to participate in the exchange offer), offered in exchange for Unitymedia Notes.

The applicable Unitymedia Issuer may redeem all of the Unitymedia Notes at prices equal to their respective principal amounts, plus accrued and unpaid interest, upon the occurrence of certain changes in tax law. If the applicable Unitymedia Issuer or certain of its subsidiaries sell certain assets or experience specific changes in control, the applicable Unitymedia Issuer must offer to repurchase the Unitymedia Notes at a redemption price of 101%.

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December 31, 2011

Unitymedia Revolving Credit Facility

On December 21, 2009, Unitymedia entered into an €80.0 million secured revolving credit facility agreement with certain lenders (the Unitymedia Revolving Credit Facility). The interest rate for the Unitymedia Revolving Credit Facility is EURIBOR plus a margin of 3.75%. Borrowings under the Unitymedia Revolving Credit Facility, which mature on December 31, 2014, may be used for general corporate and working capital purposes. Upon completion of the Unitymedia Debt Pushdown, the obligations of Unitymedia under the Unitymedia Revolving Credit Facility were assumed by Unitymedia Hessen and Unitymedia NRW. In addition to customary restrictive covenants and events of default, the Unitymedia Revolving Credit Facility requires compliance with a Consolidated Leverage Ratio, as defined in the Unitymedia Revolving Credit Facility. The Unitymedia Revolving Credit Facility is secured by a pledge over the shares of the borrowers and certain other asset security of certain subsidiaries of Unitymedia.

Maturities of Debt and Finance Lease Obligations

For information concerning the maturities of our debt as of December 31, 2011, see note 4.

(14) Commitments and Contingencies

Commitments

In the ordinary course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancellable operating leases, programming contracts, purchases of customer premises equipment and other items. These include several long-term term agreements with Deutsche Telekom and its affiliates with respect to usage and access for underground cable duct space, the use of fiber optic transmission systems, tower and facility space. In general, these agreements primarily impose fixed prices for a limited period of time, which may then be raised to reflect services requested additionally and increased costs, subject to index-linked limitations. Some agreements impose prices based on the cost to Deutsche Telekom of services that are passed through to us. In accordance with EU-IFRS, we treat these agreements as operating rather than finance leases or as other commitments, as applicable. We expect that in the ordinary course of business, operating leases that expire generally will be renewed or replaced by similar leases.

Expenses for operating leases included in our statement of operations were €71.8 million and €64.4 million during 2011 and 2010, respectively. Details of our operating lease contracts and the respective significant leasing arrangements are as follows:

<u>Lease</u>	<u>Terms</u>		<u>Terms of renewal</u>		<u>Purchase options</u>	<u>Contingent rent</u>
Building	1 - 20 years		No		No	No
Dark fiber	1 - 18 years		3 months - 1 year		No	No
Colocation area	1 - 14 years		1 month - 1 year		No	No
Cable ducts	2 - 30 years		1 - 5 years		No	No
Payments due during:						
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Thereafter</u>
				<u>in millions</u>		<u>Total</u>
Operating leases	€ 70.9	€ 69.2	€ 66.6	€ 65.8	€ 65.0	€ 757.9
Programming obligations	4.2	0.3	—	—	—	—
Other commitments	32.0	3.3	—	—	—	—
	<u>€ 107.1</u>	<u>€ 72.8</u>	<u>€ 66.6</u>	<u>€ 65.8</u>	<u>€ 65.0</u>	<u>€ 757.9</u>
						<u>€ 1,135.2</u>

Operating leases include indefinite-lived lease agreements with Deutsche Telekom for cable ducts. The lease payments for these leases are €51.2 million annually. We have the legal right to cancel these agreements with a notice period of 24 months, however the technological requirements to replace leased

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

capacity represent economic penalties that would result in the reasonably assured continuance of the leases for a longer period of time. Due to German law governing the statute of limitations, the agreements in effect represent a maximum lease term of 30 years, after which time Deutsche Telekom has certain additional rights under the lease. Accordingly, the operating lease amounts included in the above table reflect payments under the Deutsche Telekom lease agreements through the applicable statutory termination dates.

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

Other commitments include (i) certain service commitments with Deutsche Telekom, (ii) certain fiber capacity commitments and (iii) commitments to purchase customer premises equipment that are enforceable and legally binding on us.

Guarantees and Other Credit Enhancements

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

Other Contingencies

Acquisition of KBW by Liberty Global. On December 15, 2011, UPC Germany HoldCo 2 GmbH, one of Liberty Global's indirect subsidiaries, acquired all of the outstanding shares of Kabel BW Musketeeer GmbH (formerly known as Musketeeer GmbH) (KBW Musketeeer) pursuant to a Sale and Purchase Agreement dated March 21, 2011 with Oskar Rakso S.à.r.l. as the seller (the KBW Purchase Agreement). KBW Musketeeer is the indirect parent company of Kabel BW GmbH (formerly known as Kabel BW Holding GmbH) (KBW), Germany's third largest cable television operator in terms of number of subscribers. Liberty Global acquired KBW in order to achieve certain financial, operational and strategic benefits through the integration of KBW with our company and, to a lesser extent, with Liberty Global's other broadband communications operations in Europe.

As part of the regulatory approval process for Liberty Global's acquisition of KBW Musketeeer (the LGI/KBW Transaction), our company and KBW made certain commitments to address the competition concerns of the German Federal Cartel Office (the FCO), as outlined below:

- (a) The digital free-to-air television channels (as opposed to channels marketed in premium subscription packages) distributed on the networks of our company and KBW will be distributed in unencrypted form commencing January 1, 2013. This commitment is consistent with KBW's current practice and generally covers free-to-air television channels in standard definition and high definition (HD). If, however, free-to-air television broadcasters request their HD content to be distributed in an encrypted HD package, the encryption of free-to-air HD channels is still possible. In addition, our company and KBW made a commitment that, through December 15, 2015, the annual carriage fees received by our company and KBW for each such free-to-air television channel distributed in digital or simulcast in digital and analog would not exceed a specified annual amount, determined by applying the respective current rate card systems of our company and KBW as of January 1, 2012;
- (b) Effective January 1, 2012, our company and KBW waived exclusivity rights in access agreements with housing associations with respect to the usage of infrastructures other than the in-building

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distribution networks of our company and KBW to provide television, internet or telephony services within the building;

- (c) Effective January 1, 2012, upon expiration of the minimum term of an access agreement with a housing association, our company or KBW, as applicable, will transfer the ownership rights to the in-building distribution network to the building owner or other party granting access. In addition, our company and KBW each waived the rights to remove in-building distribution networks; and
- (d) A special early termination right will be granted with respect to certain of our company's and KBW's existing access agreements with the largest housing associations that cover more than 800 dwelling units and have a remaining term of more than three years. The total number of dwelling units covered by the affected agreements is approximately 340,000, of which approximately 230,000 and 110,000 are located in the footprints of our company and KBW, respectively. The special termination right may be exercised on or before September 30 of each calendar year up to the expiration of the current contract term, with termination effective as of January 1 or July 1 of the following year. If the special termination right is exercised, compensation will be paid to partially reimburse our company or KBW, as applicable, for unamortized investments in modernizing the in-building network based on an agreed formula.

In January 2012, two of our competitors, including Deutsche Telekom, each filed an appeal against the FCO regarding its decision to approve the LGI/KBW Transaction. We believe the decision will ultimately be upheld and currently intend to support the FCO in defending the decision. In addition, we do not expect that the filing of these appeals will have any impact on the ongoing integration and development of our and KBW's operations. The ultimate resolution of this matter is expected to take up to four years, including the appeals process.

Other: We have contingent liabilities related to legal proceedings and other matters arising in the ordinary course of business. We expect that the amounts, if any, which may be required to satisfy these contingencies will not be material in relation to our financial position or results of operations.

(15) Income Taxes

Unitymedia and its operating subsidiaries are part of two separate German fiscal unities. A German fiscal unity combines individual tax paying entities as one taxpayer for German tax purposes. The combined details of our current and deferred income tax benefit are as follows:

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
	<u>in millions</u>	
Current tax expense	€ (10.0)	€ (0.7)
Deferred tax benefit	26.1	36.2
Total	<u>€ 16.1</u>	<u>€ 35.5</u>

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

Income tax benefit attributable to our loss from continuing operations before income taxes differs from the income tax benefit computed by applying the German income tax rate of 31.88% for 2011 and 31.58% for 2010 and 2009 as a result of the following:

	Year ended December 31,		Period from
	2011	2010	October 23, 2009 to December 31, 2009
	in millions		
Computed "expected" income tax benefit	€ 47.8	€ 65.9	€ 19.7
Non-deductible or non-taxable interest and other items ^(a)	(27.7)	(21.4)	(1.0)
Enacted tax law and rate changes	(1.7)	—	—
Unrecognized net operating losses and interest carryforwards . . .	(1.2)	(7.0)	(18.7)
Other, net	(1.1)	(2.0)	—
Total	<u>€ 16.1</u>	<u>€ 35.5</u>	<u>€ —</u>

(a) The 2011 amount includes current net tax benefit of €5.2 million and deferred tax expense of €16.1 million related to the remeasurement of prior year items.

The details of our deferred tax balances at December 31, 2011 and our deferred tax benefit for the year ended December 31, 2011 are as follows:

	December 31, 2011		Year ended December 31, 2011
	Deferred tax assets	Deferred tax liabilities	Recognition in statement of operations
	in millions		
Loss carryforwards	€ 133.7	€ —	€ (31.6)
Property and equipment	—	314.2	16.6
Intangible assets	—	142.8	18.9
Investments	—	16.1	(16.1)
Receivables	2.3	—	(3.7)
Provisions	1.1	—	(0.9)
Unrealized foreign exchange result	—	15.5	(2.1)
Accrued interest expense	44.4	—	43.8
Other	—	—	1.2
Net assets with liabilities within same jurisdiction	<u>(181.5)</u>	<u>(181.5)</u>	<u>—</u>
	<u>€ —</u>	<u>€ 307.1</u>	<u>€ 26.1</u>

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Notes to Consolidated Financial Statements (continued)
December 31, 2011

The details of our deferred tax balances at December 31, 2010 and our deferred tax benefit for the year ended December 31, 2010 are as follows:

	December 31, 2010		Year ended December 31, 2010
	Deferred tax assets	Deferred tax liabilities	Recognition in statement of operations
	in millions		
Loss carryforwards	€ 165.3	€ —	€ 6.0
Property and equipment	—	330.8	19.4
Intangible assets	—	161.7	16.3
Receivables	6.0	—	8.2
Provisions	2.0	—	10.4
Unrealized foreign exchange result	—	13.4	(28.0)
Accrued interest expense	0.6	—	3.6
Other	0.1	1.4	0.3
Net assets with liabilities within same jurisdiction	(174.0)	(174.0)	—
	€ —	€ 333.3	€ 36.2

No deferred tax assets have been recognized for the following carryforwards:

	December 31,	
	2011	2010
	in millions	
Interest carryforwards	€ 71.2	€ 78.4
Trade tax loss carryforwards	€ 53.5	€ 31.3
Corporate income tax loss carryforwards	€ 149.7	€ 149.7

Our tax loss carryforwards within each jurisdiction combine all companies' tax losses in that jurisdiction, however, certain jurisdictions limit the ability to offset taxable income of separate company or different tax groups with the tax losses associated with another separate company or group as a result of certain agreements made pursuant to relevant tax law. These losses are limited while the agreement is in place. Some losses are limited in use due to change in control or same business tests.

(16) Shareholder's Equity (Deficit)

Our share capital is €25,000 at December 31, 2011 and has been fully paid. All of our shares are held by UPC Germany Holding.

Additional paid-in capital is the result of (i) a €17.0 million cash contribution from UPC Germany Holding during 2010, (ii) a €1,100.0 million increase during 2011 related to the conversion to equity of €1,014.0 million of principal and €86.0 million of accrued interest associated with the shareholder loan payable to UPC Germany Holding, (iii) a cash contribution of €61.0 million for an investment in UMI, another Liberty Global subsidiary, and (iv) a €0.5 million increase related to stock-based compensation during 2011. For additional information concerning our investment in UMI, see note 17.

One of our indirect parent companies, Liberty Global Europe Holding B.V. (Liberty Global Europe), granted a financing commitment dated September 30, 2010 to our company in the amount of €75.0 million, of which €58.0 million was unused at December 31, 2011. This financing commitment expires on December 31, 2012 if not otherwise extended.

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Notes to Consolidated Financial Statements (continued)
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(17) Related-Party Transactions

Our related-party transactions consist of the following:

	Year ended December 31,	
	2011	2010
	in millions	
OpEx	€ 6.8	€ 1.4
Allocated stock-based compensation expense	0.5	—
Fees and allocations, net	35.8	23.8
Included in EBIT	43.1	25.2
Interest expense	99.9	85.8
Included in net loss from continuing operations	€ 143.0	€ 111.0
Capital expenditures	€ 5.6	€ 1.1

OpEx. These amounts represent certain cash settled charges from other Liberty Global subsidiaries, including UPC Holding, to our company primarily for (i) technology-related costs based on Liberty Global's global contract for encryption services and (ii) certain backbone costs.

Allocated stock-based compensation expense. These amounts are allocated to our company by Liberty Global and represent the stock-based compensation associated with the Liberty Global stock incentive awards held by certain employees of our subsidiaries. Awards consist of (i) stock appreciation rights, (ii) restricted shares and restricted share units and (iii) performance-based restricted share units (PSUs). PSUs represent the right to receive one share of Liberty Global Series A common stock or Liberty Global Series C common stock, as applicable, subject to performance and vesting as determined by the compensation committee of Liberty Global's board of directors. Stock-based compensation expense is reflected as an increase to shareholder's equity and is included in SG&A in our consolidated statements of operations.

Fees and allocations, net. These amounts represent charges from other Liberty Global subsidiaries, including UPC Holding, to our company following the LGI/Unitymedia Transaction, including charges for management, finance, legal, technology, marketing and other services that support our company's broadband communications operations. The amounts charged generally are based on our company's estimated share of the applicable costs (including personnel-related and other costs associated with the services provided) incurred by the other Liberty Global subsidiaries, plus a mark-up. The monthly amounts charged are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified. Charges from UPC Holding may be cash or loan settled. With respect to the amounts settled during 2011 and 2010, all amounts were loan settled with the exception of €13.1 million that was cash settled during the second half of 2011.

Interest expense. Related-party interest expense relates to our loans payable to UPC Germany Holding. Accrued interest is transferred to the loan balance annually on January 1. For additional information, see note 13.

Depending on the nature of our intercompany transactions, the amount of the charges or allocations may be based on (i) estimated or allocated costs, (ii) estimated or allocated costs plus a mark-up or (iii) commercially negotiated rates. Although we believe that the intercompany fees and allocations described above are reasonable, no assurance can be given that the related-party costs and expenses reflected in our consolidated statements of operations are reflective of the costs that we would incur on a standalone basis.

Capital expenditures. These amounts represent our purchases of network-related equipment from UPC Holding.

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Notes to Consolidated Financial Statements (continued)
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UPC Germany Holding Loan Receivable. Represents amounts loaned to UPC Germany Holding pursuant to a loan agreement. We can require the repayment of all or part of this loan within five-days of providing notice to UPC Germany Holding. Amounts loaned to UPC Germany Holding pursuant to this agreement are subject to certain restrictions included in the indenture for the UM Senior Notes. The interest rate on this loan, which can be adjusted at any time with the mutual consent of the parties, was 2.25% through December 31, 2011. Interest income on this loan through December 31, 2011 was not significant.

Investment in associate. Represents amounts invested in UMI. UMI was formed for the purpose of effecting certain asset purchase and related leasing transactions involving certain of UPC Holding's subsidiaries, including certain purchase and leaseback transactions that were initiated in December 2011. UMI is considered a special purpose entity and is consolidated by UPC Holding. Although UPC Holding has no equity or voting interest in UMI, UPC Holding has the substantive ability to direct the major activities of UMI, and all of the activities of UMI are conducted directly on behalf of UPC Holding. As such, UPC Holding is required by the provisions of EU-IFRS to consolidate UMI. As a result, we use the equity method to account for our investment in UMI.

Shareholder loans payable. Represents amounts payable pursuant to our shareholder loans with UPC Germany Holding. For additional information, see note 13.

Accounts payable and accrued liabilities — related party. At December 31, 2011 and 2010, our accounts payable and accrued liabilities — related party represented amounts owed to UPC Holding and other Liberty Global subsidiaries outside of Unitymedia for various intercompany charges, fees and allocations, as further described above. These amounts may be cash or loan settled.

Parent guarantee. At December 31, 2010, our accumulated deficit exceeded paid-in capital. As described in note 16, Liberty Global Europe has granted a financing commitment to us and our wholly-owned subsidiaries through December 31, 2012. The terms of any amounts loaned under this parental guarantee are the same as those for our shareholder loans payable to UPC Germany Holding, as described in note 13.

Management Remuneration. Salaries, bonuses, and benefit related remuneration of the Managing Directors was €2.2 million and €2.1 million for the years ended December 31, 2011 and 2010, respectively.

(18) Disclosures according to Generally Accepted Accounting Principles in Germany

The average number of employees in 2011 was 1,624. The number of employees calculated in full time equivalents (FTE) as a quarterly average was 1,614 FTE. In our operating departments, which include network and customer operations and customer services, we employed 1,183 FTE in 2011, and in our administration departments, consisting of sales & marketing, finance, IT and other general services, 431 FTE were employed.

Our auditor has received the following remuneration for the respective services:

	Year ended December 31,			
	2011		2010	
	in millions			
Audit of financial statements	€	0.6	€	0.5
Assurance services		0.2		0.1
Other services		—		0.1
Total	€	0.8	€	0.7

Independent Auditor's Report (Translation)

The following audit opinion according to par. 322 HGB is related to the full set of consolidated financial statements, including the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements, together with the group management report for the period from January 1, 2010 to December 31, 2010. The group management report is not included here. The management discussion and analysis was not subject to our audit.

We have issued the unqualified auditor's report in German language. The following is the translation of our auditor's report in English language:

"Independent Auditor's Report

We have audited the consolidated financial statements prepared by Unitymedia GmbH, Cologne, comprising the consolidated balance sheets, the consolidated statements of operations, the consolidated statements of changes in shareholder's deficit, the consolidated statements of cash flows and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2010 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a I HGB (Handelsgesetzbuch "German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer Institute of Public Auditor's in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a I HGB and give a true and fair view of the net assets, financial position and results of operations of Unitymedia GmbH in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development."

Düsseldorf, March 4, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Original German version signed by:

Wallraf	Laue
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	German Public Auditor

UNITYMEDIA GMBH
(see note 1)
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2010	2009
	in millions	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	€ 58.7	€ —
Trade receivables, net (note 8)	35.4	—
Other current assets	11.4	—
Total current assets	105.5	—
Property and equipment, net (note 7)	2,029.2	—
Goodwill (note 7)	1,436.1	—
Intangible assets subject to amortization, net (note 7)	656.8	—
Derivative instruments (note 5)	50.3	—
Restricted cash (note 12)	1.6	2,560.7
Other noncurrent assets (note 9)	20.6	—
Total noncurrent assets	4,194.6	2,560.7
Total assets	€ 4,300.1	€ 2,560.7

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

UNITYMEDIA GMBH
(see note 1)
CONSOLIDATED BALANCE SHEETS (continued)

	December 31,	
	2010	2009
	in millions	
<u>LIABILITIES AND SHAREHOLDER'S DEFICIT</u>		
Current liabilities:		
Accounts payable	€ 34.4	€ —
Accrued liabilities:		
Third party (note 10)	152.7	—
Related party (note 17)	4.1	—
Provisions (note 11)	18.6	
Deferred revenue and advance payments from subscribers and others	67.7	—
Current portion of debt and finance lease obligations (note 12)	21.8	26.0
Other current liabilities (notes 5 and 15)	10.4	21.0
Total current liabilities	309.7	47.0
Long-term debt and finance lease obligations (note12)	2,689.8	2,561.5
Notes payable — related party (note 17)	1,167.0	—
Deferred tax liabilities (note 15)	333.3	—
Derivative instruments (note 5)	—	14.7
Other long-term liabilities (note 13)	17.7	—
Total noncurrent liabilities	4,207.8	2,576.2
Total liabilities	4,517.5	2,623.2
Commitments and contingencies (note 14)		
Shareholder's deficit (note 16):		
Share capital	—	—
Additional paid-in capital	17.0	—
Accumulated deficit	(234.4)	(62.5)
Total shareholder's deficit	(217.4)	(62.5)
Total liabilities and shareholder's deficit	€ 4,300.1	€ 2,560.7

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

UNITYMEDIA GMBH
(see note 1)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31, 2010	Period from October 23, 2009 to December 31, 2009
	in millions	
Revenue	€ 866.9	€ —
Operating costs and expenses:		
Operating, (other than depreciation and amortization) (OpEx)	251.4	—
Selling, general and administration expenses (other than depreciation and amortization) (SG&A)	130.4	—
Restructuring and other operating charges	26.7	—
Related-party fees and allocations, net (note 17)	23.8	—
Total operating costs and expenses	432.3	—
Earnings before interest, taxes, depreciation and amortization (EBITDA)	434.6	—
Depreciation and amortization	324.5	—
Earnings before interest and taxes (EBIT)	110.1	—
Interest income	1.4	0.9
Interest expense, third party	(257.0)	(27.1)
Interest expense, related party (note 17)	(85.8)	—
Foreign currency transaction losses, net	(16.1)	(0.6)
Realized and unrealized gains (losses) on derivative instruments (note 5) . . .	38.8	(35.7)
Net financial expense	(318.7)	(62.5)
Loss from continuing operations before income taxes	(208.6)	(62.5)
Income tax benefit (note 15)	35.5	—
Loss from continuing operations, net of taxes	(173.1)	(62.5)
Earnings from discontinued operations (note 4)	1.2	—
Net loss / comprehensive loss ^(a)	€ (171.9)	€ (62.5)
Further details of OpEx and SG&A:		
Direct costs (interconnect, programming, copyright and other)	€ 79.3	€ —
Staff-related costs (excluding restructuring charges)	107.6	—
Network operating and technical service costs	83.6	—
Sales and marketing costs	68.4	—
Indirect costs — other	42.9	—
	€ 381.8	€ —
Further detail of restructuring and other operating charges:		
Staff-related restructuring costs	€ 3.4	€ —
Direct acquisition costs (note 4)	23.3	—
	€ 26.7	€ —

(a) There were no items of comprehensive income in the current year or prior period other than the loss for the period and, accordingly, no statement of comprehensive income or loss is presented.

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

UNITYMEDIA GMBH
(see note 1)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIT

	Subscribed capital (note 16)	Additional paid in capital	Accumulated deficit	Total shareholder's deficit
	in millions			
Balance at October 23, 2009	€ —	€ —	€ —	€ —
Net loss	—	—	(62.5)	(62.5)
Balance at December 31, 2009	—	—	(62.5)	(62.5)
Net loss	—	—	(171.9)	(171.9)
Equity contribution (note 16)	—	17.0	—	17.0
Balance at December 31, 2010	€ —	€ 17.0	€ (234.4)	€ (217.4)

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

UNITYMEDIA GMBH
(see note 1)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2010	Period from October 23, 2009 to December 31, 2009
	in millions	
Cash flows from operating activities:		
Loss from continuing operations	€ (173.1)	€ (62.5)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:		
Restructuring and other operating charges, net	26.7	—
Related-party fees and allocations, net	23.8	—
Depreciation and amortization	324.5	—
Amortization of deferred financing costs and non-cash interest accretion . . .	10.9	1.2
Non-cash related-party interest expense	85.8	—
Foreign currency transaction losses, net	16.1	0.6
Realized and unrealized losses (gains) on derivative instruments, net	(38.8)	35.7
Deferred tax benefit	(36.2)	—
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	(14.0)	25.9
Net cash provided by operating activities from continuing operations	225.7	0.9
Net cash used by discontinued operations	(9.9)	—
Net cash provided by operating activities	215.8	0.9
Cash flows from investing activities:		
Cash paid in connection with acquisitions, net of cash acquired	(1,880.1)	—
Capital expenditures	(243.3)	—
Other investing activities	0.2	—
Net cash used by investing activities	(2,123.2)	—
Cash flows from financing activities:		
Decrease (increase) in cash collateral	2,593.6	(2,541.1)
Repayments of third-party debt and finance lease obligations	(1,770.6)	—
Borrowings of third-party debt	165.0	2,605.3
Net related-party borrowings	1,050.9	—
Net cash paid related to derivative instruments	(66.6)	—
Payment of financing costs and debt premiums	(27.0)	(65.1)
Other financing activities	20.8	—
Net cash provided by financing activities	1,966.1	(0.9)
Net increase in cash and cash equivalents	58.7	—
Cash and cash equivalents:		
Beginning of period	—	—
End of period	€ 58.7	€ —
Cash paid for interest (excluding payments related to derivative instruments) . . .	€ 265.3	€ —
Net cash paid for taxes	€ 12.8	€ —

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

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010

(1) General and Basis of Presentation

Unitymedia GmbH (Unitymedia), formerly UPC Germany GmbH and until November 18, 2009 BALAGO Vermögensverwaltungsgesellschaft mbH, is an indirect subsidiary of Liberty Global, Inc. (Liberty Global). Unitymedia was formed by Liberty Global on October 15, 2009 and registered with the trade register on October 23, 2009 in contemplation of the issuance of debt financing in connection with Unitymedia's then potential acquisition of the entity (Old Unitymedia) that owned the second largest cable operator in Germany. The sole shareholder of Unitymedia is UPC Germany Holding B.V., Schiphol-Rijk, Netherlands (UPC Germany Holding).

The financial position of Unitymedia as of the October 23, 2009 registration date was €25,000 in cash and equity.

Unitymedia, which operates in the German states of Hesse and North Rhine-Westphalia, provides analog and digital cable television, as well as internet and telephony services to its customers. In addition to this core business, Unitymedia's arena segment operated a direct-to-home satellite (DTH) digital pay TV platform that, as further described in note 4, we closed down effective September 30, 2010. As a result, we have presented Unitymedia's arena segment as a discontinued operation in our consolidated statement of operations and cash flows, unless otherwise noted.

On September 16, 2010, Old Unitymedia merged with Unitymedia and Unitymedia became the surviving entity (the Unitymedia Merger). The Unitymedia Merger, along with the new basis of accounting that resulted from Unitymedia's January 28, 2010 acquisition from Unity Media S.C.A., Luxembourg, the former shareholder of Old Unitymedia, of 100% of Old Unitymedia (the Liberty Global Transaction), has been given effect as of January 28, 2010 in the accompanying consolidated financial statements. As further described in note 4, the new basis of accounting was allocated to the identifiable assets and liabilities of Old Unitymedia based on assessments of their respective fair values, and the excess of the purchase price over the adjusted fair values of such identifiable net assets was allocated to goodwill. As further discussed in Part II of this Annual Report, the consolidated financial information of Old Unitymedia for the first and second quarters of 2010 has been restated to give effect to the Unitymedia Merger and the new basis of accounting as of January 28, 2010. Pro forma information for Unitymedia reflecting the combination of Unitymedia and Old Unitymedia from January 1, 2008 forward is also presented in Part II of this Annual Report.

In the following text, the terms "Unitymedia," "we," "our," "our company," and "us" may refer, as the context requires, to Unitymedia or collectively to Unitymedia and its subsidiaries. As further described in note 4, we closed down our arena segment effective September 30, 2010.

Our annual financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and the additional requirements of German Commercial Law pursuant to Sec. 315 a (3) German Commercial Code (HGB). For certain required disclosures such as to the nature and extent of risks arising from financial instruments, refer also to management's discussion and analysis of financial condition and results of operations (Lagebericht).

The following table reconciles the net loss prepared in accordance with HGB for the period October 23, 2009 to December 31, 2009 and the shareholder's deficit as of December 31, 2009 to the results presented herein under EU-IFRS:

	<u>HGB</u>	<u>Adjustment^(a)</u> <u>in millions</u>	<u>IFRS</u>
Net loss	€ (127.6)	€ 65.1	€ (62.5)
Accumulated deficit	€ (127.6)	€ 65.1	€ (62.5)

(a) Represents financing costs recognized as incurred under HGB whereas deferred over the life of debt under EU-IFRS.

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

The UM Senior Secured Notes and UM Senior Notes, each as defined in note 12, are listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF Market, which is not a regulated market (as defined by Article 1(13) of Directive 93/22/EEC).

The functional currency of our financial statements is the euro. Unless otherwise indicated, convenience translations into euros are calculated as of December 31, 2010. Amounts may not total due to rounding.

These consolidated financial statements were approved for publication by the Managing Directors on March 4, 2011.

(2) Accounting Changes and Recent Pronouncements

Standards, amendments and interpretations effective in 2010 and early adopted in 2009

The following standards, amendments, interpretations and improvements are mandatory for the first time for the financial year beginning January 1, 2010 and have been early adopted as of October 23, 2009. The dates within brackets refer to the date a fiscal year begins.

Revisions to IFRS 1 First Time Adoption of IFRSs, Amendments to IFRS 1 Additional Exemptions for First-time Adopters and IFRS 7 Disclosures for First-time Adopters (effective from July 1, 2010)

The objective of this revision of IFRS 1 is to improve the structure of IFRS 1 — no new or revised technical material has been introduced. The revisions are designed to make IFRS 1 clearer and easier to follow by reorganising and moving to appendices most of the numerous exceptions and exemptions. The improved structure is also intended to better accommodate future changes to IFRS 1. The amendments to IFRS 1 provide additional exemptions for first-time adopters relating to oil and gas assets and arrangements containing leases. The IASB also amended IFRS 1 to exempt first-time adopters of IFRSs from providing the additional disclosures introduced by the March 2009 amendments to IFRS 7 *Improving Disclosures about Financial Instruments*. The amendment gives first-time adopters the same transitional provisions that the amendments to IFRS 7 provide to current IFRS preparers. This amendment is a short-term exemption and is applicable only to annual comparative periods ending before December 31, 2009, interim periods with an annual comparative period before December 31, 2009 and to any statement of financial position presented within these periods.

Amendment to IFRS 2 Share-based Payment (effective from January 1, 2010)

The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award. We adopted the amendment as of October 23, 2009, with no material effect on our results of operations or financial position.

Amendment to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (effective from July 1, 2009)

The amendments to IFRS 3 and IAS 27 relate to business combinations for which the acquisition date is on or after January 1, 2010 in accordance with the relevant transitional provisions. The most significant changes to these amendments include:

- The amendments allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as ‘minority’ interests) at the date of acquisition either at fair value or at the non-controlling interests’ proportionate share of acquiree’s net assets.
- The amendments change the recognition and subsequent accounting requirements for contingent consideration, where contingent consideration is measured at fair value at the acquisition date. Any subsequent adjustments to the consideration are recognized against the cost of the acquisition only to the extent that they arise from new information obtained within the

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

measurement period about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognized in profit or loss.

- The amendments require acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

We have applied the amendment prospectively to business combinations on or after January 1, 2010. Our adoption has affected the accounting for the Liberty Global Transaction in the current year.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations as part of Improvements to IFRSs issued in 2008

The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the entity is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the entity will retain a non-controlling interest in the subsidiary after the sale. The amendments also clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

We adopted the amendments as of October 23, 2009, with no material effect on our results of operations or financial position. Disclosures in these consolidated financial statements have been modified to reflect the above clarification.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items (effective from July 1, 2009)

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

We adopted the amendments as of October 23, 2009, with no material effect on our results of operations or financial position.

Improvements to IFRSs

In 2009, the IASB issued again a collection of amendments to International Financial Reporting Standards (IFRSs) with the primary objective to reduce inconsistencies and clarify terminology. Except for the amendments to IFRS 5 described above, the application of *Improvements to IFRSs* issued in 2009 has not had any material effect on amounts reported in the consolidated financial statements.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective July 1, 2009)

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The interpretation does not have a material effect on our results of operations or financial position.

IFRIC 18 Transfers of Assets from Customers (effective July 1, 2009)

The Interpretation addresses the accounting by recipients for transfers of property and equipment from 'customers' and concludes that when the item of property and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognized as revenue in accordance with IAS 18 *Revenue*. The interpretation does not have a material effect on our results of operations or financial position.

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

Standards, amendments and interpretations to existing standards that are adopted by the EU but not yet effective and have not been early adopted by us or not relevant for us

The following standards, amendments and interpretations to existing standards have been published and are mandatory for our accounting periods beginning on or after January 1, 2011, or later periods, but we have not early adopted them or which are currently not relevant for us. The dates within brackets refer to the date a fiscal year begins.

- IAS 24 (revised in 2009) *Related Party Disclosures* (effective from January 1, 2011)
- Amendments to IAS 32 *Classification of Rights Issues* (effective February 1, 2010)
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* (effective January 1, 2011)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective July 1, 2010)
- *Improvements to IFRSs* issued in 2010 (except for the amendments to IFRS 3 (2008) described above) (effective July 1, 2010 and January 1, 2011, as appropriate).

We do not expect that these new standards, amendments and interpretations to existing standards will have a material impact on our results of operations or financial position.

(3) Summary of Significant Accounting Policies

The following significant accounting policies, critical judgements and estimates have been applied starting October 23, 2009.

Estimates

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

Principles of consolidation

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

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

In addition to Unitymedia GmbH, the parent company, the following subsidiaries are included in the consolidated financial statements according to the principles of full consolidation.

<u>Name of company</u>	<u>Headquarter</u>	<u>Country</u>	<u>Share of equity %</u>
Unitymedia Management GmbH ^(a)	Cologne	Germany	100.0
Unitymedia Beteiligungs GmbH	Cologne	Germany	100.0
Unitymedia Hessen Verwaltung GmbH	Cologne	Germany	100.0
Unitymedia Hessen GmbH & Co. KG ^(a)	Cologne	Germany	100.0
Unitymedia NRW GmbH ^(a)	Cologne	Germany	100.0
iesy Hessen Beteiligungs-GmbH	Cologne	Germany	100.0
Tele Columbus Holding GmbH	Hannover	Germany	100.0
Unitymedia Services GmbH ^(a)	Cologne	Germany	100.0
Unitymedia Wiesbaden GmbH	Cologne	Germany	100.0
Unitymedia Aachen GmbH	Cologne	Germany	100.0
iesy Hessen Verwaltungs-GmbH	Cologne	Germany	100.0
Arena Sport Rechte und Marketing GmbH	Cologne	Germany	100.0

(a) Exempt from publishing statutory accounts pursuant to Sec. 264 (3) HGB

Cash and cash equivalents and restricted cash

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

Restricted cash includes cash held in escrow and cash pledged as collateral. Restricted cash amounts that are required to be used to purchase long-term assets or repay long-term debt are classified as long-term assets. All other cash that is restricted to a specific use is classified as current or long-term based on the expected timing of the disbursement.

Trade receivables

Our trade receivables are initially measured at fair value and subsequently reported at amortized cost, net of an allowance for impairment of trade receivables. The allowance for impairment of trade receivables is estimated based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions specific customer credit risk and historical experience. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers. We also manage this risk by disconnecting services to customers whose accounts are delinquent.

Property and equipment

Property and equipment are measured at initial cost less accumulated depreciation and any accumulated impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The initial cost comprises the purchase price, borrowing costs, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the costs of dismantling and removing the items and restoring the site on which they are located.

Depreciation is computed on a straight-line basis over the estimated useful lives of each major component of an item of property and equipment. The distribution systems have estimated useful lives ranging from 3 to 25 years. Support equipment and buildings (including leasehold improvements) have

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

estimated useful lives ranging from 3 to 20 years. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and may be adjusted based on management's expectations of future use.

Property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment exists when the carrying value exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). We have determined that our property and equipment as a whole constitutes a single cash-generating unit for purpose of impairment testing. Impairment losses are reversed if the reasons for the impairment loss no longer exist or the impairment loss has decreased.

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will be achieved and when the cost can be measured reliably. The carrying amount of any replaced item is derecognized. All other expenditures for repairs and maintenance are expensed as incurred.

Gains and losses due to disposals are recognized within restructuring and other operating charges, net.

Intangible assets

Our primary intangible assets are goodwill, customer relationships, trade name, subscriber acquisition costs, and software. Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with definite lives are amortized over their respective estimated useful lives and reviewed for impairment.

Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired. Goodwill is tested for impairment annually, or more frequently when there is an indication that it may be impaired. We have identified one cash-generating unit to which all goodwill is allocated. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets pro-rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Customer relationships and trade name are recognized at their fair values in connection with business combinations and are amortized over lives of approximately 7 years and 5 years, respectively. Subscriber acquisition costs are recognized as incurred when such costs are directly attributable to obtaining new subscribers, are paid to a third party, can be measured reliably and meet the definition of an intangible asset. Subscriber acquisition costs are amortized over the applicable contractual lives, which generally range from 1 to 2 years.

Costs associated with maintaining computer software are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by us and that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Capitalized internal-use software costs include only external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote time to the project. Capitalization of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. Internally-generated capitalized software costs are amortized on a straight-line basis over their applicable expected useful lives, which generally approximate 3 years. Where no internally-generated intangible asset can be recognized, development expenditures are recognized as expenses in the period incurred.

Subsequent expenditures related to intangible assets are capitalized only when the expenditures increase the future economic benefits embodied in the specific asset to which it relates. All other

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

expenditures, including expenditures on internally generated brands, are recognized in our consolidated statements of operations as incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to us. Property and equipment acquired by way of a finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, then subsequently less accumulated depreciation and any impairment losses. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in long-term debt with the interest element of the lease payment charged to our consolidated statements of operations over the lease period. All other leases are classified as operating lease payments and recognized in our consolidated statements of operations on a straight-line basis over the term of the lease.

We have entered into various long-term service level agreements (SLAs) with Deutsche Telekom AG, Bonn (DTAG) and certain of its affiliates that are significant to our business, in particular for the lease of cable duct space. Generally, the terms per the agreements are unlimited, yet we have certain termination rights which are entirely at our discretion. According to German law, lease agreements are subject to a termination right of either party after a term of 30 years. We do not capitalize these cable ducts as finance leases as a result of management assumptions made regarding the expected usage of the cable ducts at the inception of the contracts.

Derivative financial instruments

All derivatives are recorded on the balance sheet at fair value. Although we enter into derivative instruments to manage foreign exchange risk, we do not apply hedge accounting to any of our derivative instruments. Changes to the fair value of our derivative instruments are recognized in the line item realized and unrealized gains (losses) on derivative instruments in our consolidated statements of operations.

Bonds and bank liabilities

Bonds and bank liabilities are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in our consolidated statements of operations over the period of the borrowings using the effective interest method.

Accounts payable

Accounts payable is recognized at cost.

Provisions

Provisions are liabilities of uncertain timing and/or amount. A provision is recognized when a present legal or constructive obligation as a result of a past event exists and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of our activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating intercompany sales within the consolidated group.

We derive revenue from six main business activities: our analog and digital basic cable television products, pay TV products, internet products, telephony (including subscription and usage fees) and carriage fees paid by broadcasters.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

Revenue is recognized when services have been provided, the costs incurred can be measured reliably, and we are not obliged to provide any future services. Prepayments are accounted for by deferring the received payments and amortizing them straight-line over the service period.

When free months are offered to customers in relation to a subscription, we recognize the total amount of billable revenue in equal monthly instalments over the term of the contract provided that we have the enforceable and contractual right to deliver products to the customer after the promotional free month period. If free months are given without a contract at the beginning of a subscription period, we do not recognize revenue during the free months as the customer's continuance is not assured.

Installation fees generally are recognized as services are rendered.

Income taxes

Current taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities at undiscounted values. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted as of the balance sheet date.

Deferred taxes

Generally deferred taxes are recognized for any temporary differences between the tax base and the EU-IFRS base, except on goodwill which is not recognized for tax purposes.

Deferred tax assets are recognized for deductible temporary differences and tax loss carry forwards, if it is probable that future taxable profits will be available against which the unused tax losses or temporary differences can be utilized. However deferred tax assets are not recognized if the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit.

The recoverability of the carrying value of deferred taxes is determined based on management's estimates of future taxable profits. If it is no longer probable that enough future taxable profits will be available against which the unused tax losses or temporary differences can be used, an impairment in a corresponding amount is recognized on the deferred tax assets.

Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted by the balance sheet date. Deferred taxes are not discounted.

If the changes in the value of assets or liabilities are recognized in a separate component of equity, the change of value of the corresponding deferred tax assets and liabilities are also recognized in this separate component of equity (instead of income tax expense).

For additional information concerning deferred tax assets and liabilities, see note 15.

Segments

Through September 30, 2010, we had 2 segments, cable and arena. Following the September 30, 2010 closure of our arena segment, as discussed in note 4, we operate in the cable segment only. Our cable segment provides analog and digital television, internet and telephony services to residential and business customers over an integrated broadband communications network.

We operate in one geographical area, the country of Germany.

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

The revenue of our cable segment by major product category is as follows:

	Year ended December 31, 2010
	in millions
Subscription revenue ^(a) :	
Video	€ 571.7
Internet	83.0
Telephony	109.4
Total subscription revenue	764.1
Other revenue ^(b)	102.8
Total revenue	€ 866.9

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service.

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

(4) Acquisition and Discontinued Operation

Acquisition

On January 28, 2010, Unitymedia completed the Liberty Global Transaction, whereby Unitymedia paid cash of €2,006.0 million (the Old Unitymedia Purchase Price), to acquire from Unity Media S.C.A. all of the issued and outstanding capital stock of Old Unitymedia. In addition to the €2,006.0 million Old Unitymedia Purchase Price, we acquired Old Unitymedia's net debt (aggregate principal amount of debt and capital lease obligations outstanding less cash and cash equivalents) of €1,586.3 million at January 28, 2010 and incurred direct acquisition costs of €23.3 million, which were recorded during the first quarter of 2010 and which are included in restructuring and other operating charges in our consolidated statements of operations. The Liberty Global Transaction was completed in order to achieve certain financial, operational and strategic benefits through the integration of Old Unitymedia with Liberty Global's existing European operations.

The Old Unitymedia Purchase Price was funded with (i) €849.2 million of cash from certain escrow accounts associated with the Unitymedia Senior Notes (as defined in note 12) and (ii) a note payable to UPC Germany Holding, as further described in note 17.

We have accounted for the Liberty Global Transaction using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill.

The summarized financial position of Unitymedia (after giving retrospective effect to the Unitymedia Merger) as of January 28, 2010 is presented in the following table. The opening balance sheet presented

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

below reflects our final purchase price allocation, including certain purchase accounting adjustments that were recorded prior to the finalization of the purchase price allocation (in millions):

Cash	€	125.9
Accounts receivable		197.0
Other current assets		20.3
Property and equipment, net		2,028.4
Goodwill ^(a)		1,436.1
Intangible assets subject to amortization ^(b)		732.2
Other assets, net		23.4
Current portion of long-term debt and capital lease obligations		(0.7)
Other current liabilities		(437.6)
Long-term debt and capital lease obligations		(1,711.5)
Other long-term liabilities		(407.5)
Total purchase price	€	<u>2,006.0</u>

-
- (a) The goodwill recognized in connection with the Liberty Global Transaction is primarily attributable to (i) the ability to exploit Old Unitymedia's existing advanced broadband communications network to gain immediate access to potential customers and (ii) substantial synergies that are expected to be achieved through the integration of Old Unitymedia with Liberty Global's other operations in Europe.
- (b) Amount primarily includes intangible assets related to customer relationships, which has a useful life of approximately 7 years at the acquisition date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

The following pro forma statement of operations data of Unitymedia for the year ended December 31, 2010 gives effect to (i) the formation of Unitymedia (ii) the Unitymedia Merger, (ii) the Liberty Global Transaction and (iv) the refinancing of Old Unitymedia's debt as if such transactions had been completed as of January 1, 2010. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on such dates. The pro forma adjustments are based on currently available information and certain assumptions that we believe are reasonable.

	Proforma
	Year ended
	December 31,
	2010
	in millions
Revenue:	
Video	€ 618.0
Internet	88.8
Telephony	117.5
Other revenue	110.9
	<u>935.2</u>
Operating costs and expenses ^(b) :	
OpEx	273.6
SG&A	140.7
Restructuring and other operating charges, net	26.7
Related-party fees and allocations, net	23.8
	<u>464.8</u>
EBITDA	470.4
Depreciation and amortization	351.8
EBIT	<u>118.6</u>
Interest income	1.5
Interest expense, third party	(247.7)
Interest expense, related party	(93.5)
Realized and unrealized gains (losses) on derivative instruments	33.2
Foreign currency transaction gains (losses), net	(13.1)
Net financial income (expense)	<u>(319.6)</u>
Loss before income taxes	(201.0)
Income tax benefit	33.1
Loss from continuing operations	<u>€ (167.9)</u>
Further details of OpEx and SG&A ^(b) :	
Direct costs (interconnect, programming, copyright and other)	€ 86.5
Staff-related costs	116.0
Network operating and technical service costs	90.5
Sales and marketing costs	73.0
Indirect costs — other	48.3
	<u>€ 414.3</u>
Further details of Restructuring and other operating charges:	
Staff-related restructuring costs	€ 3.4
Direct acquisition costs (note 4)	23.3
	<u>€ 26.7</u>

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

The operating results of Old Unitymedia since the acquisition date included in our consolidated statement of operations are summarized in the following table:

	Year ended December 31, 2010 <u>in millions</u>
Revenue	€ 866.9
EBITDA	€ 463.8
Loss before income taxes	€ (36.9)
Income tax benefit	€ 30.2
Net loss	€ (5.6)

Discontinued Operations

Effective September 30, 2010, we closed down the DTH operations of our arena segment. The operating results of our arena segment from January 28, 2010 to December 31, 2010 are classified as discontinued operations in our consolidated statement of operations and are summarized in the following table:

	Year ended December 31, 2010 <u>in millions</u>
Revenue	€ 7.8
Operating costs and expenses	€ 7.1
EBITDA	€ 0.5
Loss before income taxes	€ (0.8)
Income tax benefit	€ 2.0
Profit from discontinued operations	€ 1.2

(5) Derivative Instruments

We have entered into certain derivative instruments to manage foreign currency exposure with respect to the U.S. dollar. We are also party to an interest rate swap contract that was originally entered into to manage interest rate risk with respect to the Old Floating Rate Notes, as defined in note 12.

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

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

	December 31, 2010			December 31, 2009		
	Current	Long-term	Total	Current	Long-term	Total
	in millions					
Assets:						
Cross-currency derivative contracts ^(a)	€ 3.0	€ 50.3	€ 53.3	€ —	€ —	€ —
Liabilities:						
Cross-currency derivative contracts ^(a)	€ —	€ —	€ —	€ 21.0	€ 14.7	€ 35.7
Interest rate derivative contract ^(a)	9.2	—	9.2	—	—	—
Total	€ 9.2	€ —	€ 9.2	€ 21.0	€ 14.7	€ 35.7

(a) As of December 31, 2010 and 2009, the fair values of our cross-currency derivative assets and our interest rate derivative liabilities have been adjusted by credit risk valuation adjustments aggregating €3.2 million and €4.2 million, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty non-performance and the adjustments to our derivative liabilities relate to credit risk associated with our own non-performance. 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. For further information concerning our fair value measurements, see Note 6.

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

	Year ended December 31, 2010	Period from October 23, 2009 to December 31, 2009
	in millions	
Cross-currency derivative contracts	€ 41.4	€ (35.7)
Interest rate derivative contract	(2.6)	—
Total	€ 38.8	€ (35.7)

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

	Year ended December 31, 2010
	in millions
Operating activities	€ (19.6)
Financing activities	(66.6)
Total	€ (86.2)

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps:

In conjunction with the refinancing of our existing indebtedness as further described in note 12, we entered into new cross-currency swap contracts. The terms of our outstanding cross-currency swap contracts at December 31, 2010 are as follows:

	<u>Notional amount due from counterparty</u>	<u>Notional amount due to counterparty</u>	<u>Interest rate due from counterparty</u>	<u>Interest rate due to counterparty</u>
	in millions			
December 2017	\$ 845.0	€ 569.4	8.13%	8.49%

Interest Rate Swap:

The terms of our outstanding interest rate swap contract at December 31, 2010 are as follows:

	<u>Notional amount in millions</u>	<u>Interest rate due from counterparty</u>	<u>Interest rate due to counterparty</u>
April 2011	€ 800.0	3 months EURIBOR	3.35%

(6) Fair Value Measurements

We disclose fair value measurements according to 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.

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

As further described in note 5, we have entered into various derivative instruments to manage our foreign currency exposure with respect to the U.S. dollar. Our derivative financial instruments are measured at fair value as the present value of the estimated future cash flows based on observable yield curves and fall under the Level 2 fair value hierarchy. The fair value measurements of these derivative instruments are determined using discounted cash flow models. All but one 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 interest rates, swap rates and yield curves, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own non-performance risk and the non-performance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

instruments, we believe that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in Note 5. The reported fair values of our derivative assets and liabilities as of December 31, 2010 likely will not represent the value that will be realized upon their ultimate settlement or disposition. In this regard, we expect that the values realized will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

As of December 31, 2010, we had no additional financial assets and liabilities apart from derivatives, thus no financial assets and liabilities that fall under Level 1 or Level 3 of the fair value hierarchy.

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 reporting units is based at least in part on discounted cash flow analyses. With the exception of certain inputs in our discount rate assumptions 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 2010, we performed nonrecurring fair value measurements in connection with acquisitions and goodwill impairment assessments. For additional information, see note 4 and 7.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated balance sheets, are as follows:

	Category according to IAS 39 ^(a)	December 31, 2010		December 31, 2009	
		Carrying amount	Fair value	Carrying amount	Fair value
		in millions			
Assets carried at fair value					
Derivative financial instruments	I	€ 53.3	€ 53.3	€ —	€ —
Assets carried at cost or amortized cost					
Trade receivables	II	€ 35.4	€ 35.4	€ —	€ —
Restricted cash	II	1.6	1.6	2,560.7	2,560.7
Other assets	II	9.1	9.1	—	—
Cash and cash equivalents	II	58.7	58.7	—	—
Total assets carried at cost or amortized cost		€ 104.8	€ 104.8	€ 2,560.7	€ 2,560.7
Liabilities carried at fair value					
Derivative financial instruments	I	€ 9.2	€ 9.2	€ 35.7	€ 35.7
Liabilities carried at cost or amortized cost					
Debt obligation and accrued interest . . .	III	€ 2,707.0	€ 3,012.0	€ 2,587.5	€ 2,755.6
Notes payable — related party	III	1,167.0	1,167.0	—	—
Finance lease obligations	III	4.6	4.6	—	—
Total liabilities carried at cost or amortized cost		€ 3,878.6	€ 4,183.6	€ 2,587.5	€ 2,755.6

(a) The terms have the following respective meanings:

Category I refers to Financial Assets and Liabilities Held for Trading

Category II refers to Loans and Receivables

Category III refers to Financial Liabilities Measured at Amortized Cost

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

(7) Long-lived Assets

Property and Equipment, Net

The carrying amounts of property and equipment at the beginning and end of the period from October 23, 2009 until December 31, 2009 were nil. The following table represents the reconciliation of carrying amounts of property and equipment at the beginning and end of the period from January 1, 2010 until December 31, 2010:

	Cable distribution systems	Support equipment, buildings and land in millions	Total
Cost			
January 1, 2010	€ —	€ —	€ —
Liberty Global Transaction	1,930.2	98.2	2,028.4
Additions	203.4	8.1	211.5
Disposal	(4.2)	—	(4.2)
December 31, 2010	<u>€ 2,129.4</u>	<u>€ 106.3</u>	<u>€ 2,235.7</u>
Accumulated Depreciation			
January 1, 2010	€ —	€ —	€ —
Depreciation ^(a)	197.4	13.3	210.7
Additions	—	—	—
Disposal	(4.2)	—	(4.2)
December 31, 2010	<u>€ 193.2</u>	<u>€ 13.3</u>	<u>€ 206.5</u>
Property and Equipment, Net			
December 31, 2010	<u>€ 1,936.2</u>	<u>€ 93.0</u>	<u>€ 2,029.2</u>

(a) Includes depreciation in the amount of €0.6 million for discontinued operations.

During 2010, no borrowing costs were capitalized.

For information concerning assets pledged, see note 12. For information concerning purchase obligations for property and equipment, see note 14.

Goodwill

We performed our annual review for impairment as of October 1, 2010 and we concluded that the full amount of our goodwill was recoverable. Goodwill acquired in connection with the Liberty Global Transaction was allocated to one cash-generating unit.

For detailed information regarding the Liberty Global Transaction, see note 4.

Changes in the carrying amount of goodwill during 2010 are entirely the result of the Liberty Global Transaction.

The key assumptions for the value in use calculations used to determine the recoverable amount are those regarding the discount rates and expected changes to selling prices/product offerings and direct costs during the period. As we have reliable tax planning available for the coming years, a post-tax discount rate is used. Changes in selling practices and direct costs are based on past practices and expectations of future changes in the market. The calculation uses cash flow projections based on financial budgets approved by management, and projections or extrapolations of our Long Range Plan through 2020. A discount rate of 11.0% was applied to the projected cash flows based on the current market assessments of the time value of money and the risks specific to our company and our business plan. Cash flows beyond the 10-year period have been extrapolated using a steady 3.0% growth rate based on historical experience. This growth

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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rate is at the upper range of the long-term average growth rate for the industry, however, we compensated for this estimate by having more company specific risk in our WACC. A period of 10 years prior to implementing a continuing growth rate in the cash flow model is deemed reasonable due to the long-term capital intensive nature of our industry. We believe that any reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Intangible Assets Subject to Amortization, Net

The carrying amounts of intangible assets subject to amortization at the beginning and end of the period from October 23, 2009 until December 31, 2009 were nil. The following table represents the reconciliation of carrying amounts of intangible assets at the beginning and end of the period from January 1, 2010 until December 31, 2010:

	<u>Customer relationships</u>	<u>Trade name</u>	<u>Other</u>	<u>Total</u>
	<u>in millions</u>			
Cost				
January 1, 2010	€ —	€ —	€ —	€ —
Liberty Global Transaction	700.0	9.0	23.2	732.2
Additions	32.0	—	7.5	39.5
Disposal	(0.4)	—	—	(0.4)
December 31, 2010	<u>€ 731.6</u>	<u>€ 9.0</u>	<u>€ 30.7</u>	<u>€ 771.3</u>
Accumulated Amortization				
January 1, 2010	€ —	€ —	€ —	€ —
Amortization ^(a)	102.1	1.7	11.1	114.9
Disposal	(0.4)	—	—	(0.4)
December 31, 2010	<u>€ 101.7</u>	<u>€ 1.7</u>	<u>€ 11.1</u>	<u>€ 114.5</u>
Intangible Assets Subject to Amortization, Net				
December 31, 2010	<u>€ 629.9</u>	<u>€ 7.3</u>	<u>€ 19.6</u>	<u>€ 656.8</u>

(a) Includes amortization in the amount of €0.4 million for discontinued operations.

Our intangible assets other than goodwill each have a finite life and are comprised primarily of customer relationships including subscriber acquisition costs, trade name, software licenses and network user rights. These intangible assets are amortized on a straight-line basis over their estimated useful lives. Each reporting period, we evaluate the estimated useful lives of our intangible assets that are subject to amortization to determine whether events or circumstances warrant revised estimates of useful lives.

For detailed information regarding the Liberty Global Transaction, see notes 1 and 4. For information concerning assets pledged, see note 12.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

(8) Trade receivables

	December 31, 2010
	in millions
Trade receivables, gross	€ 34.7
Allowance for impairment of trade receivables	(15.7)
Trade receivables, net	19.0
Unbilled revenue	16.5
Trade receivables and unbilled revenue, net	€ 35.5
Long term trade receivables	€ (0.1)
Current trade receivables and unbilled revenue, net	€ 35.4

The following table shows the development of the allowance on trade receivables:

	December 31, 2010
	in millions
Allowance at January 1, 2010	€ —
Liberty Global Transaction	18.1
Provisions for impairment of receivables	8.4
Write-offs of receivables	(10.8)
Allowance at December 31, 2010	€ 15.7

The following trade receivables are past due but have not been impaired as they are expected to ultimately be collected:

	December 31, 2010
	in millions
Less than 30 days past due	€ 5.9
31 - 60 days past due	0.9
60 - 90 days past due	0.4
	€ 7.2

(9) Other noncurrent assets

	December 31, 2010
	in millions
Prepaid fiber leases	€ 15.0
Other	5.6
Other noncurrent assets	€ 20.6

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

(10) Accrued liabilities, third party

	December 31, 2010
	in millions
Accrued expenses (other than payroll related accruals)	€ 86.1
Accrued capital expenditures	28.1
Accrued payroll related compensation and benefits	15.3
Value added tax (VAT) payable	7.8
Customer overpayments	6.0
Other liabilities	9.4
Accrued liabilities	<u>€ 152.7</u>

(11) Provisions

The following table shows the development of provisions:

	December 31, 2010
	in millions
January 1, 2010	€ —
Liberty Global Transaction	17.0
Additions	1.9
Cash payments	(0.3)
Release	—
December 31, 2010	<u>€ 18.6</u>

Our provisions relate to acquisitions and to our operations and represent contingencies that are less certain than accrued liabilities.

(12) Debt and Finance Lease Obligations

On November 20, 2009, we issued (i) €1,430.0 million principal amount of 8.125% senior secured notes (the UM Euro Senior Secured Notes) at an issue price of 97.844%, (ii) \$845.0 million (€632.2 million) principal amount of 8.125% senior secured notes (the UM Dollar Senior Secured Notes, together with the UM Euro Senior Secured Notes, the UM Senior Secured Notes) at an issue price of 97.844% and (iii) €665.0 million principal amount of 9.625% senior notes (the UM Senior Notes) at an issue price of 97.652% (collectively, the Unitymedia Senior Notes). The UM Senior Secured Notes mature on December 1, 2017 and the UM Senior Notes mature on December 1, 2019. Net proceeds from the issue of the Unitymedia Senior Notes in the amount of €2,541.0 million, after deducting issuance costs of €65.1 million, were placed into escrow accounts. As further discussed in note 4, on January 28, 2010, we used €849.2 million of cash from the escrow accounts to fund a portion of the Unitymedia Purchase Price.

On March 2, 2010, the remaining balances in the escrow accounts were released in connection with the repayment of our then-existing indebtedness, which consisted of the following:

- €1,350.0 million senior secured floating rate notes due 2013 (the Old Floating Rate Notes), of which €1,024.0 million was outstanding;
- €235.0 million 10.125% senior notes due 2015 (the Old €235m Senior Notes) and payment of applicable call premium of €11.9 million;
- €215.0 million 8.75% senior notes due 2015 (the Old €215m Senior Notes, and together with the Old €235m Senior Notes, the Old Euro Senior Notes) and payment of applicable call premium of €9.4 million;

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

- \$151.0 million (€113.0 million) 10.375% senior notes due 2015 (the Old Dollar Senior Notes, and together with the Old Euro Senior Notes, the Old Senior Notes) and payment of applicable call premium of \$7.8 million (€5.8 million); and
- €100.0 million term loan facility (the Old Term Loan and together with the Old Senior Notes and the Old Floating Rate Notes, the Old Indebtedness).

Also on March 2, 2010, (i) the obligations under the UM Senior Secured Notes were assumed by Old Unitymedia's indirect subsidiaries Unitymedia Hessen and Unitymedia NRW (the UM Senior Secured Notes Co-Issuers), (ii) the obligations under the UM Senior Notes were assumed by Old Unitymedia and (iii) the obligations under Unitymedia's €80.0 million secured revolving credit facility (the Revolving Credit Facility) were assumed by Unitymedia Hessen and Unitymedia NRW. Additionally, Old Unitymedia's existing undrawn €130.0 million revolving credit facility (the Old Revolving Credit Facility) was cancelled. Accrued interest on the Old Indebtedness of €12.8 million in the aggregate was also paid. Old Unitymedia used approximately €198.0 million of its existing cash to repay a portion of the Old Indebtedness. The remainder was paid by utilizing the escrow cash from the November 20, 2009 Unitymedia Senior Notes offering.

The components of our consolidated debt and finance lease obligations are as follows:

	December 31, 2010				Fair value		Carrying value	
	Interest rate ^(a)	Borrowing currency	Euro equivalent	Unused borrowing capacity ^(b)	December 31,		December 31,	
					2010	2009	2010	2009
	in millions							
Debt:								
Parent:								
UM Senior Notes due 2019	9.625%	€ 665.0	€ 665.0	€ N/A	€ 729.8	€ 674.9	€ 650.5	€ 649.5
Subsidiaries:								
Revolving Credit Facility due 2014	4.454%	€ 80.0	€ 80.0	€ —	€ 76.0	€ —	80.0	—
UM Euro Senior Secured Notes due 2017	8.125%	€1,430.0	€1,430.0	€ N/A	€1,516.3	€1,457.0	1,402.3	1,399.5
UM Dollar Senior Secured Notes due 2017	8.125%	\$ 845.0	€ 632.2	€ N/A	€ 670.4	€ 597.7	620.2	577.0
Transaction costs							(65.5)	(64.5)
Accrued interest							19.5	26.0
Finance lease obligations							4.6	—
Total debt and finance lease obligations							2,711.6	2,587.5
Current maturities							(21.8)	(26.0)
Long-term debt and finance lease obligations							€2,689.8	€2,561.5

- (a) Represents the nominal interest rate and does not include the impact of our interest rate derivative agreements, deferred financing costs, discounts or commitment fees, all of which affect our overall cost of borrowing. For information concerning our derivative instruments, see note 5. The nominal interest rate for the Revolving Credit Facility is EURIBOR + 375 basis points. Including the effects of derivative instruments, discounts and commitments fees, but excluding the impact of financing costs, our estimated weighted average interest rate on our aggregate indebtedness was approximately 9.5% at December 31, 2010. Interest payments for the Unitymedia Senior Notes commenced on June 1, 2010 and are made semi-annually on June 1 and December 1.
- (b) Unused borrowing capacity represents the maximum availability under the applicable facility at December 31, 2010 without regard to covenant compliance calculations.

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

Maturities of Debt and Finance Lease Obligations

Maturities of our debt and finance lease obligations as of December 31, 2010 are presented below. Amounts presented below represent euro equivalents based on December 31, 2010 exchange rates:

Debt (in millions)

Year ended December 31:

2011	€ —
2012	—
2013	—
2014	80.0
2015	—
Thereafter	2,727.2
Total debt maturities	2,807.2
Unamortized discount	(54.2)
Total debt	2,753.0
Present value of net minimum lease payments for finance lease obligations	4.6
Total debt and finance lease obligations	€ 2,757.6

Security and Certain Covenants

The UM Senior Secured Notes and the UM Senior Notes are senior obligations of the UM Senior Secured Notes Co-Issuers and Unitymedia (each an Issuer), respectively, that rank equally with all of the existing and future senior debt and are senior to all existing and future subordinated debt of the UM Senior Secured Notes Co-Issuers. The UM Senior Secured Notes are secured by a first-ranking pledge over the shares of the UM Senior Secured Notes Co-Issuers and certain other asset security of certain subsidiaries of Unitymedia. The UM Senior Notes are secured by a first-ranking pledge of Unitymedia and junior-priority share pledges and other asset security of certain subsidiaries of Unitymedia.

The Unitymedia Senior Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €25.0 million or more in the aggregate of an Issuer or any of the Restricted Subsidiaries (as defined in the applicable indenture) is an event of default under the Unitymedia Senior Notes.

The Unitymedia Senior Notes contain an incurrence-based Consolidated Leverage Ratio test, as defined in the applicable indenture.

The Revolving Credit Facility is secured by the same security as the Unitymedia Senior Secured Notes. The Revolving Credit Facility is guaranteed by Unitymedia, Unitymedia Hessen, Unitymedia NRW, Unitymedia Management, Unitymedia Beteiligung, Unitymedia Hessen Verwaltung and each other subsidiary that becomes a significant subsidiary (as defined in the indenture for the Unitymedia Senior Secured Notes).

Substantially all of our cash, receivables, property and equipment and other financial assets have been provided as securities for liabilities by (guarantor) companies Unitymedia GmbH, Unitymedia Management, Unitymedia Hessen, Unitymedia Hessen Verwaltung, Unitymedia NRW, Unitymedia Hessen Verwaltungs, and Arena Sport Rechte und Marketing GmbH.

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

(13) Other liabilities

Other long-term liabilities

	December 31, 2010
	in millions
Net pension liability	€ 8.4
Other long-term liabilities	9.3
Other long-term liabilities	€ 17.7

(14) Commitments and Contingencies

Commitments

In the ordinary course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancellable operating leases, programming contracts, purchases of customer premise equipment and other items. These include several long-term term agreements with Deutsche Telekom AG, Bonn (Deutsche Telekom) and its affiliates with respect to usage and access for underground cable ducts space, the use of fiber optic transmission systems, tower and facility space. In general, these agreements primarily impose fixed prices for a limited period of time, which may then be raised to reflect services requested additionally and increased costs, subject to index-linked limitations. Some agreements impose prices based on the cost to Deutsche Telekom of services that are passed through to us. In accordance with EU-IFRS, we treat these agreements as operating rather than finance leases or as other commitments, as applicable. We expect that in the ordinary course of business, operating leases that expire generally will be renewed or replaced by similar leases.

Expenses for operating leases included in our statement of operations for the year ended December 31, 2010 were €64.4 million. Details of our operating lease contracts and the respective significant leasing arrangements are as follows:

Lease	Terms	Terms of renewal	Purchase options	Contingent rent
Building	1 - 20 years	No	No	No
Dark fiber	1 - 18 years	3 months - 1 year	No	No
Colocation area	1 - 14 years	1 month - 1 year	No	No
Cable ducts	2 - 30 years	1 - 5 years	No	No

Payments due during:							
	2011	2012	2013	2014	2015	Thereafter	Total
	in millions						
Operating leases	€ 68.1	€ 66.3	€ 64.1	€ 63.4	€ 63.4	€ 804.7	€ 1,130.0
Programming and other purchase obligations . . .	12.7	0.8	0.3	—	—	—	13.8
Other commitments	16.7	8.8	—	—	—	—	25.5
	€ 97.5	€ 75.9	€ 64.4	€ 63.4	€ 63.4	€ 804.7	€ 1,169.3

Operating leases include indefinite-live lease agreements with Deutsche Telekom for cable ducts. The lease payments for these leases are €51.2 million annually. We have the legal right to cancel these agreements with a notice period of 24 months, however the technological requirements to replace leased capacity represent economic penalties that would result in the reasonably assured continuance of the leases for a longer period of time. Due to German law governing the statute of limitations, the agreements in effect represent a maximum lease term of 30 years, after which time the Deutsche Telekom has certain additional rights under the lease. Accordingly, the operating lease amounts included in the above table

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

reflect payments under the Deutsche Telecom lease agreements through the applicable statutory termination dates.

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

Other commitments include certain fiber capacity and energy commitments.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we have provided indemnifications to purchasers of certain of our assets, our lenders, our vendors and certain other parties. 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.

Other Contingencies

We have contingent liabilities related to legal proceedings and other matters arising in the ordinary course of business. We expect that the amounts, if any, which may be required to satisfy these contingencies will not be material in relation to our financial position or results of operations.

(15) Income Taxes

The details of our current and deferred income tax benefit (expense) are as follows:

	Year ended December 31, 2010
	in millions
Current tax expense	€ (0.7)
Deferred tax benefit	36.2
Total	<u>€ 35.5</u>

Income tax benefit attributable to our loss from continuing operations before income taxes differs from the income tax benefit computed by applying the German income tax rate of 31.58% as a result of the following:

	Year ended December 31, 2010	Period from October 23, 2009 to December 31, 2009
	in millions	
Computed "expected" income tax benefit	€ 65.9	€ 19.7
Non-deductible or non-taxable interest and other expenses	(21.4)	(1.0)
Unrecognized net operating losses and interest carried forwards	(7.0)	(18.7)
Other, net	(2.0)	—
Total	<u>€ 35.5</u>	<u>€ —</u>

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

As of December 31, 2009, deferred taxes were nil. The details of our deferred tax balances at December 31, 2010 and our deferred tax benefit for the year ended December 31, 2010 are as follows:

	December 31, 2010		Year ended December 31, 2010
	Deferred tax assets	Deferred tax liabilities	Recognition in statement of operations
	in millions		in millions
Loss carryforwards	€ 165.3	€ —	€ 6.0
Property and equipment	—	330.8	19.4
Intangible assets	—	161.7	16.3
Receivables	6.0	—	8.2
Provisions	2.0	—	10.4
Unrealized foreign exchange result	—	13.4	(28.0)
Accrued interest expense	0.6	—	3.6
Other	0.1	1.4	0.3
Net assets with liabilities within same jurisdiction	(174.0)	(174.0)	—
	€ —	€ 333.3	€ 36.2

No deferred tax assets have been recognized for the following carryforwards:

	December 31,	
	2010	2009
	in millions	
Interest carryforwards	€ 78.4	€ 25.5
Trade tax loss carryforwards	€ 31.3	€ 1.7
Corporate income tax loss carry forwards	€ 149.7	€ 1.9

Unitymedia and certain of its subsidiaries are parties to certain profit and loss pooling agreements. Due to those agreements, we are not permitted to use certain tax loss carry forwards as long as these profit and loss pooling agreements are active. Our interest carry forwards have accrued as a result of statutory restrictions that limit the current deductibility of our interest expense. It is uncertain whether we will be in a position to utilize these carryforwards given the existence of these statutory restrictions.

(16) Shareholder's deficit

Our share capital is €25,000 at December 31, 2010 and has been fully paid. All of our shares are held by UPC Germany Holding.

Additional paid-in capital is the result of a €17 million cash contribution from UPC Germany Holding.

As of December 31, 2010, we reported a deficit of €171.9 million. Under the applicable rules in Germany, over-indebtedness is deemed to exist under insolvency law if the existing liabilities are no longer covered by the debtor's assets, unless an entity's ability to continue as a going concern is most likely under the circumstances known.

We assume that our ability to continue as a going concern is most likely and did not file an insolvency petition. Should the future excess of funds from operating activities not be sufficient to pay future interest charges and other obligations we will continue to depend on the financial support of UPC Germany Holding and/or additional borrowed funds to continue as a going concern.

One of our indirect parent companies (Liberty Global Europe B.V., Schiphol-Rijk, Netherlands) has granted a financing commitment dated September 30, 2010 for us and our wholly-owned subsidiaries in the amount of €75 million for a period until December 31, 2012. Taking into account the financing commitment and based on our financial projections we expect to continue as a going concern until

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

December 31, 2012 despite the over-indebtedness reported in the December 31, 2010 consolidated balance sheet.

Capital Risk Management

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Our principal source of liquidity includes (i) the cash and cash equivalents held by Unitymedia, (ii) contributions or loans from UPC Germany Holding, Liberty Global Europe or other Liberty Global subsidiaries and (iii) subject to the restrictions discussed in note 12, proceeds in the form of distributions or loans from Unitymedia Hessen, Unitymedia NRW or other operating subsidiaries.

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control.

To the extent that we are not able to fund any principal payment at maturity with respect to any of our indebtedness, we will be required to refinance this indebtedness with additional credit facilities and/or the issue of new debt or equity securities in the capital markets. Due in part to the level of our existing indebtedness, no assurance can be given that we would be able to complete such financing transactions on favorable terms, or at all. To the extent that we are unable to fund any principal payment at maturity, any failure to raise additional necessary funds to refinance such indebtedness would result in a default under the Revolving Credit Facility and our other indebtedness, including the Unitymedia Senior Notes. In addition, further indebtedness incurred could reduce the amount of our cash flow available to make payments on our indebtedness and increase our leverage. We currently anticipate that we will have to refinance in part certain principal amounts of the existing indebtedness prior to maturity.

(17) Related Party Transactions

Our related party transactions consist of the following:

	Year ended December 31, 2010
	in millions
OpEx	€ 1.4
Related-party fees and allocations, net	23.8
Included in earnings before interest and taxes	25.2
Interest expense	85.8
Included in net loss from continuing operations	€ 111.0
Tangible assets acquired	€ 1.6

OpEx. The amounts represent charges from other Liberty Global subsidiaries, including UPC Holding B.V., to our company for technology related costs based on Liberty Global's global contract for smartcard services. Settlement of these charges is expected to occur in cash or, as jointly agreed by the parties, as an adjustment to the loan payable to UPC Germany Holding, as further described below.

Fees and allocations, net. These amounts represent charges from other Liberty Global subsidiaries, including UPC Holding B.V., to our company following the Liberty Global Transaction, including charges for management, finance, legal, technology, marketing and other services that support our company's broadband communications operations. The amounts charged generally are based on our company's estimated share of the applicable costs (including personnel, stock-based compensation and other costs related to the services provided) incurred by the other Liberty Global subsidiaries plus a mark-up. The monthly amounts charged are based on estimated costs that are reviewed and revised on an annual basis,

UNITYMEDIA GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2010

with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year. Settlement of these charges has occurred through adjustments to the loan payable to our immediate parent as further described below.

Interest expense. Related-party interest expense relates to our notes payables to UPC Germany Holding, as further described below.

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

At December 31, 2010, our notes payable — related party represented net loans payable to UPC Germany Holding. The loans primarily are the result of transactions that were completed in connection with the Liberty Global Transaction. All principal (€1,081.2 million at December 31, 2010) and accrued interest (€85.8 million at December 31, 2010) outstanding under these loans is due and payable on January 1, 2030. The amounts outstanding under these loans bear interest primarily at 8.58% per annum. The net increase in the notes payable — related party balance during 2010 includes (i) cash borrowings of €1,856.0 million, (ii) cash payments of €805.1 million, (iii) additions of €85.8 million in non-cash accrued interest and (iv) a €30.3 million non-cash increase related to the settlement of intercompany charges and allocations.

At December 31, 2010, our accrued liabilities — related party represent accrued expenses with and debt modification charges from UPC Germany Holding and accrued liabilities for tangible assets acquired from other Liberty Global subsidiaries.

During the fourth quarter of 2010, we received a cash contribution in the amount of €17 million from UPC Germany Holding.

Parent guarantee. At December 31, 2010, our accumulated deficit exceeded paid-in capital. We have formalized a €75 million parental guarantee as described in note 16. If utilized, the terms of the guarantee are the same as those for our notes payable described above.

(18) Disclosures according to German GAAP

The average number of employees in 2010 was 1,657. The number of employees calculated in Full Time Equivalents (FTE) as a quarterly average was 1,618 FTE. In our operating departments, which include Network and Customer Operations and Customer Services, we employed 1,198 FTE in 2010, and in our administration departments, consisting of Sales & Marketing, Finance, IT and other general services, 414 FTE were employed. arena employed 6 FTE in 2010 until arena closed down its business operations on September 30, 2010.

Our auditor has received the following remuneration for the respective services:

	Year ended December 31, 2010
	in millions
Audit of financial statements	€ 0.6
Other services	0.1
Total	<u>€ 0.7</u>

Salaries, bonuses, and benefit related remuneration of the Management Directors is €2.1 million for the year ended December 31, 2010.

Independent Auditors' Report (Translation)

The following auditor's report (Bestätigungsvermerk) has been issued in accordance with § 322 German Commercial Code (Handelsgesetzbuch) in German language on the German version of the consolidated financial statements of Kabel BW Erste Beteiligungs GmbH as of and for the fiscal year ended December 31, 2011 and the group management report. The group management report is not included here. The management discussion and analysis was not subject to the audit.

"Independent Auditors' Report

We have audited the consolidated financial statements prepared by the Kabel BW Erste Beteiligungs GmbH, Heidelberg — comprising the consolidated balance sheet, the consolidated statement of operations and consolidated statement of comprehensive earnings, the consolidated statement of changes in shareholder's equity, the consolidated statement of cash flows and the notes to the consolidated financial statements and the group management report for the business year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a I HGB ("German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer Institute of Public Auditor's in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Kabel BW Erste Beteiligungs GmbH, Heidelberg, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a I HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Düsseldorf, March 28, 2012

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Original German version signed by:

Signed: Lammers Signed: Grünewald
German Public Auditor German Public Auditor

KPMG AG
Wirtschaftsprüfungsgesellschaft

Original German version signed by:

Signed: Wallraf Signed: Laue
German Public Auditor German Public Auditor

KABEL BW ERSTE BETEILIGUNGS GMBH
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2011	2010
	in millions	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	€ 26.2	€ 101.0
Trade receivables and unbilled revenue, net (note 9)	29.7	24.2
Other current assets (notes 6 and 16)	7.2	11.2
Total current assets	63.1	136.4
Property and equipment, net (note 8)	744.5	734.3
Goodwill (note 8)	840.0	840.0
Intangible assets, net (note 8)	244.0	269.2
Notes receivable from direct and indirect shareholders (note 16)	570.1	2.0
Other noncurrent assets (note 9)	26.4	9.9
Total noncurrent assets	2,425.0	1,855.4
Total assets	€ 2,488.1	€ 1,991.8

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

KABEL BW ERSTE BETEILIGUNGS GMBH
CONSOLIDATED BALANCE SHEETS (continued)

	December 31,	
	2011	2010
	in millions	
<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>		
Current liabilities:		
Accounts payable	€ 34.3	€ 39.2
Accrued liabilities (note 10)	33.2	38.1
Corporate income taxes payable	15.6	13.5
Deferred revenue and advance payments from subscribers and others	37.5	44.1
Current portion of debt (note 12)	27.1	122.1
Other current liabilities (notes 6 and 16)	16.6	2.7
Total current liabilities	164.3	259.7
Noncurrent debt (note 12)	1,563.4	1,041.2
Deferred tax liabilities (note 14)	12.4	14.7
Deferred revenue and advance payments from subscribers and others	13.7	10.0
Derivative instruments (note 6)	7.3	21.3
Noncurrent provisions (note 11)	10.5	9.8
Total noncurrent liabilities	1,607.3	1,097.0
Total liabilities	1,771.6	1,356.7
Commitments and contingencies (note 13)		
Shareholder's equity (note 15):		
Share capital	—	—
Additional paid-in capital	403.4	403.4
Retained earnings	313.1	242.1
Accumulated other comprehensive losses	—	(10.4)
Total shareholder's equity	716.5	635.1
Total liabilities and shareholder's equity	€ 2,488.1	€ 1,991.8

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

KABEL BW ERSTE BETEILIGUNGS GMBH
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2011	2010	2009
	in millions		
Revenue	€ 606.6	€ 551.5	€ 485.0
Operating costs and expenses:			
Operating (other than depreciation and amortization) (OpEx)	188.0	173.5	169.2
Selling, general and administrative expenses (other than depreciation and amortization) (SG&A)	66.0	64.8	58.5
Impairments and other operating charges, net (note 8)	3.3	9.6	3.5
Total operating costs and expenses	257.3	247.9	231.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	349.3	303.6	253.8
Depreciation and amortization	147.2	136.4	125.0
Earnings before interest and taxes (EBIT)	202.1	167.2	128.8
Financial and other income (expense):			
Interest expense (note 7)	(105.3)	(76.5)	(72.6)
Interest income (note 7):			
Third party	1.7	0.6	0.3
Related party (note 16)	27.8	0.1	0.2
Foreign currency transaction losses (note 7)	(30.4)	—	—
Realized and unrealized losses on derivative instruments (notes 5 and 6)	(9.7)	—	(10.1)
Loss on extinguishment of debt (note 12)	(12.5)	—	—
Net financial expense	(128.4)	(75.8)	(82.2)
Other income	—	1.4	2.0
Net financial and other expense	(128.4)	(74.4)	(80.2)
Earnings before income taxes	73.7	92.8	48.6
Income tax benefit (expense) (note 14)	(2.7)	44.7	(9.3)
Net earnings	€ 71.0	€ 137.5	€ 39.3
Further details of OpEx and SG&A:			
Direct costs (interconnect, programming, copyright, cost of goods sold and other)	€ 74.0	€ 70.8	€ 64.8
Staff-related costs	51.9	45.8	41.3
Network operating costs	53.3	52.6	52.1
Sales and marketing costs	25.5	23.5	23.6
Other indirect costs	49.3	45.6	45.9
	€ 254.0	€ 238.3	€ 227.7
Further details of impairments and other operating charges, net:			
Impairment charges	€ 4.7	€ 9.7	€ 3.3
Other, net	(1.4)	(0.1)	0.2
	€ 3.3	€ 9.6	€ 3.5

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

KABEL BW ERSTE BETEILIGUNGS GMBH
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

	Year ended December 31,		
	2011	2010	2009
	in millions		
Net earnings	€ 71.0	€ 137.5	€ 39.3
Other comprehensive earnings (loss):			
Unrealized gains (losses) on cash flow hedges	2.2	(22.9)	(18.6)
Reclassification adjustment for losses on cash flow hedges included in net earnings (note 4)	12.7	20.0	6.6
Other comprehensive earnings (loss) related to cash flow hedges before income taxes	14.9	(2.9)	(12.0)
Tax benefit (expense)	(4.5)	0.9	3.6
Other comprehensive earnings (loss)	10.4	(2.0)	(8.4)
Comprehensive earnings	€ 81.4	€ 135.5	€ 30.9

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

KABEL BW ERSTE BETEILIGUNGS GMBH
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

	Share capital (note 15)	Additional paid-in capital	Retained earnings	Accumulated other comprehensive losses, net of taxes	Total shareholder's equity
			in millions		
Balance at January 1, 2009	€ —	€ 403.4	€ 65.3	€ —	€ 468.7
Net earnings	—	—	39.3	—	39.3
Other comprehensive loss	—	—	—	(8.4)	(8.4)
Balance at December 31, 2009	—	403.4	104.6	(8.4)	499.6
Net earnings	—	—	137.5	—	137.5
Other comprehensive loss	—	—	—	(2.0)	(2.0)
Balance at December 31, 2010	—	403.4	242.1	(10.4)	635.1
Net earnings	—	—	71.0	—	71.0
Other comprehensive earnings . . .	—	—	—	10.4	10.4
Balance at December 31, 2011	€ —	€ 403.4	€ 313.1	€ —	€ 716.5

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

KABEL BW ERSTE BETEILIGUNGS GMBH
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2011	2010	2009
	in millions		
Cash flows from operating activities:			
Net earnings	€ 71.0	€ 137.5	€ 39.3
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Impairment and other operating charges, net	3.3	9.6	3.5
Depreciation and amortization	147.2	136.4	125.0
Amortization of deferred financing costs and non-cash interest	6.3	14.4	14.1
Foreign currency transaction losses	30.4	—	—
Realized and unrealized losses on derivatives	9.7	—	10.1
Loss on extinguishment of debt	12.5	—	—
Deferred tax expense (benefit)	(6.7)	(52.5)	2.6
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	(56.9)	6.8	(30.1)
Net cash provided by operating activities	216.8	252.2	164.5
Cash flows from investing activities:			
Loans made to direct and indirect shareholders	(540.2)	—	—
Capital expenditures	(137.6)	(142.8)	(146.1)
Other investing activities	2.0	(15.0)	0.2
Net cash used by investing activities	(675.8)	(157.8)	(145.9)
Cash flows from financing activities:			
Borrowings of third-party debt	1,575.4	55.0	40.0
Repayments of third-party debt	(1,129.3)	(102.9)	(71.4)
Payment of financing costs	(45.6)	—	—
Cash paid upon termination of derivative contracts	(16.3)	—	—
Net cash provided (used) by financing activities	384.2	(47.9)	(31.4)
Net increase (decrease) in cash and cash equivalents	(74.8)	46.5	(12.8)
Cash and cash equivalents:			
Beginning of period	101.0	54.5	67.3
End of period	€ 26.2	€ 101.0	€ 54.5
The following cash receipts (payments) are included in net cash provided by operating activities:			
Interest paid (excluding payments related to derivative instruments)	€ 118.1	€ 43.6	€ 54.7
Interest received	€ 1.7	€ 0.6	€ 0.4
Net cash paid for taxes	€ 7.9	€ 3.0	€ 6.3

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

KABEL BW ERSTE BETEILIGUNGS GMBH
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(1) General and Basis of Presentation

Kabel BW Erste Beteiligungs GmbH (Kabel BW) is a limited liability company organized under German law with its registered office and headquarters in Heidelberg, Germany. As of December 31, 2011, its sole shareholder was Kabel BW Musketeer GmbH, Heidelberg (previously named Musketeer GmbH, Berlin) (KBW Musketeer).

Kabel BW, through its subsidiaries, operates a broadband cable network in the federal state of Baden-Württemberg in the southwest of Germany, providing analog and digital television, as well as broadband internet and telephony services to its customers.

On December 15, 2011, UPC Germany HoldCo 2 GmbH (UPC Germany HC2), an indirect wholly-owned subsidiary of Liberty Global, Inc. (Liberty Global), purchased all of the outstanding shares of KBW Musketeer from Oskar Rakso S.à r.l, Luxembourg (Oskar Rakso) (the LGI/KBW Transaction). During the time that Oskar Rakso directly or indirectly owned Kabel BW, Oskar Rakso was directly owned by Wire Holding Guernsey Ltd., and indirectly held by the EQT funds IV and V.

As part of an internal reorganization (the 2012 Reorganization) that is to be effected through a series of mergers and consolidations, Kabel BW, KBW Musketeer and UPC Germany HC2 will each be merged into Kabel BW GmbH (formerly known as Kabel BW Holdings GmbH) (KBW). The mergers were filed with the commercial register (Amtsgericht) on March 27, 2012 and will be effective upon registration. At December 31, 2011, KBW was the direct subsidiary of Kabel BW that owned all of the operating assets of the consolidated Kabel BW group. As a result of the 2012 Reorganization, which we will account for as a common control transfer at carryover basis, (i) UPC Germany HC2's cost to acquire KBW Musketeer in the LGI/KBW Transaction will be reflected in KBW's consolidated financial statements effective January 1, 2012, as further described in note 17, and (ii) the changes to the intercompany loans described in note 16 will be reflected in KBW's consolidated financial statements effective January 1, 2012.

In the following text, the terms "Kabel BW", "we," "our," "our company," and "us" may refer, as the context requires, to Kabel BW, or collectively to Kabel BW and its subsidiaries.

Our annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) and the additional requirements of German Commercial Law pursuant to Sec. 315 a (3) German Commercial Code (HGB).

The KBW Senior Secured Notes and the KBW Senior Notes, (together, the KBW Notes) are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market, which is not a regulated market (as defined by Article 1 (13) of Directive 93/22/EEC). The KBW Senior Secured Notes are obligations of KBW and the KBW Senior Notes are obligations of our immediate parent (KBW Musketeer at December 31, 2011 and UPC Germany HoldCo 1 GmbH (UPC Germany HC1) following the March 27, 2012 completion of certain transactions in connection with the 2012 Reorganization). For additional information and a definition and description of the KBW Notes, see note 12.

Our functional currency is the euro. Unless otherwise indicated, convenience translations into euros are calculated as of December 31, 2011.

These consolidated financial statements, which include information with respect to 2009 to enhance comparability, were approved for publication by the Managing Directors on March 28, 2012.

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(2) Reclassifications

Our financial statements have been revised to conform to Liberty Global's financial statement presentation policies. As a result, prior period amounts have been reclassified to conform to the current year presentation. The reclassifications that impact our statements of operations are summarized below:

	Year ended December 31, 2010		
	As previously reported	Reclassifications in millions	As currently reported
Revenue	€ 546.8	€ 4.7	€ 551.5
Other operating income	16.6	(16.6)	—
Operating costs and expenses:			
OpEx	—	173.5	173.5
SG&A	67.4	(2.6)	64.8
Cost of goods sold	84.9	(84.9)	—
Personnel costs	56.4	(56.4)	—
Technical expenses less capitalized expenses	39.0	(39.0)	—
Impairments and other operating charges, net	—	9.6	9.6
	247.7	0.2	247.9
EBITDA	315.7	(12.1)	303.6
Depreciation and amortization	146.1	(9.7)	136.4
EBIT	169.6	(2.4)	167.2
Interest expense	—	(76.5)	(76.5)
Interest income	—	0.7	0.7
Finance income	0.7	(0.7)	—
Finance expenses	(77.4)	77.4	—
Net financial expense	(76.7)	0.9	(75.8)
Other income	—	1.4	1.4
Net financial and other expense	(76.7)	2.3	(74.4)
Earnings before income taxes	92.9	(0.1)	92.8
Income tax benefit	44.6	0.1	44.7
Net earnings	€ 137.5	€ —	€ 137.5

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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	Year ended December 31, 2009		
	As previously reported	Reclassifications	As currently reported
	in millions		
Revenue	€ 480.7	€ 4.3	€ 485.0
Other operating income	12.6	(12.6)	—
Operating costs and expenses:			
OpEx	—	169.2	169.2
SG&A	67.4	(8.9)	58.5
Cost of goods sold	75.7	(75.7)	—
Personnel costs	52.3	(52.3)	—
Technical expenses less capitalized expenses	37.9	(37.9)	—
Impairments and other operating charges, net	—	3.5	3.5
	233.3	(2.1)	231.2
EBITDA	260.0	(6.2)	253.8
Depreciation and amortization	128.2	(3.2)	125.0
EBIT	131.8	(3.0)	128.8
Interest expense	—	(72.6)	(72.6)
Interest income	—	0.5	0.5
Realized and unrealized losses on derivative instruments	—	(10.1)	(10.1)
Finance income	0.5	(0.5)	—
Finance expenses	(83.4)	83.4	—
Net financial expense	(82.9)	0.7	(82.2)
Other income	—	2.0	2.0
Net financial and other expense	(82.9)	2.7	(80.2)
Earnings before income taxes	48.9	(0.3)	48.6
Income tax expense	(9.6)	0.3	(9.3)
Net earnings	€ 39.3	€ —	€ 39.3

We have also reclassified certain amounts in our prior period consolidated balance sheet and consolidated statements of cash flows to conform to Liberty Global's financial statement presentation policies. With the exception of the reclassifications of the capital expenditure amounts reported in our consolidated statements of cash flows that we describe below, these reclassifications were not material. The prior year reclassifications that impacted the capital expenditure amounts reported in our consolidated statements of cash flows are shown in the below table:

	Year ended December 31,	
	2010	2009
	in millions	
Capital expenditures as previously reported	€ 150.1	€ 149.0
Change in classification of customer premises equipment ^(a)	5.2	(2.9)
Asset acquisition ^(b)	(12.5)	—
Capital expenditures as currently reported	€ 142.8	€ 146.1

- (a) Previously, all purchases of customer premises equipment were considered operating cash outflows in our consolidated statement of cash flows and current assets in our consolidated balance sheets. Under the new presentation, purchases of customer premises equipment that are not expected to be sold to subscribers are reported as capital expenditures in our consolidated statements of cash flows and as property and equipment in our consolidated balance sheets.

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- (b) Represents the acquisition of certain cable network and other intangible assets of a cable distributor in Germany during 2010. This was previously reported as a capital expenditure in our consolidated statement of cash flows and is now reported in other investing activities in our consolidated statement of cash flows for the year ended December 31, 2010.

(3) Accounting Changes and Recent Pronouncements

First-time Application of Accounting Standards

The application of the following accounting standards did not have any impact on our consolidated financial statements:

Standard/ Interpretation	Title	Applicable for reporting periods beginning on or after	Date of endorsement by the EU
Annual Improvements to IFRS (May 2010)	Collection of amendments to several standards and interpretations	January 1, 2011 Partly applicable: July 1, 2010	February 18, 2011
IFRS 1 (amendments)	Limited exemption from comparative IFRS 7 disclosures for first-time adopters	July 1, 2010	June 30, 2010
International Accounting Standard (IAS) 24 (revised)	Related party disclosures	January 1, 2011	July 19, 2010
IAS 32 (amendments)	Classification of Rights Issues	February 1, 2010	December 23, 2009
IFRS Interpretations Committee (IFRIC) 14 (amendments)	IAS 19 — The limit of a defined benefit asset, minimum funding requirements and their interaction	January 1, 2011	July 19, 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	July 1, 2010	July 23, 2010

In May 2010, as part of its project of annual improvements, the International Accounting Standards Board (IASB) issued a collection of amendments to six accounting standards and one interpretation, which include amendments in relation to recognition, measurement and presentation of transactions as well as terminology and editorial amendments. The application of these amendments did not have any significant impact on our consolidated financial statements.

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New Accounting Standards, Not Yet Effective

The following accounting standards have been issued by the IASB but are not yet effective for the reporting period. We have not early adopted any of these accounting standards.

Standard/ Interpretation	Title	Applicable for reporting periods beginning on or after	Date of endorsement by the EU
IAS 1 (amendments)	Presentation of items of other comprehensive income	July 1, 2012	Not yet endorsed
IAS 12 (amendments)	Deferred tax: recovery of underlying assets	January 1, 2012	Not yet endorsed
IAS 19 (revised)	Amendments to IAS 19 employee benefits	January 1, 2013	Not yet endorsed
IAS 27 (amendments)	Separate financial statements	January 1, 2013	Not yet endorsed
IAS 28 (amendments)	Investments in associates and joint ventures	January 1, 2013	Not yet endorsed
IAS 32 (amendments)	Offsetting Financial Assets and Financial Liabilities	January 1, 2014	Not yet endorsed
IFRS 1 (amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters	July 1, 2011	Not yet endorsed
IFRS 7 (amendments)	Amendments to IFRS 7 financial instruments: disclosures	July 1, 2011	November 22, 2011
IFRS 7 (amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities	January 1, 2013	Not yet endorsed
IFRS 9	Financial instruments	January 1, 2015	Not yet endorsed
IFRS 10	Consolidated financial statements	January 1, 2013	Not yet endorsed
IFRS 11	Joint arrangements	January 1, 2013	Not yet endorsed
IFRS 12	Disclosure of interests in other entities	January 1, 2013	Not yet endorsed
IFRS 13	Fair value measurement	January 1, 2013	Not yet endorsed

We have not fully evaluated the impacts of applying these new, but not yet effective accounting standards on our consolidated financial statements, however, we currently do not expect the impact to be material.

(4) Summary of Significant Accounting Policies

Estimates

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

As a result of the LGI/KBW Transaction and the merger of UPC Germany HC2 into KBW in connection with the 2012 Reorganization, UPC Germany HC2's cost to acquire KBW Musketeer will be

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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reflected in KBW's consolidated financial statements effective January 1, 2012. As part of the acquisition accounting, property and equipment and intangible assets will be measured at their current estimated fair values. In addition, the estimated remaining useful lives of these assets will be reassessed based on the outcome of the valuation exercise and Liberty Global's planned use and disposition of KBW's long-lived assets. As a result of the foregoing, we expect that KBW's depreciation and amortization expense in 2012 will be materially different than the amount reported by Kabel BW for 2011. For additional information concerning the impacts of the 2012 Reorganization, see notes 1 and 17. We are also evaluating the need to change certain of our policies and accounting estimates to conform to Liberty Global's policies and accounting estimates. We are not yet in a position to conclude whether this process will result in any material changes to our policies or accounting estimates.

Principles of consolidation

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

In addition to Kabel BW, the parent company, the following subsidiaries were included in our consolidated financial statements at December 31, 2011:

<u>Name of Subsidiary</u>	<u>Headquarters location</u>	<u>Share of Equity %</u>
KBW	Heidelberg, Germany	100.0
Kabel Baden-Württemberg Verwaltungs-GmbH (Kabel GP)	Heidelberg, Germany	100.0

As of December 31, 2011, Kabel BW was the sole shareholder of KBW, and KBW owned all outstanding shares of Kabel GP. As of April 30, 2011, Kabel GP withdrew as general partner of the limited partnership, Kabel Baden-Württemberg GmbH and Co. KG (Kabel Partnership), and upon withdrawal, Kabel Partnership was merged into KBW, with KBW as the surviving entity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits which have a maturity of three months or less at the time of acquisition. Cash and cash equivalents are measured at cost.

Trade receivables

Our trade receivables are initially measured at fair value and subsequently reported at amortized cost, net of an allowance for impairment of trade receivables. The allowance for impairment of trade receivables is estimated based upon our assessment of anticipated loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions, specific customer and historical experience. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

Property and equipment

Property and equipment are measured at initial cost less accumulated depreciation and any accumulated impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The initial cost comprises the purchase price, borrowing costs (if applicable), costs of construction including direct materials and labor, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the costs of dismantling and removing the items and restoring the site on which the assets are located. No borrowing costs were capitalized during the periods presented.

Depreciation is computed on a straight-line basis over the estimated useful lives of each major component of an item of property and equipment. The distribution systems have estimated useful lives ranging from 5 to 35 years. Support equipment and buildings (including leasehold improvements) have

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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estimated useful lives ranging from 3 to 12 years. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date and may be adjusted based on management's expectations of future use.

Property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment exists when the carrying value exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. For purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Impairment losses are reversed if the reasons for the impairment loss no longer exist or the impairment loss has decreased.

Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will be achieved and when the cost can be measured reliably. The carrying amount of any replaced item is derecognized. All other expenditures for repairs and maintenance are expensed as incurred.

Gains and losses due to disposals are included in impairments and other operating charges, net.

Intangible assets

Our primary intangible assets are goodwill, customer relationships, trade name, subscriber acquisition costs and software. Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with finite lives are amortized over their respective estimated useful lives on a straight-line basis and reviewed for impairment when circumstances warrant. Each reporting period we evaluate the estimated useful lives of our intangible assets that are subject to amortization to determine whether events or circumstances warrant revised estimates of useful lives.

Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired. Goodwill is tested for impairment annually, or more frequently when there is an indication that it may be impaired. If the recoverable amount (i.e. the higher of fair value less costs to sell or value in use) of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets pro-rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in a subsequent period. Through 2011, our annual goodwill impairment tests were performed on November 30. Beginning in 2012, these annual impairment tests will be conducted on October 1.

Customer relationships are recognized at their fair values upon acquisition and are amortized over lives ranging from 6 to 38 years. Subscriber acquisition costs are recognized as incurred when such costs are directly attributable to obtaining a new customer contract, are paid to a third party, can be measured reliably and meet the definition of an intangible asset. Subscriber acquisition costs are amortized over the applicable contractual life, which generally ranges from 1 to 2 years.

The trade name was initially recognized at its fair value in connection with a business combination, and because there was no foreseeable limit to the period over which this asset was expected to generate net cash inflows, it was considered to have an indefinite life and therefore, was not amortized. However, in connection with the LGI/KBW Transaction, the useful life of the trade name was re-evaluated and was assigned a useful life of five years effective December 15, 2011.

Costs associated with maintaining computer software are expensed as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by us for which it is probable that the expected future economic benefits attributable to the assets would flow to our company beyond one year are recognized as intangible assets. Capitalized internal-use software costs include only external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote time to the project. Capitalization of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. Capitalized internal-use software costs are amortized on a straight-line basis over their applicable expected useful lives ranging from 1 to 5 years. Where no internal-use intangible asset can be recognized, development expenditures are expensed as incurred.

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Licenses are amortized over their expected useful lives ranging from 3 to 20 years.

Subsequent expenditures related to intangible assets are capitalized only when the expenditures increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated brands, are expensed as incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to us. Property and equipment acquired by way of a finance lease are initially stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. The leased asset is subsequently depreciated over the shorter of its useful life or the lease term and is subject to impairment assessments as a component of the applicable cash-generating unit. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in noncurrent debt with the interest element of the lease payment charged to our consolidated statements of operations over the lease period. All other leases are classified as operating lease payments and recognized in our consolidated statements of operations on a straight-line basis over the term of the lease.

We have entered into various long-term service level agreements with Deutsche Telekom AG (Deutsche Telekom) and certain of its affiliates that are significant to our business, in particular for the lease of cable duct space. Generally, the terms per the agreements are unlimited, yet we have certain termination rights which are entirely at our discretion. According to German law, lease agreements are subject to a termination right of either party after a term of 30 years. We do not capitalize these cable ducts as finance leases as a result of management assumptions made regarding the expected usage of the cable ducts at the inception of the contracts.

Financial Instruments

Cash and cash equivalents, current trade and other receivables, other current assets, accounts payable, accrued liabilities, subscriber advance payments and deposits and other current liabilities are initially recognized at fair value and subsequently carried at amortized cost. Due to their relatively short maturities, the carrying values of these financial instruments approximate their respective fair value. The carrying amounts of trade receivables with a remaining term of more than one year are included in noncurrent assets and the carrying amount of these receivables approximates their fair value.

Loans and other receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

For information concerning the fair value of our debt, see note 12.

Derivative instruments

All derivative instruments, whether designated as hedging relationships or not, are recorded on the balance sheet at fair value. We use interest rate swaps and cross-currency swaps for hedging interest rate and foreign currency risks, respectively.

If the derivative instrument is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative instrument are recorded in other comprehensive loss and subsequently reclassified into our consolidated statement of operations when the hedged forecasted transaction affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative instrument is not designated as a hedge, changes in the fair value of the derivative instrument are recognized in realized and unrealized gains (losses) on derivative instruments in our consolidated statements of operations.

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Bonds and bank liabilities

Bonds and bank liabilities are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value of our bond and bank liabilities is recognized in our consolidated statements of operations over the respective terms of the borrowings using the effective interest method.

Provisions

Provisions are liabilities of uncertain timing and/or amount. A provision is recognized when a present legal or constructive obligation as a result of a past event exists, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Foreign Currency Transactions

The euro is our functional currency. Transactions denominated in currencies other than the euro are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to monetary items (e.g. cash held in a foreign currency or assets and liabilities to be received or paid in a fixed or determinable number of foreign currency units) recorded in our consolidated balance sheet result in transaction gains and losses that are reflected in our consolidated statement of operations as foreign currency transaction gains (losses).

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of our activities. Revenue is presented net of value-added tax, rebates and discounts and after eliminating intercompany sales within the consolidated group.

We derive revenue from five main business activities: our digital and analog cable television products and services, broadband internet services, telephony products and services (including subscription and usage fees) and carriage fees paid by broadcasters.

Revenue is recognized when services have been provided, the costs incurred can be measured reliably and we are not obliged to provide any future services. Prepayments are deferred and amortized on a straight-line basis over the service period.

When free or discounted service periods or other customer incentives are offered to customers in relation to a subscription, we recognize the total amount of billable revenue that we expect to receive from customers in equal monthly installments over the term of the contract provided that we have the enforceable and contractual right to deliver products to the customer after the promotional period. If free months are given without a contract at the beginning of a subscription period, we do not recognize revenue during the free months as the customer's continuance is not assured.

For multiple element arrangements, the recognition criteria of revenue are applied to the separately identifiable components of the transaction. A component within an arrangement is separated if it has standalone value to the customer and if its fair value can be measured reliably. The fair value of the consideration received or receivable is allocated to the separate components of the arrangement using the residual fair value method.

Revenue resulting from the sale of goods is realized when the significant risks and rewards of ownership are transferred to the customer.

Installation fees generally are recognized as services are rendered.

For information regarding our policy for allocating product revenue, see *Segments* below.

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Income taxes

Current taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities at undiscounted values. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted as of the balance sheet date.

Deferred taxes

Generally, deferred taxes are recognized for any temporary differences between the tax base and the EU-IFRS base, except in situations where goodwill is not recognized for tax purposes.

Deferred tax assets are recognized for deductible temporary differences and tax loss and interest carryforwards if it is probable that future taxable earnings will be available, against which the unused tax losses or temporary differences can be utilized. However, deferred tax assets are not recognized if the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting earnings nor taxable earnings.

The recoverability of the carrying value of deferred taxes is determined based on management's estimates of future taxable earnings. If it is no longer probable that enough future taxable earnings will be available, against which the unused tax losses or temporary differences can be used, an impairment in a corresponding amount is recognized on the deferred tax assets.

Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred taxes are not discounted.

If the changes in the value of assets or liabilities are recognized in a separate component of equity, the change of value of the corresponding deferred tax assets and liabilities are also recognized in this separate component of equity (instead of income tax expense).

Deferred tax assets and liabilities are offset in our consolidated balance sheets if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

For additional information concerning our income taxes, see note 14.

Segments

Consistent with how Liberty Global's chief operating decision maker reviews the operating results of Kabel BW, the cable segment is the only segment in which we operate. Prior to the LGI/KBW Transaction, we reported three segments: Television, Telecommunication and Other. Our cable segment provides digital and analog video, broadband internet and telephony services to residential and business customers over an integrated broadband communications network.

We operate in one geographical area, the country of Germany.

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Our revenue by major product category is as follows:

	Year ended December 31,		
	2011	2010	2009
	in millions		
Subscription revenue ^(a) :			
Video	€ 299.3	€ 291.8	€ 281.8
Broadband internet	93.9	77.5	56.7
Telephony	143.4	118.2	92.0
Total subscription revenue	536.6	487.5	430.5
Non-subscription revenue ^(b)	70.0	64.0	54.5
Total revenue	€ 606.6	€ 551.5	€ 485.0

- (a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. Prior period amounts have been reclassified to conform to current year presentation. As we did not sell our broadband internet and telephony products on a standalone basis during 2009, the 2009 allocation is based on our 2010 standalone pricing for these products.
- (b) Non-subscription revenue includes carriage fee, interconnect and installation revenue.

(5) Financial Risk Management

Overview

We have exposure to the following risks that arise from our financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

Our exposure to each of these risks, the policies and procedures that we use to manage these risks and our approach to capital management are discussed below in this note. As a subsidiary of Liberty Global, our approach to the management of these risks is integrated with Liberty Global's overall risk management policies and procedures.

Credit Risk

Credit risk is the risk that we would experience financial loss if our customers or the counterparties to our derivative and other financial instruments, undrawn debt facilities and cash investments were to default on their obligations to us.

We manage the credit risks associated with our trade receivables by performing credit verifications, following established dunning procedures and engaging collection agencies. We also manage this risk by disconnecting services to customers whose accounts are delinquent. Concentration of credit risk with respect to trade receivables is limited due to the large number of customers.

We manage the credit risks associated with our derivative and other financial instruments, cash investments and undrawn debt facilities primarily through the evaluation and monitoring of the creditworthiness of the respective counterparties. In addition, most of our cash is invested in overnight deposits with banks having a minimum credit rating of A. To date, neither the access to, nor the value of, our cash and cash equivalent balances have been adversely impacted by liquidity problems of financial institutions. We and the counterparties to our derivative instruments do not post collateral or other security, nor have we entered into master netting arrangements with any of our counterparties.

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

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

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

In light of the related party nature of our notes receivable from direct and indirect shareholders and the fact that these receivables will be extinguished in connection with the 2012 Reorganization, we have not considered these financial instruments in our credit risk assessments. For additional information regarding the 2012 Reorganization, see note 1.

Our maximum exposure to credit risk is represented by the carrying amounts of our financial assets, excluding notes receivable from direct and indirect shareholders, as discussed above. For information concerning these carrying amounts, see note 7.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting our financial obligations. Kabel BW is a holding company, and its primary assets are cash and cash equivalents and investments in consolidated subsidiaries. As Kabel BW generally is able to access the financial assets of its operating subsidiary (KBW), we assess our sources and uses of liquidity on a consolidated basis.

Our sources of liquidity include (i) cash provided by our operations, (ii) our cash and cash equivalent balances (€26.2 million at December 31, 2011) and (iii) availability under the KBW Revolving Credit Facility (€100.0 million at December 31, 2011), as defined and described in note 12. In addition, from time to time, our sources of liquidity may include funding from our immediate parent company (and ultimately from Liberty Global and other Liberty Global subsidiaries) in the form of loans or contributions, as applicable.

Our sources of liquidity typically are used to fund our debt service requirements, capital expenditures and other liquidity requirements that may arise from time to time, including the transfer of any excess funds to our immediate parent company (and ultimately to Liberty Global and other Liberty Global

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subsidiaries, subject to the terms of the indentures governing the KBW Notes, as described in note 12), in the form of loans or distributions, as applicable.

Our most significant financial obligations are our debt obligations, as described in note 12. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash on hand, the cash provided from our operations, available borrowings under the KBW Revolving Credit Facility and, if needed, any loans or contributions from our immediate parent company or other Liberty Global subsidiaries will be sufficient to fund our currently anticipated working capital needs, capital expenditures and debt service requirements through December 31, 2012, although no assurance can be given that this will be the case. However, as our debt matures 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 refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. 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.

Our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase the Adjusted EBITDA of our operating subsidiaries and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in our and our immediate parent company's debt instruments. In this regard, if our Adjusted EBITDA were to decline, we could be required to repay or limit our borrowings under the KBW Revolving Credit 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. As we use the term, Adjusted EBITDA is defined as EBITDA before stock-based compensation, impairment, restructuring and other operating charges or credits and related-party fees and allocations, net.

We and Liberty Global use budgeting and cash flow forecasting tools to ensure that we will have sufficient resources to timely meet our liquidity requirements. We and Liberty Global also maintain a liquidity reserve to provide for unanticipated cash outflows.

The following table shows the timing of expected payments based on the contractually agreed upon terms for our financial liabilities as of December 31, 2011.

	2012	2013	2014	2015	2016	Thereafter	Total
	in millions						
Debt principal	€ —	€ —	€ —	€ —	€ —	€ 1,605.8	€1,605.8
Debt interest	114.3	114.3	114.3	114.3	114.3	252.4	823.9
Derivative liabilities	4.9	3.7	2.0	0.4	—	—	11.0
Accounts payable	34.3	—	—	—	—	—	34.3
Accrued liabilities	33.2	—	—	—	—	—	33.2
Total	<u>€ 186.7</u>	<u>€ 118.0</u>	<u>€ 116.3</u>	<u>€ 114.7</u>	<u>€ 114.3</u>	<u>€ 1,858.2</u>	<u>€2,508.2</u>

Market Risk

Because we have certain debt that is denominated in United States (U.S.) dollars and other debt that has a floating interest rate, we are exposed to market risks relating to fluctuations in the foreign exchange

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rate between the U.S. dollar and the euro and changes in the EURIBOR. Each of these risks is discussed below.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to the KBW Senior Secured Floating Rate Notes, as defined and described in note 12. In order to mitigate the interest rate risk associated with this debt, we have entered into interest rate swap contracts, as further described in note 6. These interest rate swaps fix the interest rate on this debt at approximately 6.85% during the terms of the underlying contracts. In this regard, we use judgment to determine the appropriate maturity dates of our interest rate derivative instruments, taking into account the relative costs and benefits of different maturity profiles in light of current and expected future market conditions, liquidity issues and other factors.

We also have exposure to interest rate risk with respect to any amounts we borrow under the KBW Revolving Credit Facility, as defined and described in note 12, which also bears interest at a variable rate.

With respect to our fixed rate debt, changes in interest rates will impact the fair value of the debt instrument but not our cash flows. If however, we were to refinance our fixed rate debt, we would be exposed to interest rate risk with respect to the debt we would incur with respect to any such refinancing. While we and Liberty Global typically strive to mitigate this risk by refinancing well before the debt matures, no assurance can be given that we would be able obtain new debt financing on terms that are as attractive as our existing debt. As we do not carry our debt at fair value, changes in the fair value of our debt typically would not impact our results of operations.

For purposes of demonstrating the sensitivity of (i) the interest expense on the KBW Senior Secured Floating Rate Notes and (ii) the fair value of the related interest rate swaps to changes in interest rates, we present the changes in these items that would result from a hypothetical instantaneous change in the 3-month EURIBOR of 50 basis points (0.50%) as of December 31, 2011, holding all other variables constant. This sensitivity analysis assumes that this hypothetical rate was in effect, and that the KBW Senior Secured Floating Rate Notes were outstanding, for the entire year. This analysis is presented for illustrative purposes only. In practice, market rates rarely change in isolation and are likely to be interdependent.

The impacts of these hypothetical changes in interest rates for the year ended December 31, 2011 are as follows:

	<u>Increase of 0.50%</u>	<u>Decrease of 0.50%</u>
	<u>in millions</u>	
Decrease (increase) in interest expense	€ (2.1)	€ 2.1
Increase (decrease) in fair value of interest rate swaps	<u>3.6</u>	<u>(3.6)</u>
Increase (decrease) in earnings before income taxes	<u>€ 1.5</u>	<u>€ (1.5)</u>

Foreign Currency Risk

Our reporting currency is the euro. We historically have not had, and do not expect in the future to have, material amounts of cash inflows or outflows that are denominated in currencies other than the euro, with the exception of interest and principal payments on the KBW Dollar Senior Secured Notes, as defined and described in note 12. Accordingly, these interest and principal payments represent our only material foreign currency risk. In accordance with our and Liberty Global's risk management policies, we have entered into a cross-currency swap to synthetically convert the interest and principal payments due under the KBW Dollar Senior Secured Notes into euros throughout the term of such notes.

For purposes of demonstrating the sensitivity of (i) the outstanding principal and accrued interest associated with the KBW Dollar Senior Secured Notes and (ii) the fair value of the related cross-currency swaps to changes in foreign currency exchange rates, we present the changes in these items that would result from a hypothetical instantaneous change in the euro to U.S. dollar foreign currency exchange rate

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of 10% as of December 31, 2011, holding all other variables constant. This sensitivity analysis assumes that the KBW Dollar Senior Secured Notes and the related cross-currency swaps were outstanding for the entire year. This analysis is presented for illustrative purposes only. In practice, market rates rarely change in isolation and are likely to be interdependent. The impacts of these hypothetical changes in foreign exchange rates for the year ended December 31, 2011 are as follows:

	Value of euro relative to the U.S. dollar	
	10% increase	10% decrease
	in millions	
Decrease (increase) in foreign currency transaction losses	€ 39.4	€ (39.4)
Decrease (increase) in loss associated with change in fair value of cross- currency swaps	(52.8)	52.8
Increase (decrease) in earnings before income taxes	€ (13.4)	€ 13.4

Capital Management

We manage our capital to ensure that we will be able to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, Liberty Global may determine to cause our company to return capital to our shareholder or make loans to our shareholder or other Liberty Global subsidiaries. In addition, Liberty Global may determine to cause one or more of its subsidiaries to provide funding to our company in the form of loans or capital contributions, as applicable.

We monitor our debt capital on the basis of our leverage covenants. As further discussed above, our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase the Adjusted EBITDA of our operating subsidiaries and to achieve adequate returns on our capital expenditures and acquisitions. For additional information regarding our debt, see note 12.

(6) Derivative Instruments

We use interest rate swaps and cross-currency swaps for hedging interest rate and foreign currency risks, respectively.

Hedge accounting was applied from September 2009 to March 2011 to the interest rate swap contracts that hedged the interest rate risk with respect to our variable rate bank debt. In connection with the refinancing of this bank debt in March 2011, (i) these interest rate swaps were settled prior to maturity for €16.3 million in cash, (ii) the remaining unrealized losses included in accumulated other comprehensive losses related to these swaps of €9.8 million were reclassified to realized and unrealized gains (losses) on derivative instruments in our consolidated statement of operations and (iii) we entered into new cross-currency swap and interest rate swap agreements in order to manage the U.S. dollar currency risks and the variable interest rate risks, respectively, associated with the new debt.

Hedge accounting is not applied to the new interest rate and cross-currency swaps.

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

	December 31, 2011			December 31, 2010		
	Current ^(a)	Noncurrent ^(a)	Total	Current ^(a)	Noncurrent ^(a)	Total
	in millions					
Assets:						
Cross-currency derivative contracts ^(b)	€ 0.5	€ 18.1	€ 18.6	€ —	€ —	€ —
Liabilities:						
Interest rate derivative contracts ^(b)	€ 6.3	€ 7.3	€ 13.6	€ —	€ 21.3	€ 21.3

(a) Our current derivative assets and liabilities are included in other current assets and other current liabilities, respectively, and our noncurrent derivative assets are included in other noncurrent assets, in our consolidated balance sheets.

(b) As of December 31, 2011, the fair values of our cross-currency derivative assets and our interest rate derivative liabilities have each been reduced by credit risk valuation adjustments of €2.2 million and €0.5 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. For further information concerning our fair value measurements, see note 7.

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

	Year ended December 31,		
	2011	2010	2009
	in millions		
Cross-currency derivative contracts	€ 17.5	€ —	€ —
Interest rate derivative contracts	(27.2)	—	(10.1)
Total	€ (9.7)	€ —	€ (10.1)

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

	Year ended December 31,		
	2011	2010	2009
	in millions		
Operating activities	€ (9.1)	€ (20.2)	€ (12.0)
Financing activities	(16.3)	—	—
Total	€ (25.4)	€ (20.2)	€ (12.0)

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Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at December 31, 2011 are as follows:

<u>Maturity date</u>	<u>Notional amount due from counterparty</u>	<u>Notional amount due to counterparty</u>	<u>Interest rate due from counterparty</u>	<u>Interest rate due to counterparty</u>
	in millions			
March 15, 2019	\$ 500.0	€ 355.4	7.5%	7.975%

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at December 31, 2011 are as follows:

<u>Maturity date</u>	<u>Notional amount</u>	<u>Interest rate due from counterparty</u>	<u>Interest rate due to counterparty</u>
	in millions		
March 15, 2013	€ 140.0	3 month EURIBOR	2.596%
March 15, 2014	€ 140.0	3 month EURIBOR	2.596%
March 15, 2015	€ 140.0	3 month EURIBOR	2.596%

(7) Fair Value Measurements

Our derivative instruments are the only financial instruments that were accounted for at fair value as of December 31, 2011. The reported fair values of our derivative assets and liabilities as of December 31, 2011 likely will not represent the value that will be realized upon their ultimate settlement or disposition. In this regard, we expect that the values realized will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

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

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

As further described in note 6, we have entered into derivative instruments to manage our interest rate and foreign currency exchange risk. The fair value measurements of these derivative instruments are determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes applicable interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we

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do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative instruments, we believe 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 6.

We do not have any financial instruments that fall under Level 1 or Level 3 of the fair value hierarchy.

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 our company, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of our company is based at least in part on discounted cash flow analyses. With the exception of certain inputs in our weighted average cost of capital 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 our company to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We perform nonrecurring fair value measurements in connection with our goodwill impairment assessments.

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The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated balance sheets, are as follows:

Category ^(a)	December 31, 2011		December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
in millions				
Assets carried at fair value:				
Derivative instruments without designated hedge relationship	I	€ 18.6	€ —	€ —
Assets carried at cost or amortized cost:				
Cash and cash equivalents	II	€ 26.2	€ 101.0	€ 101.0
Trade receivables and unbilled revenue	II	30.8	26.2	26.2
Other current financial assets	II	2.0	4.3	4.3
Notes receivable from direct and indirect shareholders ^(b)	II	570.1	2.0	2.0
Other noncurrent financial assets	II	0.8	0.8	0.8
Total assets carried at cost or amortized cost		€ 629.9	€ 134.3	€ 134.3
Liabilities carried at fair value:				
Derivative instruments with designated hedge relationship	IV	€ —	€ 21.3	€ 21.3
Derivative instruments without designated hedge relationship	I	13.6	—	—
Total liabilities carried at fair value		€ 13.6	€ 21.3	€ 21.3
Liabilities carried at cost or amortized cost:				
Accounts payable	III	€ 34.3	€ 39.2	€ 39.2
Accrued liabilities	III	33.2	38.1	38.1
Debt obligation, accrued interest and transaction costs	III	1,590.5	1,163.3	1,176.4
Other	V	—	0.2	0.2
Total liabilities carried at cost or amortized cost		€ 1,658.0	€ 1,240.8	€ 1,253.9

(a) Pursuant to IAS 39, category I refers to financial assets and liabilities held for trading, category II refers to loans and receivables, category III refers to financial liabilities measured at amortized cost and category IV refers to derivatives designated as hedging instruments. Category V refers to finance leases outside the scope of IAS 39.

(b) Includes accrued interest and discount.

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Pre-tax amounts recognized in our consolidated statements of operations during 2011, 2010 and 2009 related to our financial instruments are as follows:

	Interest income	Interest expense	Other statement of operations effects ^(a)	Impact on earnings before income taxes
	in millions			
Year ended December 31, 2011:				
Derivative assets carried at fair value through our consolidated statement of operations . . .	€ —	€ —	€ 17.5	€ 17.5
Assets carried at cost or amortized cost ^(b)	29.5	—	(4.8)	24.7
Derivative liabilities carried at fair value through our consolidated statement of operations	—	—	(17.4)	(17.4)
Derivative liabilities carried at fair value through other comprehensive earnings	—	(2.9)	(9.8)	(12.7)
Liabilities carried at cost or amortized cost . . .	—	(102.4)	(42.9)	(145.3)
	<u>€ 29.5</u>	<u>€ (105.3)</u>	<u>€ (57.4)</u>	<u>€ (133.2)</u>
Year ended December 31, 2010:				
Assets carried at cost or amortized cost ^(b)	€ 0.7	€ —	€ (2.3)	€ (1.6)
Derivative liabilities carried at fair value through other comprehensive earnings	—	(20.0)	—	(20.0)
Liabilities carried at cost or amortized cost . . .	—	(56.5)	—	(56.5)
	<u>€ 0.7</u>	<u>€ (76.5)</u>	<u>€ (2.3)</u>	<u>€ (78.1)</u>
Year ended December 31, 2009:				
Assets carried at cost or amortized cost ^(b)	€ 0.5	€ —	€ (2.6)	€ (2.1)
Derivative liabilities carried at fair value through our consolidated statement of operations	—	—	(10.1)	(10.1)
Derivative liabilities carried at fair value through other comprehensive earnings	—	(6.6)	—	(6.6)
Liabilities carried at cost or amortized cost . . .	—	(66.0)	—	(66.0)
	<u>€ 0.5</u>	<u>€ (72.6)</u>	<u>€ (12.7)</u>	<u>€ (84.8)</u>

(a) Except as noted in (b) below, amounts are included in net financial expense in our consolidated statements of operations.

(b) The “Other statement of operations effects” amount represents the provision for impairment of trade receivables and is included in OpEx in our consolidated statements of operations.

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(8) Long-lived Assets

Property and Equipment, Net

Changes during 2011 and 2010 in the carrying amounts of our property and equipment, net, are set forth below:

	<u>Cable distribution systems</u>	<u>Support equipment, buildings and land</u> in millions	<u>Total</u>
Cost:			
January 1, 2011	€ 984.7	€ 34.5	€ 1,019.2
Additions	104.4	5.6	110.0
Disposals and other	(2.0)	(0.2)	(2.2)
December 31, 2011	<u>€ 1,087.1</u>	<u>€ 39.9</u>	<u>€ 1,127.0</u>
Accumulated depreciation:			
January 1, 2011	€ 267.9	€ 17.0	€ 284.9
Depreciation	94.0	5.2	99.2
Disposals	(1.2)	(0.4)	(1.6)
December 31, 2011	<u>€ 360.7</u>	<u>€ 21.8</u>	<u>€ 382.5</u>
Property and equipment, net:			
December 31, 2011	<u>€ 726.4</u>	<u>€ 18.1</u>	<u>€ 744.5</u>
	<u>Cable distribution systems</u>	<u>Support equipment, buildings and land</u> in millions	<u>Total</u>
Cost:			
January 1, 2010	€ 874.7	€ 30.9	€ 905.6
Acquisitions ^(a)	3.8	—	3.8
Additions	106.6	4.7	111.3
Disposals and other	(0.4)	(1.1)	(1.5)
December 31, 2010	<u>€ 984.7</u>	<u>€ 34.5</u>	<u>€ 1,019.2</u>
Accumulated depreciation:			
January 1, 2010	€ 184.7	€ 13.4	€ 198.1
Depreciation	84.6	4.7	89.3
Disposals and other	(1.4)	(1.1)	(2.5)
December 31, 2010	<u>€ 267.9</u>	<u>€ 17.0</u>	<u>€ 284.9</u>
Property and equipment, net:			
December 31, 2010	<u>€ 716.8</u>	<u>€ 17.5</u>	<u>€ 734.3</u>

(a) Includes assets of €3.0 million acquired from another cable provider and a net increase of €0.8 million resulting from the full consolidation of a former equity affiliate upon acquisition of the remaining 50% ownership interest.

Goodwill

We performed our annual review for impairment as of November 30, 2011 and, based primarily on the enterprise value implied by the LGI/KBW Transaction, we concluded that the full amount of our goodwill was recoverable. For additional information concerning the LGI/KBW Transaction, see note 17.

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There were no changes in the carrying amount of our goodwill during 2011. Changes in the carrying amount of our goodwill during 2010 are set forth below (in millions):

January 1	€	837.1
Acquisitions		2.9
December 31	€	<u>840.0</u>

Intangible Assets, net

Changes during 2011 and 2010 in the carrying amount of our intangible assets, net, are set forth below:

		Finite-lived			Indefinite-lived	
	Customer relationships	Subscriber acquisition costs	Other ^(a)	Trade name	Total	
			in millions			
Cost:						
January 1, 2011	€ 304.0	€ 30.4	€ 62.2	€ 20.7	€ 417.3	
Additions	—	16.0	11.6	—	27.6	
Reclassifications ^(b)	—	—	20.7	(20.7)	—	
Disposals and other	—	(14.9)	(7.5)	—	(22.4)	
December 31, 2011	<u>€ 304.0</u>	<u>€ 31.5</u>	<u>€ 87.0</u>	<u>€ —</u>	<u>€ 422.5</u>	
Accumulated amortization:						
January 1, 2011	€ 99.2	€ 20.5	€ 28.4	€ —	€ 148.1	
Amortization	23.4	15.3	9.3	—	48.0	
Impairments ^(c)	—	—	4.7	—	4.7	
Disposals	—	(14.9)	(7.4)	—	(22.3)	
December 31, 2011	<u>€ 122.6</u>	<u>€ 20.9</u>	<u>€ 35.0</u>	<u>€ —</u>	<u>€ 178.5</u>	
Intangible assets, net:						
December 31, 2011	€ 181.4	€ 10.6	€ 52.0	€ —	€ 244.0	

(a) Primarily includes computer software costs and, subsequent to the LGI/KBW Transaction, trade name costs.

(b) Represents the reclassification of trade name from indefinite-lived intangible asset to finite-lived in connection with the LGI/KBW Transaction.

(c) The development of a customer billing system was discontinued in connection with the LGI/KBW Transaction and, as a result, an impairment charge of €4.7 million was recognized. The related impairment test considered the value in use as fair value.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2011

	Finite-lived			Indefinite-lived	
	Customer relationships	Subscriber acquisition costs	Other ^(a)	Trade name	Total
	in millions				
Cost:					
January 1, 2010	€ 292.4	€ 23.8	€ 49.1	€ 20.7	€ 386.0
Additions	—	17.7	13.8	—	31.5
Acquisitions ^(b)	11.6	—	—	—	11.6
Disposals and other	—	(11.1)	(0.7)	—	(11.8)
December 31, 2010	<u>€ 304.0</u>	<u>€ 30.4</u>	<u>€ 62.2</u>	<u>€ 20.7</u>	<u>€ 417.3</u>
Accumulated amortization:					
January 1, 2010	€ 77.1	€ 13.3	€ 12.8	€ —	€ 103.2
Amortization	22.8	18.4	5.9	—	47.1
Impairments ^(c)	—	—	9.7	—	9.7
Disposals and other	(0.7)	(11.2)	—	—	(11.9)
December 31, 2010	<u>€ 99.2</u>	<u>€ 20.5</u>	<u>€ 28.4</u>	<u>€ —</u>	<u>€ 148.1</u>
Intangible assets, net:					
December 31, 2010	<u>€ 204.8</u>	<u>€ 9.9</u>	<u>€ 33.8</u>	<u>€ 20.7</u>	<u>€ 269.2</u>

(a) Primarily includes computer software costs.

(b) Includes customer relationships valued at €9.6 million acquired from another cable provider and a net increase of €2.0 million resulting from the full consolidation of a former equity affiliate upon acquisition of the remaining 50% ownership interest.

(c) The development of a customer care system was discontinued in 2010, and as a result, an impairment of €9.7 million was recognized. This impairment test considered the value in use as fair value.

For information concerning pledged assets, see note 12.

(9) Trade receivables and unbilled revenue

The details of our trade receivables and unbilled revenue are set forth below:

	December 31,	
	2011	2010
	in millions	
Trade receivables, gross	€ 17.5	€ 15.6
Allowance for impairment of trade receivables	(5.3)	(2.0)
Trade receivables, net	12.2	13.6
Unbilled revenue	18.6	12.6
Trade receivables and unbilled revenue, net	<u>€ 30.8</u>	<u>€ 26.2</u>
Noncurrent unbilled revenue ^(a)	<u>€ 1.1</u>	<u>€ 2.0</u>
Current trade receivables and unbilled revenue, net	<u>€ 29.7</u>	<u>€ 24.2</u>

(a) Our noncurrent unbilled revenue primarily results from revenue accrued for free and discounted services and other customer incentives during promotional periods and are included in other noncurrent assets in our consolidated balance sheets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2011

The detailed aging of current trade receivables and related impairment amounts as of December 31, 2011 and 2010 is set forth below:

	December 31, 2011		December 31, 2010	
	Gross trade receivables	Allowance for impairment	Gross trade receivables	Allowance for impairment
	in millions			
<u>Days Past Due</u>				
Current	€ 7.0	€ 0.1	€ 6.4	€ —
1 - 30	1.4	0.2	2.6	—
31 - 60	1.8	0.3	2.5	—
61 - 90	1.3	0.8	1.0	—
Over 90	6.0	3.9	3.1	2.0
Total	<u>€ 17.5</u>	<u>€ 5.3</u>	<u>€ 15.6</u>	<u>€ 2.0</u>

At December 31, 2011 and 2010, a total of €5.3 million and €7.2 million, respectively, was past due but not impaired. With respect to these trade receivables, there are no indications that the subscribers will not meet their payment obligations.

A provision for impairment of trade receivables is established based upon objective evidence that we will not be able to collect the amounts. Historical payment experience, as well as all known collection issues, are considered when evaluating receivables for impairment.

The following table shows the development of the allowance for impairment of trade receivables:

	December 31,	
	2011	2010
	in millions	
Allowance at January 1	€ 2.0	€ 2.0
Provisions for impairment of receivables	4.8	2.3
Write-offs of receivables	(1.5)	(2.3)
Allowance at December 31	<u>€ 5.3</u>	<u>€ 2.0</u>

When a trade receivable is uncollectible, it is written off against the allowance account. The provision for impairment of trade receivables is included in operating expenses in our consolidated statement of operations. We do not hold any trade receivables in a foreign currency.

(10) Accrued liabilities

The details of our accrued liabilities are set forth as follows:

	December 31,	
	2011	2010
	in millions	
Accrued expenses and capital expenditures (other than payroll related accruals)	€ 18.7	€ 20.7
Accrued payroll related compensation and benefits	8.7	6.0
Current provisions (note 11)	4.7	11.4
Other	1.1	—
Accrued liabilities	<u>€ 33.2</u>	<u>€ 38.1</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2011

(11) Provisions

The details of our provisions are set forth as follows:

	December 31,	
	2011	2010
	in millions	
Net pension liability	€ 8.8	€ 8.1
Asset retirement obligation	1.7	1.7
Other ^(a)	4.7	11.4
Total provisions	<u>€ 15.2</u>	<u>€ 21.2</u>
Current portion	<u>€ 4.7</u>	<u>€ 11.4</u>
Noncurrent portion	<u>€ 10.5</u>	<u>€ 9.8</u>

(a) Consists primarily of accruals for various contingencies included in accrued liabilities in our consolidated balance sheets.

The following table shows the development of provisions:

	Net pension liability	Asset retirement obligation	Other	Total
	in millions			
January 1, 2011	€ 8.1	€ 1.7	€ 11.4	€ 21.2
Additions	0.7	—	1.0	1.7
Releases	—	—	(1.7)	(1.7)
Cash payments	—	—	(6.0)	(6.0)
December 31, 2011	<u>€ 8.8</u>	<u>€ 1.7</u>	<u>€ 4.7</u>	<u>€ 15.2</u>
January 1, 2010	€ 7.4	€ 1.5	€ 11.1	€ 20.0
Additions	0.7	0.2	3.0	3.9
Releases	—	—	(2.6)	(2.6)
Cash payments	—	—	(0.1)	(0.1)
December 31, 2010	<u>€ 8.1</u>	<u>€ 1.7</u>	<u>€ 11.4</u>	<u>€ 21.2</u>

Our expenses related to (i) our contributions to the German statutory pension system, (ii) our defined benefit pension plan and (iii) our defined contribution plan aggregated €4.0 million, €3.9 million and €3.0 million during 2011, 2010 and 2009, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2011

(12) Debt

The euro equivalents of the components of our consolidated debt are as follows:

	December 31, 2011			Estimated fair value ^(b)				Carrying value					
	Interest rate ^(a)	Borrowing currency	Euro equivalent	December 31,		December 31,							
				2011	2010	2011	2010						
				in millions									
Subsidiary debt:													
KBW Euro Senior Secured													
Notes	7.50%	€	800.0	€	800.0	€	821.4	€	—	€	800.0	€	—
KBW Senior Secured Floating													
Rate Notes	5.68%	€	420.0		420.0		421.1		—		420.0		—
KBW Dollar Senior Secured													
Notes	7.50%	\$	500.0		385.8		398.1		—		385.8		—
KBW Revolving Credit													
Facility ^(c)	4.83%	€	100.0		100.0		—		—		—		—
Variable Rate Bank Facilities ^(d)	—		—		—		—		1,174.4		—		1,174.4
Total debt before transaction													
costs, accrued interest and													
other ^(e)	7.02%		€	1,705.8	€	1,640.6	€	1,174.4			1,605.8		1,174.4
Transaction costs											(42.4)		(13.3)
Accrued interest											27.1		2.0
Other											—		0.2
Total debt											1,590.5		1,163.3
Current maturities											(27.1)		(122.1)
Noncurrent debt										€	1,563.4	€	1,041.2

- (a) Represents the stated interest rate of the debt instrument as of December 31, 2011 and does not include the impact of our interest rate derivative agreements, deferred financing costs or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments and commitment fees, but excluding the impact of financing costs, our estimated weighted average interest rate on our aggregate indebtedness was approximately 7.4% at December 31, 2011. The interest rate shown for the KBW Euro Senior Secured Floating Rate Notes (as defined below) is based on the stated rate of 3 month EURIBOR plus a margin of 4.25% per annum. For information concerning our derivative instruments, see note 6.
- (b) The estimated fair values of our debt instruments were determined using the average of the applicable bid and ask prices or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models. The discount rates used in the cash flow models are based on the market interest rates, estimated credit spreads and other relevant factors.
- (c) The interest rate shown for the KBW Revolving Credit Facility (as defined below) is based on the stated rate of EURIBOR plus a margin of 3.75% per annum. At December 31, 2011, the full amount of the KBW Revolving Credit Facility was available to be drawn. A commitment fee of 1.5% per annum is payable on available but undrawn amounts under the KBW Revolving Credit Facility.
- (d) The proceeds from the KBW Senior Secured Notes (as defined and described below) were used to repay all outstanding indebtedness and related accrued interest of these debt instruments. The weighted average interest rate on the aggregate variable rate bank facilities was 4.7% as of December 31, 2010 and is based on EURIBOR plus margins ranging from 2.00% to 9.25%.
- (e) The interest rate shown in this line item represents the weighted average stated interest rate of all of our outstanding debt instruments as of December 31, 2011.

2011 Refinancing

On March 31, 2011, Kabel BW and Kabel Partnership issued: (i) €800.0 million principal amount of 7.5% Senior Secured Notes (the KBW Euro Senior Secured Notes), (ii) \$500.0 million (€385.8 million) principal amount of 7.5% Senior Secured Notes (the KBW Dollar Senior Secured Notes and together with the KBW Euro Senior Secured Notes, the KBW Senior Secured Fixed Rate Notes) and (iii) €420.0 million principal amount of Senior Secured Floating Rate Notes (the KBW Senior Secured Floating Rate Notes and together with the KBW Senior Secured Fixed Rate Notes, the KBW Senior Secured Notes). The KBW Senior Secured Fixed Rate Notes mature on March 15, 2019 and the KBW Senior Secured Floating Rate

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Notes mature on March 15, 2018. Interest on the KBW Senior Secured Fixed Rate Notes is payable semi-annually on March 15 and September 15. Interest on the KBW Senior Secured Floating Rate Notes is payable quarterly on March 15, June 15, September 15 and December 15.

The net proceeds from the issuance of the KBW Senior Secured Notes of €1,529.8 million, after deducting issuance costs of €45.6 million, were primarily used to repay bank loans of €1,176.3 million (including €47.0 million of accrued interest related to a Mezzanine Facility Agreement, of which €45.1 million was accrued in periods prior to January 1, 2011) and to fund a loan by Kabel BW to KBW Musketeer (the KBW Musketeer Loan Facility). For additional information regarding the KBW Musketeer Loan Facility, see note 16. In connection with the refinancing of our bank debt, (i) we recognized a loss on extinguishment of debt of €12.5 million, representing the write-off of deferred financing costs, and (ii) we paid €16.3 million to settle the interest rate swap contracts associated with the bank loans. In our consolidated cash flow statement for the year ended December 31, 2011, (a) the full amount of the interest paid on the Mezzanine Facility Agreement was included in cash provided by operating activities and (b) the cash paid to settle our interest rate swap contracts was included in cash provided by financing activities. For additional information regarding our derivative instruments, see note 6.

On March 31, 2011, concurrent with the issuance of the KBW Senior Secured Notes, KBW Musketeer issued €680.0 million principal amount of 9.5% Senior Notes (the KBW Senior Notes and, together with the KBW Senior Secured Notes, the KBW Notes). The KBW Senior Notes mature on March 15, 2021 and interest is payable semi-annually on March 15 and September 15 of each year. KBW Musketeer used the combined net proceeds from the issuance of the KBW Senior Notes and from the KBW Musketeer Loan Facility to fund the partial repayment of its €1.1 billion note payable to Oskar Rakso.

At December 31, 2011, the KBW Senior Notes were an obligation of KBW Musketeer and were not a direct obligation of Kabel BW or of any of Kabel BW's subsidiaries. Accordingly, the KBW Senior Notes are not included in our consolidated balance sheet. However, as both the KBW Senior Notes and the KBW Senior Secured Notes are part of the same credit group, we include a description of certain of the terms of the KBW Senior Notes below.

KBW Senior Secured Notes and KBW Senior Notes

The KBW Senior Secured Notes and the KBW Senior Notes have been issued pursuant to two indentures (the KBW Senior Secured Indenture and the KBW Senior Indenture, respectively) each dated March 31, 2011. Effective August 31, 2011, and following the completion of a post-issuance reorganization by KBW Musketeer and its subsidiaries that was effective April 30, 2011, (i) Kabel Partnership was collapsed into KBW and KBW assumed all of the obligations of Kabel Partnership under the KBW Senior Secured Notes and the KBW Revolving Credit Facility (as defined below), (ii) KBW assumed the obligations of Kabel BW as issuer of the KBW Senior Secured Notes pursuant to an accession agreement dated August 31, 2011 and Kabel BW was thereby released from its obligations as an issuer of the KBW Senior Secured Notes, (iii) Kabel BW provided a guarantee of the KBW Senior Secured Notes pursuant to a supplemental indenture dated August 31, 2011 and (iv) KBW assumed all rights and obligations of Kabel BW as lender of the KBW Musketeer Loan Facility.

In connection with the 2012 Reorganization described in note 1, effective March 27, 2012, (i) the obligations of KBW Musketeer under the KBW Senior Notes were assumed by UPC Germany HC1 in exchange for an intercompany note payable to UPC Germany HC1, (ii) UPC Germany HC1 became the issuer under the KBW Senior Notes, (iii) KBW Musketeer was released from its obligations as issuer under the KBW Senior Notes and (iv) UPC Germany HC1 became a guarantor under the KBW Senior Secured Notes. The following descriptions of the KBW Notes and the KBW Revolving Credit Facility (as defined below) represent the terms that exist after giving effect to these changes.

The KBW Senior Secured Notes are secured by a first ranking security interest over the shares of KBW, substantially all of the assets of KBW and Kabel GP and certain other asset security of UPC Germany HC1, and are guaranteed on a senior basis by UPC Germany HC1 and Kabel GP. The KBW Senior Notes are secured by a first ranking security interest in the shares of UPC Germany HC1 and a

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second priority security interest in the shares of KBW and certain other asset security of UPC Germany HC1, and are guaranteed on a senior subordinated basis by KBW and Kabel GP.

The KBW Senior Secured Notes are senior obligations of KBW that rank equally with all of the existing and future senior debt of KBW and are senior to all existing and future subordinated debt of KBW. The KBW Senior Notes are senior obligations of UPC Germany HC1 that rank equally with all existing and future senior debt of UPC Germany HC1 and are senior to all existing and future subordinated debt of UPC Germany HC1.

The KBW Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €25 million or more in the aggregate of KBW or UPC Germany HC1 (as applicable) or any of the Restricted Subsidiaries (as defined in the applicable indenture) is an event of default under the KBW Notes.

The KBW Notes contain an incurrence-based Consolidated Leverage Ratio test, as defined in the applicable indenture.

The KBW Senior Secured Fixed Rate Notes are non-callable until March 15, 2015 and the KBW Senior Secured Floating Rate Notes are non-callable until March 15, 2012. The KBW Senior Notes are non-callable until March 15, 2016. At any time prior to March 15, 2015, in the case of the KBW Senior Secured Fixed Rate Notes or March 15, 2016, in the case of the KBW Senior Notes, KBW and UPC Germany HC1 (as applicable), may redeem some or all of the KBW Senior Secured Fixed Rate Notes and KBW Senior Notes (as applicable), by paying a “make-whole” premium, which is the present value of all remaining scheduled interest payments using the discount rate (as specified in the KBW Senior Secured Indenture and KBW Senior Indenture, as applicable) as of the redemption date plus 50 basis points.

During the period from March 31, 2012 through March 31, 2014, each of KBW and UPC Germany HC1 has the option, following completion of a UPC Exchange Transaction or a Unitymedia Exchange Transaction (in each case, as defined below), as the case may be, to redeem all but not less than all, of the KBW Notes issued by KBW or UPC Germany HC1, as applicable. The redemption price in such case (expressed as a percentage of the principal amount thereof) would be 101% (if such redemption is on or before March 31, 2013) or 102% (if such redemption is after March 31, 2013). A UPC Exchange Transaction means an exchange offer by UPC Broadband Holding B.V., UPCB Finance IV Limited or UPC Holding B.V. (all of which are subsidiaries of Liberty Global), as applicable, pursuant to which one or more series of UPC Qualified Notes (as defined in the indentures for the KBW Notes) issued by UPC Broadband Holding B.V., UPCB Finance IV Limited or UPC Holding B.V., as applicable, are, subject to certain terms and conditions (including consent by holders of a majority in aggregate principal amount of the applicable KBW Notes to participate in the exchange offer), offered in exchange for KBW Notes. A Unitymedia Exchange Transaction means an exchange offer by Unitymedia Hessen GmbH & Co. KG (Unitymedia Hessen) and Unitymedia NRW GmbH (Unitymedia NRW), as co-issuers, or Unitymedia GmbH (Unitymedia), as applicable, pursuant to which one or more series of Unitymedia Qualified Notes (as defined in the indentures for the KBW Notes) issued by Unitymedia Hessen and Unitymedia NRW, as co-issuers, or Unitymedia, as applicable, are, subject to certain terms and conditions (including consent by holders of a majority in aggregate principal amount of the applicable KBW Notes to participate in the exchange offer), offered in exchange for KBW Notes. Unitymedia is the parent company of Unitymedia Hessen and Unitymedia NRW and another subsidiary of Liberty Global.

KBW and UPC Germany HC1 (as applicable), may redeem all of the KBW Notes at prices equal to their respective principal amounts, plus accrued and unpaid interest, upon the occurrence of certain changes in tax law. If KBW and UPC Germany HC1 (as applicable) or certain of their subsidiaries sell certain assets or experience specific changes in control, KBW and UPC Germany HC1 (as applicable) must offer to repurchase the KBW Notes at a redemption price of 101%.

KBW and UPC Germany HC1 (as applicable), may redeem some or all of the KBW Notes at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid

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interest and additional amounts, if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on March 15 of the years set out below:

Year	Redemption price		
	KBW Senior Secured Fixed Rate Notes	KBW Senior Secured Floating Rate Notes	KBW Senior Notes
2012	N.A.	101.000%	N.A.
2013	N.A.	100.000%	N.A.
2014	N.A.	100.000%	N.A.
2015	103.750%	100.000%	N.A.
2016	101.875%	100.000%	104.750%
2017	100.000%	100.000%	103.167%
2018	100.000%	100.000%	101.583%
2019 and thereafter	100.000%	N.A.	100.000%

KBW Revolving Credit Facility

KBW is the borrower under a €100.0 million secured revolving credit facility agreement with certain lenders (the KBW Revolving Credit Facility), which was undrawn as of December 31, 2011. The interest rate for the KBW Revolving Credit Facility is EURIBOR plus a margin of 3.75%. Borrowings under the KBW Revolving Credit Facility, which mature on March 31, 2017, may be used for general corporate and working capital purposes.

In addition to customary restrictive covenants and events of default, the KBW Revolving Credit Facility requires compliance with a Consolidated Leverage Ratio, as defined in the KBW Revolving Credit Facility. The KBW Revolving Credit Facility is secured by first ranking security interests over the same collateral that secures the KBW Senior Secured Notes. The KBW Revolving Credit facility is guaranteed on a senior basis by UPC Germany HC1, Kabel GP and each of our other subsidiaries that become a Significant Subsidiary (as defined in the KBW Revolving Credit Facility).

Maturities of Debt

For information concerning the maturities of our debt as of December 31, 2011, see note 5.

(13) Commitments and Contingencies

Commitments

In the ordinary course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancellable operating leases, programming contracts, purchases of customer premises equipment and other items. These include several long-term term agreements with Deutsche Telekom and its affiliates with respect to usage and access for underground cable duct space, the use of fiber optic transmission systems, tower and facility space. In general, these agreements primarily impose fixed prices for a limited period of time, which may then be raised to reflect services requested additionally and increased costs, subject to index-linked limitations. Some agreements impose prices based on the cost to Deutsche Telekom of services that are passed through to us. In accordance with EU-IFRS, we treat these agreements as operating rather than finance leases or as other commitments, as applicable. We expect that in the ordinary course of business, operating leases that expire generally will be renewed or replaced by similar leases.

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Expenses for operating leases included in our statement of operations were €36.4 million, €36.5 million and €34.1 million during 2011, 2010 and 2009, respectively. Details of our operating lease contracts and the respective significant leasing arrangements are as follows:

Lease	Terms	Terms of renewal	Purchase options	Contingent rent
Building	1 - 10 years	1 - 5 years	No	No
Dark fiber	1 - 19 years	1 - 5 years	No	No
Cable ducts	1 - 30 years	1 - 5 years	No	No

		Payments due during:						
		2012	2013	2014	2015	2016	Thereafter	Total
		in millions						
Operating leases	€	34.2	€ 33.1	€ 31.9	€ 30.5	€ 28.7	€ 374.4	€ 532.8
Other commitments		27.3	9.8	6.2	6.1	1.6	2.5	53.5
	€	61.5	€ 42.9	€ 38.1	€ 36.6	€ 30.3	€ 376.9	€ 586.3

Operating leases include indefinite-lived lease agreements with Deutsche Telekom for cable ducts. The lease payments for these leases are €24.7 million annually. We have the legal right to cancel these agreements with a notice period of 24 months, however the technological requirements to replace leased capacity represent economic penalties that would result in the reasonably assured continuance of the leases for a longer period of time. Due to German law governing the statute of limitations, the agreements in effect represent a maximum lease term of 30 years, after which time Deutsche Telekom has certain additional rights under the lease. Accordingly, the operating lease amounts included in the above table reflect payments under the Deutsche Telekom lease agreements through the applicable statutory termination dates.

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

Guarantees and Other Credit Enhancements

In the ordinary course of business, we have provided indemnifications to purchasers of certain of our assets, our lenders, our vendors and certain other parties. 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.

At December 31, 2011, the KBW Senior Notes, which were obligations of KBW Musketeer at that date, were guaranteed by Kabel BW, KBW and Kabel GP on a subordinated basis. For information concerning changes in the guarantors of the KBW Senior Notes, see note 12.

Other Contingencies

LGI/KBW Transaction. In connection with the LGI/KBW Transaction, we made certain commitments to address the competition concerns of the German Federal Cartel Office (the FCO) that could have an adverse impact on our future operating results and cash flows. For additional information, see note 17.

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Other: We have contingent liabilities related to legal proceedings and other matters arising in the ordinary course of business. We expect that the amounts, if any, which may be required to satisfy these contingencies will not be material in relation to our financial position or results of operations.

(14) Income Taxes

As a result of the December 31, 2010 retrospective termination of a profit and loss transfer agreement between Kabel BW and KBW, Kabel BW and its subsidiaries are taxed on a separate legal entity basis and therefore, losses or profits are not shared between these companies. Accordingly, each entity is liable for its separate taxable income or loss and resulting liability or carryforward and the current and deferred tax positions in this report reflect those individual positions.

The details of our current and deferred income tax benefit (expense) are as follows:

	Year ended December 31,		
	2011	2010	2009
	in millions		
Current tax expense	€ (9.4)	€ (7.8)	€ (6.7)
Deferred tax benefit (expense)	6.7	52.5	(2.6)
Total income tax benefit (expense)	€ (2.7)	€ 44.7	€ (9.3)

Income tax benefit (expense) attributable to our net earnings before income taxes differs from the income tax benefit computed by applying the German income tax rate of 29.825% as a result of the following:

	Year ended December 31,		
	2011	2010	2009
	in millions		
Computed "expected" income tax expense	€ (22.0)	€ (27.7)	€ (14.5)
Recognition of deferred tax assets for tax loss and interest carryforwards	26.1	77.6	—
Non-deductible or non-taxable interest and other expenses	(5.5)	(3.5)	(2.8)
Unrecognized net operating losses and interest carryforwards	—	(1.5)	5.0
Other, net	(1.3)	(0.2)	3.0
Total benefit (expense)	€ (2.7)	€ 44.7	€ (9.3)

KABEL BW ERSTE BETEILIGUNGS GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2011

The details of our deferred tax balances at December 31, 2011 and 2010 and our deferred tax benefit (expense) for the years ended December 31, 2011 and 2010 are as follows:

	December 31, 2011		Year ended December 31, 2011	
			Recognition	Recognition in
	Deferred tax assets	Deferred tax liabilities	in statement of operations	other comprehensive income
	in millions			
Tax loss carryforwards	€ 171.0	€ —	€ 12.1	€ —
Interest carryforwards	13.8		4.0	
Property and equipment	—	46.8	2.4	—
Intangible assets	—	153.1	(12.1)	—
Receivables	0.1	3.3	(1.4)	—
Provisions	1.0	—	—	—
Debt	9.1	2.1	7.4	—
Derivative instruments	4.0	7.1	(5.0)	(4.5)
Other	1.2	0.2	(0.7)	—
Net assets with liabilities within same jurisdiction	(200.2)	(200.2)	—	—
	€ —	€ 12.4	€ 6.7	€ (4.5)

	December 31, 2010		Year ended December 31, 2010	
			Recognition	Recognition in
	Deferred tax assets	Deferred tax liabilities	in statement of operations	other comprehensive income
	in millions			
Tax loss carryforwards	€ 158.9	€ —	€ 62.3	€ —
Interest carryforwards	9.8		3.2	
Property and equipment	—	49.3	1.1	—
Intangible assets	—	141.0	(11.4)	—
Receivables	0.1	1.9	(1.9)	—
Provisions	1.0	—	(0.1)	—
Debt	—	0.4	0.3	—
Derivative instruments	6.3	—	—	0.9
Other	1.8	—	(1.0)	—
Net assets with liabilities within same jurisdiction	(177.9)	(177.9)	—	—
	€ —	€ 14.7	€ 52.5	€ 0.9

No deferred tax assets have been recognized for the following carryforwards:

	December 31,	
	2011	2010
	in millions	
Interest carryforwards	€ —	€ 7.5
Trade tax loss carryforwards	€ —	€ 2.1
Corporate income tax loss carryforwards	€ —	€ 164.8

KABEL BW ERSTE BETEILIGUNGS GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2011

(15) Shareholder's Equity

Our share capital consists of one share issued, outstanding and fully paid with a par value of €25,000. At December 31, 2011, this share was held by KBW Musketeer. For information concerning the 2012 Reorganization, see note 1.

(16) Related-Party Transactions

Our primary related-party relationships include relationships with our current and former shareholders, our current and former shareholders' affiliates and key management personnel.

Our related-party transactions consist of the following:

	Year ended December 31,		
	2011	2010	2009
	in millions		
SG&A	€ 1.3	€ (1.8)	€ 0.7
Interest income	27.8	0.1	0.2
Included in net earnings	€ 26.5	€ 1.9	€ (0.5)

SG&A. The 2011 amount primarily relates to our reimbursement of certain payroll costs incurred by KBW Musketeer on our behalf. The 2010 amount primarily consists of a €2.1 million reimbursement received from Oskar Rakso for certain third-party consulting costs that we incurred on Oskar Rakso's behalf. In addition, less significant charges from Oskar Rakso for services rendered and costs incurred on our behalf are included in the amounts reported for all periods presented.

Interest income. Related-party interest income for 2011 primarily relates to amounts outstanding under the KBW Musketeer Loan Facility (as described below). Related party interest for 2010 and 2009 primarily relates to our noncurrent note receivable from Oskar Rakso. See below for a description of these noncurrent notes receivables.

Although we believe that charges and reimbursements described above are reasonable, no assurance can be given that the costs and expenses reflected in our consolidated statements of operations are reflective of the costs that we would incur on a standalone basis.

Guarantee of parent debt. For information concerning certain guarantees that we provide with respect to the KBW Senior Notes, see note 12.

Current related-party receivables. Current related-party receivables of €1.0 million and €2.1 million are reported in other current assets in our consolidated balance sheets as of December 31, 2011 and 2010, respectively. The balance at December 31, 2011 consists primarily of value-added taxes receivable from KBW Musketeer. The balance at December 31, 2010 consists of a receivable from Oskar Rakso for the reimbursement of certain third-party consulting costs.

Noncurrent notes receivable from direct and indirect shareholders. These notes aggregated €570.1 million and €2.0 million at December 31, 2011 and 2010, respectively. The December 31, 2011 amount is comprised of (i) amounts outstanding under the KBW Musketeer Loan Facility (as described below) of €486.6 million and related accrued interest of €11.3 million and (ii) two notes receivable from UPC Germany HC2, including a €70 million loan that was made to UPC Germany HC2 on December 29, 2011 and a €2.2 million note including interest that was originally borrowed by Oskar Rakso and transferred to UPC Germany HC2 as part of the LGI/KBW Transaction. The December 31, 2010 amount consists of the €2.0 million loan to Oskar Rakso that was ultimately transferred to UPC Germany HC2 in 2011.

As described in note 12, the KBW Musketeer Loan Facility originated on March 31, 2011, when Kabel BW loaned to KBW Musketeer €337.6 million in cash pursuant to a loan agreement dated March 30, 2011. The amount loaned to KBW Musketeer was discounted from the €347.6 million principal amount of the

KABEL BW ERSTE BETEILIGUNGS GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2011

KBW Musketeer Loan Facility, with the €10.0 million discount equal to KBW Musketeer's proportionate share of the KBW Senior Secured Notes issuance costs that were incurred by Kabel BW. This discount was being amortized as related-party interest income using the effective interest method over the term of the loan agreement. The stated interest rate of the KBW Musketeer Loan Facility was 9.5% per annum. During the remainder of 2011, we loaned an additional €148.4 million to KBW Musketeer under the KBW Musketeer Loan Facility, of which €132.6 million was a cash loan and the remaining €15.8 million was capitalized to principal in settlement of interest that was due on amounts outstanding pursuant to the KBW Musketeer Loan Facility.

Current related-party payables. As of December 31, 2011, our other current liabilities include €10.3 million of value-added tax liabilities payable to KBW Musketeer. KBW Musketeer remits value-added taxes on behalf of the consolidated Kabel BW group.

As discussed in note 1, in the 2012 Reorganization, Kabel BW, KBW Musketeer and UPC Germany HC2 will each be merged into KBW, and as a result, (i) our receivables from, and payables to, KBW Musketeer and our receivables from UPC Germany HC2 will thereby be extinguished, and (ii) KBW will become obligated under an intercompany note payable to UPC Germany HC1 that arose in connection with UPC Germany HC1's assumption of KBW Musketeer's obligations under the KBW Senior Notes.

Management Remuneration. Salaries, bonuses, and benefit related remuneration of the Management Directors was €2.4 million and €2.2 million during 2011 and 2010, respectively.

(17) Subsequent Events

As discussed in note 1, in the 2012 Reorganization, Kabel BW, KBW Musketeer and UPC Germany HC2 will each be merged into KBW. As a result of the 2012 Reorganization, UPC Germany HC2's cost to acquire KBW Musketeer in the LGI/KBW Transaction will be reflected in KBW's consolidated financial statements effective January 1, 2012. Additional details regarding the LGI/KBW Transaction are presented below.

LGI/KBW Transaction. On December 15, 2011, the LGI/KBW Transaction was completed, whereby UPC Germany HC2 acquired KBW Musketeer pursuant to a Sale and Purchase Agreement dated March 21, 2011 with Oskar Rakso as the seller (the KBW Purchase Agreement). The acquisition was completed in order to achieve certain financial, operational and strategic benefits through the integration of KBW with Unitymedia, Liberty Global's existing broadband communications operator in Germany, and, to a lesser extent, with Liberty Global's other broadband communications operations in Europe.

As part of the regulatory approval process for the LGI/KBW Transaction, our company and Unitymedia made certain commitments to address the competition concerns of the FCO, as outlined below:

- (a) The digital free-to-air television channels (as opposed to channels marketed in premium subscription packages) distributed on the networks of our company and Unitymedia will be distributed in unencrypted form commencing January 1, 2013. This commitment is consistent with our current practice and generally covers free-to-air television channels in standard definition and high definition (HD). If, however, free-to-air television broadcasters request their HD content to be distributed in an encrypted HD package, the encryption of free-to-air HD channels is still possible. In addition, our company and Unitymedia made a commitment that, through December 15, 2015, the annual carriage fees received by our company and Unitymedia for each such free-to-air television channel distributed in digital or simulcast in digital and analog would not exceed a specified annual amount, determined by applying the respective current rate card systems of our company and Unitymedia as of January 1, 2012;
- (b) Effective January 1, 2012, our company and Unitymedia waived their exclusivity rights in access agreements with housing associations with respect to the usage of infrastructures other than the in-building distribution networks of our company and Unitymedia to provide television, broadband internet or telephony services within the building;

KABEL BW ERSTE BETEILIGUNGS GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2011

- (c) Effective January 1, 2012, upon expiration of the minimum term of an access agreement with a housing association, our company or Unitymedia, as applicable, will transfer the ownership rights to the in-building distribution network to the building owner or other party granting access. In addition, our company and Unitymedia each waived the rights to remove in-building distribution networks; and
- (d) A special early termination right will be granted with respect to certain of our company's and Unitymedia's existing access agreements with the largest housing associations that cover more than 800 dwelling units and have a remaining term of more than three years. The total number of dwelling units covered by the affected agreements is approximately 340,000, of which approximately 110,000 and 230,000 are located in the footprints of our company and Unitymedia, respectively. The special termination right may be exercised on or before September 30 of each calendar year up to the expiration of the current contract term, with termination effective as of January 1 or July 1 of the following year. If the special termination right is exercised, compensation will be paid to partially reimburse our company or Unitymedia, as applicable, for unamortized investments in modernizing the in-building network based on an agreed formula.

At closing, Oskar Rakso transferred its KBW Musketeer shares and assigned the balance of a loan receivable from KBW Musketeer to UPC Germany HC2 in consideration of UPC Germany HC2's payment of €1,062.4 million in cash (the KBW Purchase Price). The KBW Purchase Price, together with KBW's consolidated net debt at December 15, 2011 (aggregate fair value of debt outstanding less cash and cash equivalents) of €2,152.3 million resulted in total consideration of €3,214.7 million before direct acquisition costs. The KBW Purchase Price included €50.0 million that was deposited into escrow, which, subject to any claims timely made under the KBW Purchase Agreement, will be released to Oskar Rakso on December 31, 2012.

In January 2012, two of our competitors, including Deutsche Telekom, each filed an appeal against the FCO regarding its decision to approve the LGI/KBW Transaction. We believe the decision will ultimately be upheld and currently intend to support the FCO in defending the decision. In addition, we do not expect that the filing of these appeals will have any impact on the ongoing integration and development of our and Unitymedia's operations. The ultimate resolution of this matter is expected to take up to four years, including the appeals process.

UPC Germany HC2 accounted for its acquisition of KBW Musketeer using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. The purchase price allocation is preliminary and subject to adjustment based on our final assessment of the fair values of the acquired identifiable assets and liabilities. Although most items in the valuation process remain open, the items with the highest likelihood of changing upon finalization of the valuation process include long-lived assets, goodwill and income taxes.

As a result of the increase in the cost basis associated with KBW's property and equipment and intangible assets that will result from the 2012 Reorganization, we expect that KBW's depreciation and amortization will increase significantly in 2012 and future years, as compared to the amounts reflected in our 2011 consolidated statement of operations.

(18) Disclosures according to Generally Accepted Accounting Principles in Germany

The average number of employees in 2011 and 2010 was 798 and 794, respectively. The number of employees calculated in full time equivalents (FTE) as a quarterly average was 789 and 769 in 2011 and 2010, respectively. In our operating departments, which include network and customer operations and customer services, we employed 612 FTE and 613 FTE in 2011 and 2010, respectively, and in our administration departments, consisting of sales & marketing, finance, IT and other general services, 177 FTE and 156 FTE were employed in 2011 and 2010, respectively.

KABEL BW ERSTE BETEILIGUNGS GMBH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2011

Our auditors have received the following remuneration for the respective services:

	Year ended December 31,	
	2011	2010
	in millions	
Audit of financial statements	€ 0.8	€ 0.3
Assurance services	0.4	0.1
Total	€ 1.2	€ 0.4

The following auditors' report (Bestätigungsvermerk) has been issued in accordance with § 322 German Commercial Code (Handelsgesetzbuch) in German language on the German version of the consolidated financial statements of Kabel BW Erste Beteiligungs GmbH as of and for the fiscal year ended December 31, 2010 and the group management report. The group management report is not included in this prospectus.

Independent Auditors' Report

We have audited the consolidated financial statements prepared by the Kabel BW Erste Beteiligungs GmbH, Heidelberg—comprising the consolidated balance sheet, the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flow, the consolidated statement of changes in equity and the notes to the consolidated financial statements—and the group management report for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a (1) HGB (“German Commercial Code”) are the responsibility of the parent Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of the Kabel BW Erste Beteiligungs GmbH, Heidelberg, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group’s position and suitably presents the opportunities and risks of future development.

Düsseldorf, February 28, 2011

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Signed: (Schlereth)
Wirtschaftsprüfer
[German Public Auditor]

Signed: (Lammers)
Wirtschaftsprüferin
[German Public Auditor]

Kabel BW Erste Beteiligungs GmbH, Heidelberg
Consolidated Balance Sheet as of 31 December 2010

	Note	31 December 2010 EUR	31 December 2009 EUR
ASSETS			
Current assets			
Cash and cash equivalents	4.1	100,994,626.86	54,460,849.61
Trade receivables and other operational receivables	4.2	25,765,046.13	23,444,967.51
Inventories	4.3	9,381,081.75	2,508,899.05
Receivables from tax	4.4	1,097,053.88	941,749.99
Other current financial assets	4.5	2,185,346.00	41,896.00
Other current assets	4.6	665,724.78	4,049,675.22
Prepaid expenses	4.7	3,901,159.85	4,484,504.35
Total current assets		143,990,039.25	89,932,541.73
Non-current assets			
Intangible assets	4.8	1,112,949,357.32	1,123,099,323.60
Property, plant and equipment	4.9	723,343,716.18	702,383,530.93
Investment in associates	4.10	2,556.46	2,556.46
Trade receivables	4.2	1,982,075.46	0.00
Other non-current financial assets	4.5	2,808,299.38	2,508,593.57
Prepaid expenses	4.7	7,124,966.40	9,541,711.62
Total non-current assets		1,848,210,971.20	1,837,535,716.18
TOTAL ASSETS		1,992,201,010.45	1,927,468,257.91
EQUITY AND LIABILITIES			
Current liabilities			
Current financial liabilities	4.11	121,903,809.88	22,168,425.74
Trade payables and other operational payables	4.12	72,282,151.93	62,769,246.83
Other current financial liabilities	4.11	1,133,348.50	267,091.93
Current provisions	4.13	338,288.23	476,050.00
Current tax liabilities	4.14	12,510,288.06	7,483,277.95
Other current liabilities	4.15	12,095,161.93	11,132,558.50
Deferred income	4.16	39,863,871.68	42,211,404.01
Total current liabilities		260,126,920.21	146,508,054.96
Non-current liabilities			
Non-current financial liabilities	4.11	1,062,528,038.17	1,194,230,784.52
Provisions for pensions	4.17	8,083,271.00	7,403,535.00
Other non-current provisions	4.13	1,680,547.90	1,281,926.61
Deferred tax liabilities	4.18	14,687,669.54	66,767,342.18
Deferred income	4.16	10,005,088.04	11,640,312.44
Total non-current liabilities		1,096,984,614.65	1,281,323,900.75
Equity	4.19		
Subscribed capital		25,000.00	25,000.00
Capital reserve		403,434,187.79	403,434,187.79
Retained earnings		104,584,534.25	65,323,935.58
Accumulated other comprehensive loss		– 10,425,847.06	– 8,407,419.84
Profit for the year		137,471,600.61	39,260,598.67
Total equity		635,089,475.59	499,636,302.20
TOTAL EQUITY AND LIABILITIES		1,992,201,010.45	1,927,468,257.91

Kabel BW Erste Beteiligungs GmbH, Heidelberg

**Consolidated Income Statement
for the year ended 31 December 2010**

	<u>Note</u>	<u>1 January 2010 - 31 December 2010</u>	<u>1 January 2009 - 31 December 2009</u>
		EUR	EUR
Revenue	3.1	546,847,537.20	480,675,335.63
Thereof			
Television		319,443,056.58	310,407,457.65
Telecommunication		209,762,237.01	159,422,708.31
Other		17,642,243.61	10,845,169.67
Other operating income	3.2	16,574,548.01	12,627,978.94
Revenue and other operating income		563,422,085.21	493,303,314.57
Cost of goods sold	3.3	– 84,952,564.44	– 75,708,321.67
Gross profit		478,469,520.77	417,594,992.90
Personnel costs	3.4	– 56,381,862.64	– 52,302,898.30
Selling and administrative expenses	3.5	– 67,479,610.17	– 67,356,154.56
Technical expenses less capitalised expenses	3.6	– 38,953,509.77	– 37,859,010.92
Earnings before interest, tax, depreciation and amortisation		315,654,538.19	260,076,929.12
Depreciation and amortisation	3.7	– 146,106,091.98	– 128,235,483.73
Earnings before interest and tax		169,548,446.21	131,841,445.39
Finance income	3.8	671,235.60	535,558.45
Finance expenses	3.8	– 77,344,982.68	– 83,469,168.38
Earnings before tax		92,874,699.13	48,907,835.46
Current tax expenses	3.9	– 7,862,354.91	– 7,009,328.93
Deferred income tax benefits/ expenses	3.9	52,459,256.39	– 2,637,907.86
Profit for the year		137,471,600.61	39,260,598.67
Attributable to:			
Shareholders of Kabel BW Erste Beteiligungs GmbH		137,471,600.61	39,260,598.67
Non-controlling interests		0.00	0.00

Kabel BW Erste Beteiligungs GmbH, Heidelberg

**Consolidated Statement of Comprehensive Income
for the year ended 31 December 2010**

	<u>Note</u>	<u>1 January 2010 - 31 December 2010</u>	<u>1 January 2009 - 31 December 2009</u>
		EUR	EUR
Profit for the year		137,471,600.61	39,260,598.67
Derivative financial instruments with designated cash flow hedge relationship		– 2,875,423.07	– 11,981,501.84
Tax effect on other comprehensive income		856,995.85	3,574,082.00
Other comprehensive loss	4.19	– 2,018,427.22	– 8,407,419.84
Total comprehensive income for the year		135,453,173.39	30,853,178.83
Attributable to:			
Shareholders of Kabel BW Erste Beteiligungs GmbH		135,453,173.39	30,853,178.83
Non-controlling interests		0.00	0.00

Kabel BW Erste Beteiligungs GmbH, Heidelberg

**Consolidated Statement of Cash Flows
for the year ended 31 December 2010**

	Note	1 January 2010 - 31 December 2010 EUR'000	1 January 2009 - 31 December 2009 EUR'000
1. Cash flow from operating activities			
Profit for the year	5	137,472	39,261
Depreciation and amortisation		146,106	128,235
Finance expenses		77,345	83,469
Finance income		- 671	- 535
Tax benefit/expenses		- 44,597	9,647
Earnings before interest, tax, depreciation and amortisation (EBITDA)		315,655	260,077
Increase in inventories, trade receivables and other current assets		- 7,369	- 4,295
Increase/ Decrease in trade payables and other current liabilities		8,855	- 12,020
Subtotal		1,486	- 16,315
Change of current assets and current liabilities due to the acquisition of subsidiaries		- 1,531	0
Decrease in non-current assets		242	- 571
Increase in provisions for pensions		679	216
Decrease in other non-current liabilities		- 1,473	- 1,015
Other non-cash transactions		- 1,445	- 440
Free cash flow from operating activities before tax and investing activities		313,613	241,952
Taxes paid		- 3,021	- 6,350
Interest paid		- 64,040	- 68,939
Interest received		564	428
Gain on disposals of property, plant and equipment		- 16	0
Loss on disposals of property, plant and equipment and intangible assets		565	479
Cash flow from operating activities		247,665	167,570
2. Cash flow from investing activities	5		
Cash receipts from disposal of property, plant and equipment		35	0
Cash payments for investments in intangible assets		- 41,524	- 34,917
Cash payments for investments in property, plant and equipment		- 108,533	- 114,120
Cash payments for investments in the acquisition of subsidiaries, net of cash acquired		- 3,199	0
Cash flow from investing activities		- 153,221	- 149,037
Free cash flow from operating activities before tax and after investing activities		160,392	92,915
3. Cash flow from financing activities	5		
Cash receipts from the issuance of loans		55,000	40,000
Cash payments for the repayment of loans		- 102,910	- 71,400
Cash flow from financing activities		- 47,910	- 31,400
4. Cash and cash equivalents			
Change in cash and cash equivalents		46,534	- 12,867
Cash and cash equivalents at the beginning of the period		54,461	67,328
Cash and cash equivalents at the end of the period	4.1	100,995	54,461

Kabel BW Erste Beteiligungs GmbH, Heidelberg
Consolidated Statement of Changes in Equity
for the year ended 31 December 2010

in EUR	Subscribed capital	Capital reserve	Retained earnings	Profit/Loss for the year	Accumulated other comprehensive loss ⁽¹⁾	Consolidated equity ⁽²⁾
Note					4.19	4.19
1 January 2009	25,000.00	403,434,187.79	84,343,978.51	– 19,020,042.93	0.00	468,783,123.37
Retained earnings	0.00	0.00	– 19,020,042.93	19,020,042.93	0.00	0.00
Profit for the year	0.00	0.00	0.00	39,260,598.67	0.00	39,260,598.67
Other comprehensive loss . . .	0.00	0.00	0.00	0.00	– 8,407,419.84	– 8,407,419.84
Total comprehensive income .	0.00	0.00	0.00	39,260,598.67	– 8,407,419.84	30,853,178.83
31 December 2009	25,000.00	403,434,187.79	65,323,935.58	39,260,598.67	– 8,407,419.84	499,636,302.20
1 January 2010	25,000.00	403,434,187.79	65,323,935.58	39,260,598.67	– 8,407,419.84	499,636,302.20
Retained earnings	0.00	0.00	39,260,598.67	– 39,260,598.67	0.00	0.00
Profit for the year	0.00	0.00	0.00	137,471,600.61	0.00	137,471,600.61
Other comprehensive loss . . .	0.00	0.00	0.00	0.00	– 2,018,427.22	– 2,018,427.22
Total comprehensive income .	0.00	0.00	0.00	137,471,600.61	– 2,018,427.22	135,453,173.39
31 December 2010	25,000.00	403,434,187.79	104,584,534.25	137,471,600.61	– 10,425,847.06	635,089,475.59

- (1) Accumulated other comprehensive loss results from derivative financial instruments with designated cash flow hedge relationship (including income taxes).
- (2) Equity is entirely attribute to the shareholders of Kabel BW Erste Beteiligungs GmbH; non-controlling interests do not exist.

Kabel BW Erste Beteiligungs GmbH, Heidelberg
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as of 31 December 2010

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1 General Information

1.1 Basic Information

Kabel BW Erste Beteiligungs GmbH (TopCo) is a limited liability company under German law and has its registered office in Heidelberg; it has been entered in the Commercial Register of the Mannheim local court (HR B 701726, Mannheim). The premises of the Group are located in 69126 Heidelberg, Im Breitspiel 2-4.

The following companies

- Kabel BW Erste Beteiligungs GmbH, Heidelberg (parent company)
- Kabel BW Holdings GmbH, Heidelberg (HoldCo),
- Kabel Baden-Württemberg Verwaltungs-GmbH, Heidelberg (OpCo-GP) and
- Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg (OpCo)

(collectively referred to as the “Group” or “Kabel BW”) operate a broadband cable network in Baden-Württemberg. OpCo is the operational unit of the Group. The other group companies are holding companies or general partners of other group companies.

As of 31 December 2010, Oskar Rakso S.à r.l., Luxembourg, held all shares in TopCo or the Group.

1.2 General Information regarding the Preparation of the Consolidated Financial Statements

The consolidated financial statements of the Group have been prepared according to the regulations under the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and German commercial law pursuant to § 315a (3) HGB (German Commercial Code). IFRS includes all standards issued by the International Accounting Standards Board (IASB) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

We have applied all standards and interpretations that were effective on and endorsed by the European Union (EU) as of 31 December 2010.

The financial year of the company corresponds to the calendar year and ends on 31 December 2010. The consolidated financial statements were prepared as of the balance sheet date of the parent company’s annual financial statements, which is also the balance sheet date of all subsidiaries included.

The consolidated financial statements are prepared in euro. All amounts included in the consolidated financial statements are reported in thousands of euro (EUR’000), except where otherwise stated.

The consolidated income statements have been prepared according to the nature of expense method. In order to improve the presentation, various items of the consolidated balance sheet and consolidated income statement have been combined. These items are separately disclosed and explained in these notes to the consolidated financial statements.

1.3 Consolidation Principles

1.3.1 Scope of Consolidation

All subsidiaries that are directly or indirectly controlled by TopCo are included in the consolidated financial statements from the time control is obtained. They are deconsolidated at the time when control is lost.

As in the previous year in addition to TopCo the scope of consolidated entities of Kabel BW includes the following subsidiaries located in the domestic territory: HoldCo, OpCo-GP and OpCo. The dates of initial consolidation were as follows: HoldCo on 18 April 2006, OpCo on 9 June 2006 and OpCo-GP on 9 June 2006.

The investment in associates recognised in the consolidated financial statements refer to an equity investment in Deutsche Netzmarketing GmbH, Cologne, of 3.23%.

Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg, which is legally organised as a partnership, is using the exemption rule under § 264b HGB.

At the end of May 2010, OpCo acquired the remaining stake (50%) in BAK Südwest GmbH (BAK), which represented shares with a notional par value of EUR 50 thousand for a cash purchase price of

EUR 3,600 thousand. BAK's business is the planning and installation of broadband cable networks for telecommunication purposes. The full consolidation of BAK resulted in net additions of basic cable service customers. Between 1 January 2010 and 31 May 2010 BAK's revenues totalled EUR 558 thousand and net profit amounted to EUR 225 thousand. In financial year 2010, BAK realised revenues of EUR 1,370 thousand and net profit of EUR 456 thousand. Following the merger of BAK in August 2010, revenues and results are no longer recorded separately.

The BAK was consolidated proportionally until 31 May 2010. As of 1 June 2010, BAK was fully consolidated. The full consolidation and the remeasurement of previously held equity interest according to IFRS 3 resulted in other income of EUR 1,445 thousand. The business combination resulted in goodwill of EUR 2,838 thousand, based on the expected market potential of triple play products. The goodwill is not tax-deductible. The acquired assets of EUR 8,957 thousand include cash and cash equivalents of EUR 802 thousand, current assets of EUR 224 thousand, property, plant and equipment of EUR 3,755 thousand and intangible assets of EUR 4,176 thousand. Current assets comprise trade receivables with a gross amount of EUR 148 thousand, which corresponds to the fair value. The recognised liabilities of EUR 4,593 thousand result from financial liabilities of EUR 2,557 thousand, deferred tax liabilities of EUR 1,245 thousand and deferred liabilities of EUR 567 thousand and other current liabilities of EUR 224 thousand. The recognised financial liabilities were netted with the financial assets of Kabel BW. Due to the transitional consolidation as of 31 May 2010, assets amounting EUR 3,840 thousand and liabilities amounting EUR 1,684 were disposed. The book value of EUR 2,155 thousand and the fair value of the previously held equity interest of EUR 3,600 thousand resulted in income of EUR 1,445 thousand.

According to the merger agreement dated 25 August 2010, BAK transferred all its assets together with all rights and obligations without going into liquidation through merger by absorption effective from 1 January 2010. The entry into the commercial register took place on 27 August 2010. From the Group's perspective the merger did not result in any changes.

1.3.2 Basis of Consolidation

Business combinations are accounted for by applying the purchase method. The identifiable assets acquired and the liabilities assumed are measured at fair values at the acquisition date. The excess of the consideration transferred over the acquired net assets measured at fair value is recognised as goodwill.

Assets and liabilities of the consolidated entities are recorded using the Group's uniform accounting and measurement principles.

Intragroup balances and transactions, including profits, expenses and income, are eliminated in full consolidation. Also, profits or losses resulting from intragroup transactions that are recognised in the carrying amount of assets, such as inventories and fixed assets, are fully eliminated. Related intragroup losses may indicate an impairment.

Applying proportionate consolidation, intragroup profits and losses are eliminated in proportion to the acquirer's interest. Intragroup receivables and payables are, however, disclosed proportionately according to the acquirer's interest.

1.4 Currency Translation

1.4.1 Functional Currency and Reporting Currency

The items included in the financial statements of each subsidiary are measured on the basis of the currency that corresponds to the currency of the primary economic environment in which the entity operates (functional currency). The euro is the functional currency and the reporting currency of the Group.

1.4.2 Transactions and Balances

Foreign currency transactions of the consolidated companies are initially recognised in the functional currency at the exchange rate in effect at the time of transaction. Accounting for foreign currency translation at the end of the following reporting period is different for monetary and non-monetary items. Monetary items are currency units held and assets and liabilities to be received or paid in a fixed or determinable number of currency units. Whereas non-monetary items do not represent the right to receive, or the obligation to pay a fixed or determinable number of currency units.

Monetary items are required to be translated at the exchange rate in effect at the respective balance sheet date. Exchange differences that are due to the fact that monetary items are settled or translated at rates different from those at which they were translated at the time of initial recognition during the reporting period or in previous financial statements are recognised in the income statement.

Non-monetary items measured at historical cost in a foreign currency are translated at the historical rate in the subsequent periods and non-monetary items that were measured at fair value in a foreign currency are translated at the spot rate in effect at the time the value is determined. Exchange differences of non-monetary items are recorded consistent with the recognition method of changes in the value of the non-monetary item. Exchange differences for non-monetary items where the profit and loss is recognised through the income statement are required to be recognised in the income statement. For non-monetary items for which the fair value changes are recognised directly in the other comprehensive income, exchange differences are also recognised directly in other comprehensive income.

In the reporting period, there were no significant foreign currency transactions at any of the group companies. Therefore, no material currency differences arose at the level of Kabel BW.

1.5 Estimates Underlying Accounting and Measurement

The preparation of consolidated financial statements in compliance with IFRS partially requires the use of estimates. Furthermore, the application of company-wide recognition and measurement policies requires assessments to be made by management. Actual results can, irrespective of the fact that the estimates have been made to management's best knowledge of present events and measures, deviate from these estimates.

All estimates and assessments are continuously remeasured and are based on empirical data and further factors, including expectations with respect to future events that seem to be appropriate under the given circumstances.

The estimates and assumptions that involve a significant risk in the form of a material adjustment of carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated Impairment of Goodwill

In compliance with the accounting and measurement method described in Note 2.4, the Group examines at least annually whether there is an impairment of goodwill. The realisable amount for each cash-generating unit (CGU) was determined on the basis of fair value, using a discounted cash flow (DCF) approach. The estimate of future cash flows, discount rates and growth rates are based on assumptions with a relatively high level of uncertainty.

The carrying amount of the goodwill is EUR 839,983 thousand as of 31 December 2010 (prior year: EUR 837,145 thousand).

Estimated Impairment of Customer List and Brand

In compliance with the accounting and measurement method described in Note 2.4, the Group examines at least annually whether there is an impairment of the capitalised customer list and brand. The realisable amount of CGUs was determined on the basis of the fair value, using the DCF approach. The related estimate of future cash flows, discount rates and growth rates is based on assumptions with a relatively high level of uncertainty.

As of 31 December 2010, the carrying amount of the brand is EUR 20,652 thousand (prior year: EUR 20,652 thousand) and the carrying amount of the customer list is EUR 214,740 thousand (prior year: EUR 225,822 thousand).

Useful Life of Intangible Assets and Property, Plant and Equipment

The underlying useful lives of intangible assets and property, plant and equipment are measured based on the useful life, which is regularly estimated on the basis of experience data.

For details on the useful lives of property, plant and equipment and intangible assets, reference is made to the statements in Notes 2.3 and 2.4, respectively.

The carrying amounts of the intangible assets and property, plant and equipment that are subject to scheduled amortisation amount to EUR 17,870 thousand (prior year: EUR 12,188 thousand) and EUR 683,246 thousand (prior year: EUR 661,289 thousand), respectively.

Provisions for Pension Commitments

The carrying amount of the provisions for pension commitments in the amount of EUR 8,083 thousand (prior year: EUR 7,404 thousand) depends on a number of factors which are determined on an actuarial basis by means of various assumptions. As a result, changes to these assumptions influence the amount of the pension provision, as stated in Note 4.17.

Other Provisions

As mentioned in Note 6.4, Kabel BW is party to litigation in several cases. At regular intervals, management assesses legal disputes and makes provisions for probable commitments as well as related legal costs. Internal and external counsel is used to assess the underlying facts. As part of the assessment, provisions are recorded by management if a commitment is likely to lead to future cash outflows and this commitment can be reliably estimated.

Non-current provisions for restoring assets to their previous condition with a carrying amount of EUR 1,705 thousand (prior year: EUR 1,462 thousand), that are recognised at the present value of the commitment and accreted interest over the term, are determined by discount rates as well as trend assumptions of major estimated variables (please refer to Note 4.13). Changes in costs and lease terms can lead to changes in these provisions.

Revenue Recognition

Income from service transactions, as predominantly offered by the Group, are required to be recognised if the amount of the income can be reliably measured, an inflow of economic benefit for the entity is more likely than not and the costs incurred for the transactions and the cost anticipated until the completion of the services can be reliably measured. For details on revenue recognition in the different business segments, refer to Note 2.11 and Note 3.1.

Revenues recognised in the reporting period amount to EUR 546,848 thousand (prior year: EUR 480,675 thousand).

Derivative Financial Instruments

Kabel BW uses derivative financial instruments in order to hedge interest rate risks resulting from financial transactions and investments. In compliance with the recognition and measurement methods described in Note 2.10.3, Kabel BW examines at quarterly intervals whether hedging relationships are effective. Should the cumulative fair value change of the hedging instrument exceed that of the hedged item, the excess is recognised in the income statement. Otherwise, the corresponding amount is not recognised in the income statement.

The fair value of a derivative financial instrument is the amount that Kabel BW would either receive or is obligated to pay if the financial instrument is terminated at the balance sheet date.

If no market values are available to Kabel BW, the fair values of the derivatives are calculated by means of recognised valuation models. In calculating the fair values of recognised interest rate swaps, the fixed payments and the forward interest rates derived from the yield curve are initially discounted at adequate-maturity risk adjusted zero rates and then netted.

The estimate of future interest rate structures, discount rates and growth rates are based on assumptions with a relatively high level of uncertainty.

Income Taxes

The Group measures the amount of the liabilities for the anticipated tax burden on the basis of estimates as to whether and at which amount additional income taxes will become due (please refer to Note 2.12).

A deferred tax asset is recognised, if realisation is probable. The assessment of probability of the availability of future taxable profits, against which the unused tax loss and interest carryforwards can be

utilised, is based on a five-year mid-term business plan. The underlying estimates may change due to future development. If the assumptions in the business plan do not occur, adjustments on the recognised deferred tax assets for tax loss and interest carryforward are possible. For further details, refer to the statements in Note 4.18.

As of 31 December 2010, the current income tax liabilities amount to EUR 12,510 thousand (prior year: EUR 7,483 thousand) and the deferred tax liabilities amount to EUR 14,688 thousand (prior year: EUR 66,767 thousand).

1.6 Impairment of Non-financial Assets

Assets that have an indefinite useful life and goodwill are not amortised but are tested for impairment at least once a year and if events or changes in circumstances indicate that the carrying amount might no longer be recoverable (triggering event).

Assets that are subject to depreciation or amortisation are examined for impairment if corresponding events or changes in circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognised for the difference between the recoverable amount and carrying amount. The recoverable amount is the higher of fair value of the asset less costs to sell or its value in use. For the purposes of the recoverability test, assets are grouped at the lowest level for which cash flows can be separately identified (so-called CGUs). Except for goodwill, prior impairment charges are examined at the end of every reporting period to determine whether a reversal of the impairment charge is necessary. The impairment tests carried out by Kabel BW are based on fair value less cost to sell.

2 Recognition and Measurement Methods

The significant recognition and measurement methods that have been applied in preparing the consolidated financial statements are described below. The methods described have been consistently applied to the reporting periods presented, unless otherwise specified.

2.1 First-time Application of Accounting Standards

The following new accounting standards and amendments to accounting standards have been relevant for Kabel BW:

Standard/ Interpretation	Title	Applicable for reporting periods beginning on or after	Date of endorsement by the EU
Annual Improvements to IFRS (April 2009)	Collection of amendments to several standards and interpretations	1 July 2009/ 1 January 2010	25 November 2009
IFRS 3 (revised) IAS 27 (amendment)	Business combinations as well as consolidated and separate financial statements	1 July 2009	3 June 2009
IFRIC 18	Transfers of assets from customers	1 November 2009	27 November 2009

In April 2009, the IASB issued—as part of its project of **annual improvements**—a collection of amendments to ten standards and two interpretations, which comprise amendments in relation to recognition, measurement and presentation of transactions as well as terminology and editorial amendments. The relevant amendments for Kabel BW result from the clarification in IFRS 8. Disclosure of total assets and liabilities in the segment reporting are only necessary if the specified amounts are included in regular internal reporting. Furthermore, amendments concern the guidelines in IAS 18 for agency transactions and specify that a cash-generating unit for an impairment test cannot exceed an operating segment as defined in IFRS 8. The application of these amendments did not have a significant impact on the consolidated financial statements.

The revised standards of **IFRS 3** and **IAS 27** introduced the option of measuring non-controlling interests at fair value or at a proportionate share of the net assets, the remeasurement of previously held equity interest in a business combination achieved in stages at the date the acquirer obtains control, the measurement of contingent considerations at fair value at the acquisition date, the recognition of acquisition related costs as expenses in conjunction with a business combination, and the accounting for

the settlement of relationships existing prior to a business combination. The amendments which are relevant for Kabel BW relate to business combinations achieved in stages and acquisition related costs (please refer to Note 1.3.1).

IFRIC 18 provides guidance for agreements where an entity receives property, plant or equipment from a customer, that the entity uses for the construction or for the acquisition of property, plant or equipment in order to connect the customer to a network or to provide the customer with ongoing access to goods or services. This is relevant for cases where the entity receives cash that shall be used only to acquire or construct the item of property, plant and equipment. According to IFRIC 18, cash receipts from customers have to be recognised as revenues when the separately identifiable services are performed. In the financial years 2008 and 2009, the customer payments subject to this interpretation were recognised as a decrease of acquisition cost. The prospective application of IFRIC 18 resulted in an increase of property, plant and equipment as well as depreciation and revenues in the reporting period. The revenues resulting from applying IFRIC 18 are recorded in the segment Other and amount to EUR 3,120 thousand in the reporting period (please also refer to Note 3.1).

The following accounting standards are effective for these consolidated financial statements but have no material impact on these statements:

<u>Standard/ Interpretation</u>	<u>Title</u>	<u>Applicable for reporting periods beginning on or after</u>	<u>Date of endorsement by the EU</u>
IFRS 1 (revised)	First-time adoption of IFRS	1 July 2009	25 November 2009
IFRS 1 (amendments)	First-time adoption of IFRS	1 January 2010	23 June 2010
IFRS 2 (amendments)	Share-based payment	1 January 2010	23 March 2010
IFRIC 9 and IAS 39 (amendments)	Reassessment of embedded derivatives	1 July 2009	30 November 2009
IAS 39 (amendments)	Financial instruments: recognition and measurement—changes with respect to eligible hedged items	1 July 2009	15 September 2009
IFRIC 12	Service concession agreements	29 March 2009	25 March 2009
IFRIC 15	Agreements for the construction of real estate	1 January 2010	22 July 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 July 2009	4 June 2009
IFRIC 17	Distributions of non-cash assets to owners	1 November 2009	26 November 2009

2.2 New Accounting Standards, Not Yet Effective

The following accounting standards have been issued by the IASB but are not yet effective for the reporting period. Kabel BW has not early adopted these accounting standards which have been endorsed by the EU.

Standard/ Interpretation	Title	Applicable for reporting periods beginning on or after	Date of endorsement by the EU
Annual Improvements to IFRS (May 2010)	Collection of amendments to several standards and interpretations	1 January 2011	Not yet adopted
IFRS 1 (amendments)	Limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2010	30 June 2010
IFRS 1 (amendments)	Amendments related to severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011	Not yet adopted
IFRS 7 (amendments)	Financial instruments: disclosures	1 July 2011	Not yet adopted
IFRS 9	Financial instruments	1 January 2013	Not yet adopted
IAS 12 (amendments)	Income tax: recovery of underlying assets	1 January 2012	Not yet adopted

Standard/ Interpretation	Title	Applicable for reporting periods beginning on or after	Date of endorsement by the EU
IAS 24 (revised)	Related party disclosures	1 January 2011	19 July 2010
IAS 32 (amendments)	Financial instruments: presentations	1 February 2010	23 December 2009
IFRIC 14 (amendments)	IAS 19—The limit of a defined benefit asset, minimum funding requirements and their interaction	1 January 2011	19 July 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010	23 July 2010

In May 2010, the IASB issued—as part of its project of **annual improvements**—a collection of amendments to six standards and one interpretation, which comprise amendments in relation to recognition, measurement and presentation of transactions as well as terminology and editorial amendments.

Standard/ Interpretation	Amendments
IFRS 1	Accounting policy changes in the year of adoption of the IFRS Revaluation basis as deemed cost Use of deemed cost for operations subject to rate regulation
IFRS 3	Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS 3 Measurement of non-controlling interests Un-replaced and voluntarily replaced share-based payment awards
IFRS 7	Clarifications of disclosures
IAS 1	Clarification of statement of changes in equity: no separate presentation of components of comprehensive income in the statement of changes in equity
IAS 27	Transition requirements for amendments made as a result of business combinations phase 2
IAS 34	Disclosures for significant events and transactions
IFRIC 13	Fair value of award credit

IFRS 9 introduce new regulations for the classification and measurement of financial assets which are in the scope of IAS 39.

The amended version of **IAS 24** provides a partial exemption from the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government, and clarifies the definition of a related party.

The amendments to **IAS 32** address the issuer's accounting for rights, options and warrants to acquire a fixed number of the entity's own equity instruments that are denominated in a currency other than the functional currency of the issuer.

The amendments to **IFRIC 14** apply when an entity is subject to minimum funding requirements for external pension plans and make early contributions to fulfil those requirements.

IFRIC 19 clarifies that differences between the carrying amount of a financial liability derecognised and the initial value of equity instruments issued are recognised in the income statement for the period.

Currently Kabel BW does not expect the application of these new accounting standards to have a material impact on the consolidated financial statements.

The IASB's exposure drafts with regard to accounting for leases (Leases, ED/2010/9) and revenue recognition (Revenue from contracts with customers, ED/2010/6) could impact the consolidated financial statements in the subsequent periods.

2.3 Property, Plant and Equipment

Property, plant and equipment are measured at their cost less any accumulated depreciation and any accumulated impairment loss. The cost comprise the purchase price, after deducting rebates, bonus incentives and cash discounts, and any costs that are directly attributable to bringing the asset to the location and condition necessary to be capable of operating in the manner intended by management as well as the estimated costs for dismantling and removing the item and restoring the site on which it is located.

Subsequent costs (e.g. investment in new plant capacity) are recognised as part of the cost of an asset or, if relevant, as a separate asset if it is probable that a related economic benefit will flow to the Group in the future and the cost of the asset can be reliably determined. The carrying amount of the replaced part of the asset is written off.

Expenses for repair and maintenance that do not constitute material expansions are recognised as an expense in the income statement in the financial year when they are incurred.

Land is not depreciated. All other property, plant and equipment are depreciated on a straight-line basis, with cost being depreciated on a straight-line basis to the residual carrying amount over the estimated useful life of the assets. Leasehold improvements are depreciated over the shorter of the period of the corresponding lease agreement or useful life.

The gain or loss arising from disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount and is recognised in the income statement as other income or expenses.

The useful lives for the major classes of property, plant and equipment are as follows:

	Useful life
Broadband cable network	
Broadband and fibre cables	1 - 25 years
Other network elements	1 - 17 years
Cable duct systems	35 years
Leasehold improvements	
Hub improvements	10 years
Other	term of lease agreement
Other equipment, plant and office equipment	
IT systems	3 - 13 years
Other plant and office equipment	1 - 23 years

If the carrying amount of an item of property, plant and equipment exceeds its estimated recoverable amount, it is written down to its recoverable amount. The residual carrying amounts and economic lives are reviewed at the end of every reporting period and adjusted, if required.

Government grants related to the purchase or construction of an item of property, plant and equipment are recorded as an offset to the cost of the corresponding asset in arriving at the asset's net carrying amount. Other grants are recognised as revenues based on the stage of completion of the related services (please also refer to Note 2.1).

2.4 Intangible Assets

Goodwill

Goodwill constitutes the excess of the cost of the acquisition over the fair value of the Group's share in the net assets of the acquired entity at the acquisition date. Goodwill that resulted from an acquisition is recognised under intangible assets. The goodwill recognised is tested for impairment at least once a year and measured at initial cost less accumulated impairment. Reversals of impairments are not permitted under IAS 36. Gains on and losses from the disposal of an entity include the carrying amount of the goodwill that is allocated to the entity disposed.

For the purpose of the impairment test, the goodwill is allocated to cash-generating units (CGUs). It is allocated to those units or groups of CGUs that are expected to derive a benefit from the acquisition from which the goodwill arose. The CGUs of the Group correspond to the segments Television, Telecommunication and Other identified under IFRS 8 (please also refer to Notes 4.8 and 6.2.).

Customer List and Brand

The intangible assets of Kabel BW primarily include the acquired customer list and the value of the brand Kabel BW, which were identified, measured and recognised in connection with certain acquisitions.

In addition, the customer list includes subscriber acquisition costs. These costs are capitalised if they can be definitively allocated to customer contracts, are payable to a third party and can be reliably determined, if the inflow of the related benefit is deemed to be probable and they also meet the definition and recognition criteria under IAS 38. They are amortised over the minimum contract terms of 1 or 2 years. If the capitalised subscriber acquisition costs become irrecoverable (for example due to failure to pay) or a contract is terminated within the minimum contract term, the capitalised subscriber acquisition costs are immediately written off. Costs that do not meet the criteria under IAS 38 are expensed as incurred.

The brand is not amortised, but tested for impairment annually and if there are indications of impairment, because management anticipates that the brand will continue to exist for an indefinite period.

Software

Acquired software licences are capitalised at cost plus cost to prepare for use. Subsequent capital expenditures are capitalised if the criteria for recognition of intangible assets are met. The total cost is amortised over the estimated useful life.

Costs that are incurred to customise software products are recognised as part of the intangible assets. The directly attributable costs include, among other things, the personnel costs of the personnel involved in the development as well as further costs directly attributable to the software development.

Costs that are incurred after the initial operation of the software are recognised as expenses if these costs do not relate to an extension of the useful life or significant improvements.

Useful Life of Intangible Assets

In determining the useful life of Kabel BW's customer list, the extrapolated churn rate and the average contractual period with the respective end user are taken into account, provided that a significant amount of revenue is realised under the related contracts. The effects of future competition are taken into account in an appropriate way.

The amortisation of other intangible assets is calculated based on the scheduled allocation of the amortisable amount over the estimated useful life of the assets. Amortisation starts at the time when the asset is ready for use.

The intangible assets are amortised over the following useful lives:

	Useful life
Goodwill	indefinite
Brand Kabel BW	indefinite
Customer list	6 - 38 years
Subscriber acquisition costs	1 - 2 years
Licenses	1 - 20 years
Rights of use	1 - 25 years
Software	1 - 5 years

The useful life of the customer care and billing system Cable Master was extended according to the Kabel BW IT roadmap until 31 March 2012 for the components which existed before 31 December 2009. This resulted in a positive earnings impact in 2010 in the amount of EUR 363 thousand. The carrying amount of these software components with an economic useful life ending 31 March 2012 amounted to EUR 709 thousand as of 31 December 2010. The software developments and additions in the reporting period are amortised over the useful life of four years.

2.5 Borrowing Costs

Borrowing costs that can be directly allocated to the acquisition, construction or production of a qualifying asset are capitalised as a portion of the cost of the asset. Other borrowing costs are recognised as an expense in the period incurred. Because the Group did not have qualifying assets in the reporting period and in the previous year, borrowing costs have not been capitalised.

2.6 Inventories

Inventories are recognised at the lower of cost or net realisable value according to IAS 2. Cost is determined on the basis of the moving average. All costs that were incurred in order to bring the inventories to their present location and condition are included.

The net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to sell. Write-downs of inventories are recognised as an expense in cost of goods sold.

2.7 Equity

The subscribed capital and capital reserves are classified as equity and recognised at nominal value.

The accumulated other comprehensive income includes changes in equity that are not recognised in the income statement and are not due to capital transactions with shareholders (for example capital increases or distributions). These include unrealised gains and losses from fair value measurement of derivative financial instruments in cash flow hedges and include the related deferred tax effect.

2.8 Employee Benefits (Pension Commitments)

The Group has both defined benefit plans and defined contribution plans.

Kabel BW has a pension plan that covers all current and former employees, for which a pension commitment was agreed (740 employees; prior year 671), including those former employees which accumulated vested pension rights and left the company.

The provision for defined benefit plans recognised in the balance sheet corresponds to the present value of the defined benefit obligation (DBO) adjusted for accumulated actuarial gains and losses and past service costs that have not yet been recognised in the income statement. As in the previous year, the Group does not have assets held by long-term employee benefit funds.

The present value of the defined benefit obligation is calculated by actuarial principles and application of the projected unit credit method. The anticipated future cash outflows are discounted with the interest rate of corporate bonds with a first-class credit rating that are denominated in the currency of the benefit payments and have maturities that correspond to the pension commitments. Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current reporting period.

The net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeding the 10% corridor of the present value of the defined benefit obligation (IAS 19.92 et seq.) are recognised over the expected average residual service period of the employees covered by the plan.

The contributions for defined contribution plans are recognised in personnel costs at the time of maturity. Prepaid contributions are recognised as assets to the extent that there is a right to repayment or reduction of future payments. These include also employer contributions to the statutory retirement pension system.

2.9 Other Provisions

Provisions are recognised if the Group has a present legal or constructive obligation that resulted from a past event, it is more likely than not that settlement of this obligation will require an outflow of resources which embody an economic benefit and the amount of the provision can be reliably estimated.

Provisions are measured as the best estimate of the expenditures required to settle the obligation. Non-current provisions are measured at the present value of the anticipated expenditures, with a pre-tax interest rate, which takes into account current market expectations with respect to the time value of money and the specific risks for the obligation. The increase in the provision that result from the accretion of interest to the provision is recognised as interest expense in the income statement.

2.10 Financial Instruments

In accordance with IAS 32.11, financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Regulations governing recognition and measurement of financial instruments are provided under IAS 39. The Group is not using the fair value option. Financial instrument are recognised when the entity becomes a party to the contractual provision of the instrument. If the transactions are entered into under conditions that are not consistent with market terms, the financial instruments are recognised at fair value at the settlement date and the exposure is recognised in the income statement.

Generally, financial assets and financial liabilities are not offset against one another. They are only netted if there is a right to net settle on the effective date of measurement and there is intent to settle the financial assets and financial liabilities on a net basis.

2.10.1 Financial Assets

The financial assets of the Group are basically cash and cash equivalents, trade receivables, other loans and receivables and other original financial assets, such as equity investments, receivables from shareholders and rent deposits.

Upon initial recognition, financial assets are measured at fair value. Transaction costs directly attributable to the acquisition of all financial assets that are not subsequently measured at fair value through profit or loss are capitalised. The fair values recognised in the balance sheet generally represent the market values of the financial assets. If these are not directly available, fair value is calculated by applying generally accepted measurement models, which is typically based discounted cash flows, and takes into consideration current market factors. Fixed cash flows or cash flows determinable by means of forward rates using the current yield curve, are discounted on the effective date of measurement with the discount factors determined on the basis of the yield curve that is appropriate on the effective date.

Cash and cash equivalents include cash on hand and demand deposits. According to IAS 7.7, these have a residual term of up to three months at the time of recognition. Cash and cash equivalents are measured at amortised cost.

Trade receivables and other loans and receivables are measured at amortised carrying amount less allowances according to the effective interest method. Allowances are made in the form of specific or general allowances, thus adequately providing for anticipated credit risks. Defaults which are certain result in a write off of the receivable. Within the scope of general allowances, financial assets for which there is a potential allowance requirement are classified by means of similar credit risk qualities and tested collectively for impairment and possibly written down. In determining the anticipated future cash flows of the portfolios, historical empirical data are also taken into account in addition to the contractual cash flows; these factors are complemented by current data concerning the customers' payment history. Trade receivables are written down solely via allowance accounts. These receivables are not directly reduced. As

soon as receivables are, however, deemed to be irrecoverable and provided to a collection agency, the allowance account is reduced by writing off the related receivables. The portion of the accounts receivable that has not already been impaired is written off without adjusting the allowance account.

At the end of each reporting period, the carrying amounts of financial assets that are not required to be measured at fair value through profit and loss are examined for objective substantial indications of impairment (for example major financial difficulties of the debtor or a high probability of insolvency proceedings against the debtor). Any impairment loss that results from a fair value that is lower than the carrying amount is recognised in the income statement. Impairments that relate to non-listed equity instruments are not reversed.

The fair values of loans and receivables measured at amortised cost that are used for impairment testing, correspond to the present value of the estimated future cash flows discounted at the original effective yield. The fair value of non-listed equity instruments measured at cost is derived from the present value of the anticipated future cash flows discounted at the current interest rate which corresponds to the specific risk of the investment.

As of 31 December 2010, Kabel BW classified financial assets as “loans and receivables” and “available-for-sale financial assets”. Financial assets classified as “available-for-sale” only represent unlisted equity instruments. No financial assets have been classified as “financial assets at fair value through profit or loss” and “held-to-maturity investments”.

2.10.2 Financial Liabilities

Financial liabilities represent an obligation to return cash or another financial asset. The financial liabilities of Kabel BW include primarily liabilities to banks, trade payables as well as derivative financial instruments with a designated cash flow hedge relationship.

Upon initial recognition, financial liabilities are measured at fair value. The transaction costs directly attributable to the acquisition are capitalised for all financial liabilities that are subsequently not measured at fair value through profit or loss.

Liabilities to banks, trade payables and other original financial liabilities are measured at amortised cost according to the effective interest method. Derivative financial instruments are measured at fair value (please refer to Note 2.10.3).

There are no financial liabilities measured at fair value through profit or loss as of 31 December 2010.

2.10.3 Derivative Financial Instruments (Cash Flow Hedges)

Kabel BW uses derivative financial instruments in order to hedge interest rate risks resulting from financial transactions and investments. Derivative financial instruments are neither held nor issued for speculative purposes.

Upon initial recognition and subsequent to initial recognition, derivative financial instruments are measured at fair value. Negative fair values upon commencement of the contract are recognised in the income statement. The fair value of traded derivative financial instruments represents the market values. If no market values are available to Kabel BW, the fair values of the derivatives are calculated by means of accepted valuation models. For derivative financial instruments, the fair value corresponds to the amount that Kabel BW would either receive or have to pay at the balance sheet date to terminate the financial instrument. This amount is calculated by means of the exchange rates, interest rates and credit ratings of the other parties to the contract that are applicable at the balance sheet date.

In calculating the fair values of recognised interest rate swaps, the fixed payments and the forward interest rates derived from the yield curve are initially discounted at adequate-maturity risk adjusted zero rates and then netted.

The Group applies the rules governing hedge accounting under IAS 39.71 et seq. (hedge accounting) in order to account for the hedge of balance sheet items and future cash flows. The effective changes in the fair values of all derivatives are therefore required to be recognised in the other comprehensive income after tax without an impact on the profit or loss of the period.

The ineffective portion of a hedge is directly recognised in the income statement on the basis of accumulated fair value changes. Should the accumulated fair value changes of a hedging instrument exceed those of the hedged item, the excess is required to be recognised in the income statement for the period. If

the fair value of a hedged item exceeds the accumulated fair value changes of the hedging instrument, the difference has no accounting impact.

The ineffective portion is reclassified from other comprehensive income into profit or loss when the hedged transaction affects profit or loss, including the applicable deferred tax effect.

2.11 Revenue and Other Operating Income

Revenue

Under IAS 18, revenue includes the gross inflow of economic benefit from the ordinary activities of the entity during the reporting period, which is measured at fair value. Revenue from transactions involving the rendering of services, as predominantly offered by the Group, are recognised if the amount of the revenue can be reliably measured, an inflow of economic benefit to the entity is probable and the costs incurred for the transaction and the cost to complete the transaction can be reliably measured.

- In the segment Television, revenue includes payment of charges for delivery of signals, installation as well as feed-in and Pay-TV charges. In addition, revenue is generated through video on demand and rental of customer premises equipment.
- In the segment Telecommunication, revenue is generated from subscriber fees by providing broadband internet, telephony and mobile services through various subscription models. Internet and telephony products are offered bundled with or independent of television products.
- The revenues of the segment Other include revenues from sale and rental of network level 4 inhousing equipment, sale of hardware and other goods as well as building cost allowances for house connections and network level 4 modernisations.

Revenues resulting from providing TV, internet, telephony and mobile products are recognised as soon as the service is rendered. Prepayments are accrued and recognised over the retention period.

Feed-in charges are paid by providers of programme content which pay for broadcasting national and regional/local programmes via the cable network. In addition, programme charges and other revenues also include the revenues for digital contents that result from feed-in and transmission of digital TV programmes.

Revenue from cable connection charges are recognised at the time of invoicing and after the services are provided. This direct revenue recognition methodology is based on the fact that these connection charges are matched by the cost of technical services and commission and installation costs.

Revenues resulting from the sale of goods are realised at the time the significant risks and rewards of the ownership of the goods are transferred. Revenues resulting from the rental of customer premises equipment and from sale and rental of network level 4 inhousing equipment classified as operating lease are realised considering the terms of the leasing agreement.

If services are provided free of charge (free months granted upon the execution of a contract as well as credits granted at the beginning of the contract for promotion campaigns) revenues are recognised for the first time during the period of free service. In these circumstances, total chargeable revenues are allocated over the minimum term of the contract. The risk of loss due to unanticipated termination is considered at the time of initial revenue recognition. In prior years, the Group did not recognise revenues during the period of free services because it was not material. Thus a retrospective application of this accounting policy was not required.

Under various contracts, customers are permitted the right to use hardware components free of charge or at reduced prices. If the hardware was provided free of charge, no revenues were recorded in the previous year. The expense related to this service has been accrued as a prepaid expense over the anticipated term of the contract. If the hardware was provided at a reduced price, only the net amount of the expenses and the received payment was recognised as a prepaid expense.

The principles of multi-component contracts have been applied for transactions of services and goods in the reporting period. Multi-component contracts are considered, if a single contract refers to multiple services or several services have to be considered as one transaction due to a close economic relationship. Although these services are considered similar, separate recognition of each component is required. Therefore, the revenues are based on the relative fair values for each individual component. Where charged, cable-connection fees are not considered as part of the multi-component contract, but are taken

into account separately. Revenues for components referring to different segments are allocated to the segments based on the proportion of relative fair values. In prior years, the Group did not recognise revenues in these cases because it was not material. Thus a retrospective application of this accounting policy was not required.

Other Operating Income

The other operating income includes income from the release of provisions and accruals made in the prior year, income from dunning charges, income from damages, advertising cost allowances and income from other services as well as income not related to the reporting period.

2.12 Income Taxes

Current Taxes

Liabilities to and claims against tax authorities include the amount of income tax that is expected by management to be payable and refunded, respectively. This assessment is based on a computation in compliance with the laws applicable at the end of the reporting period.

Deferred Taxes

Deferred taxes are recognised under IAS 12 for all temporary differences between the tax base of the assets/liabilities and their carrying amounts in the IFRS financial statements (liability method). If temporary differences arise as a result of the initial recognition of an asset or of a liability, which does not constitute a business combination, no tax is deferred both at the time of initial recognition and thereafter. In addition, deferred tax assets are recognised for tax loss carryforwards, interest carryforwards as well as future tax benefits.

Deferred taxes are measured by applying the tax rates and tax regulations that are applicable or which have been legally adopted at the end of the reporting period and that are expected to be applicable at the time the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is more likely than not that a taxable profit against which the temporary difference can be used will be available. Deferred tax assets are calculated on the basis of the tax rates that are expected to be applicable for the period when an asset is realised or a liability is settled. The carrying amount of a deferred tax asset is assessed by the enterprise at the end of each reporting period and is written down to the extent that the probability that sufficient taxable earnings will be available for the deferred tax asset to be used, either in part or in whole, is remote.

Both current taxes and deferred tax assets and liabilities are disclosed on a net basis if the Group has an enforceable right to offset the amounts against each other and these are levied by the same tax authority for the same taxable entity (IAS 12.71).

2.13 Leases

2.13.1 The Group as Lessee

Operating Lease

Leases where a material part of the risks and opportunities that are related to the title of the leased asset remain with the lessor are classified as operating leases. Payments made in connection with an operating lease are recognised on a straight-line basis in accounting income over the period of the lease.

The leases at group level, which are classified as operating leases, relate to contracts for joint use of conduit draw-gears and parts of conduit draw-gears in cable duct systems for broadband cables, for tenancy agreements of office buildings, the plant and equipment as well as the fleet of service vehicles. Regarding the minimum lease payments under operating leases to be made in the future please refer to Note 6.3.

Finance Lease

Leases where the Group bears the material risks and receives the benefit from the leased asset are classified as finance leases. Kabel BW capitalises assets under finance leases at the lower of fair value or present value of the minimum lease payments at the inception of the lease. Each lease payment is divided into an interest and repayment portion so that the leasing liability accrues interest at a constant rate. The

interest portion of the rental is recognised as an expense as incurred. The recognised assets are depreciated or amortised over the shorter of the two following periods: the useful life or the lease term.

The contracts classified as finance leases relate to hire-purchase contracts on software licences and hardware that were executed in 2008. Regarding further disclosures relating to finance leases please refer to Note 4.9.

2.13.2 The Group as Lessor

In addition to providing line services, the Group also rents customer premises equipment. The minimum contractual term of the operating lease agreements is generally 24 months. As the legal and economic ownership of the assets remains with Kabel BW, these assets are capitalised in property, plant and equipment and are depreciated on a straight-line basis over the estimated useful life.

Additionally, there are contracts on the rental of cable TV networks on network level 4. The leased assets are used for providing digital TV signals, internet access and telephony to housing associations.

Regarding the minimum lease payments under non-redeemable operating leases please refer to Note 4.9.

3 Notes to the Consolidated Income Statement

3.1 Revenue

Revenues, which were realised almost exclusively in Baden-Württemberg, changed in the segments as follows:

	2010	2009	Change	Change
	EUR'000	EUR'000	EUR'000	%
Basic cable services	264,475	256,688	7,787	3.0
Carriage fees	31,449	30,997	452	1.5
Pay-TV	23,519	22,722	797	3.5
Revenue Television	319,443	310,407	9,036	2.9
Internet/ Telephony services	209,601	159,423	50,178	31.5
Mobile services	161	0	161	n/a
Revenue Telecommunication	209,762	159,423	50,339	31.6
Network Level 4 operations	4,567	5,037	– 470	– 9.3
Hardware sale	7,606	4,487	3,119	69.5
Building cost allowances	4,496	1,321	3,175	240.3
Sundry revenues	974	0	974	n/a
Revenue Other	17,643	10,845	6,798	62.7
Revenue	546,848	480,675	66,173	13.8

Revenues from the segment **Television** result primarily from charges for delivery of signals, connection fees and carriage fees as well as for Pay-TV.

- The revenues from basic cable services include mainly fees for signal delivery and connection fees. Signal delivery fees are the monthly subscription fees for cable network access and reception of basic analogue and digital signals. Connection fees relate to the installation of the network access.
- Carriage fees are paid by providers of programme content which pay for broadcasting international, national, regional and local programmes via the cable network.
- Pay-TV revenues are realised from supplementary digital products offered by Kabel BW to specific target groups for a consideration (especially products such as Mein TV, Kabel Digital Home, Sky Entertainment and foreign language programmes). In addition, Pay-TV revenues also include revenues from video on demand services and rental of customer premises equipment (recorders, receivers).

Total revenues of the segment Television are allocated to basic cable services 82.8% (prior year: 82.7%), carriage fees 9.8% (prior year: 10.0%) and Pay-TV 7.4% (prior year: 7.3%).

Revenues from the segment **Telecommunication** result primarily from the monthly charges paid by subscribers for telecommunication services (internet, telephony and mobile) that are offered according to various subscription models.

Revenues presented in the segment **Other** consist of 25.9% (prior year: 46.4%) from network level 4 operations that include engineering, construction, operation and granting of rights to use the cable networks at level 4 house wiring, 43.1% (prior year: 41.4%) from the sale of hardware and 25.5% (prior year: 12.2%) from building cost allowances. The increase in revenues from building cost allowances by EUR 3,175 thousand mainly results from the initial application of IFRIC 18 (please refer to Note 2.1).

3.2 Other Operating Income

	2010	2009
	EUR'000	EUR'000
Income from release of provisions and accruals	4,685	3,864
Reimbursement of costs	2,143	0
Income from dunning charges	1,892	1,698
Income from transitional consolidation	1,445	0
Income relating to other periods	1,077	2,370
Income from liabilities written off	706	469
Sundry	4,627	4,227
Other operating income	<u>16,575</u>	<u>12,628</u>

The reimbursement of costs relate to consulting costs which are borne by the company's shareholder. The consulting costs incurred at TopCo relate to the examination of different strategic options for the development of the Kabel BW Group.

The income from transitional consolidation results from the remeasurement of a previously held equity interest in a business combination achieved in stages (please refer to Note 1.3.1).

The income relating to other periods also includes income from derecognition of liabilities relating to other periods in the amount of EUR 127 thousand (prior year: EUR 406 thousand). In the previous year, the income relating to other periods includes income of EUR 1,761 thousand that relates to the sale and purchase agreement executed with Tele Columbus GmbH, Hanover (as the legal successor of Tele Columbus GmbH & Co. KG).

Additionally, the income from other services, damages and advertising cost allowances are recorded in the sundry income.

3.3 Cost of Goods Sold

	2010	2009
	EUR'000	EUR'000
Interconnection costs	35,008	29,292
Pay-TV costs (content)	15,856	15,591
Hardware costs	12,480	9,756
License fees GEMA/ VG Media	11,477	12,832
Energy procurement costs	6,492	5,978
Network Level 4 costs	967	1,561
Other costs	2,673	698
Cost of goods sold	<u>84,953</u>	<u>75,708</u>

Expenses for the connection in other networks went up according to the increased revenues of the segment Telecommunication.

The Pay-TV costs relate to purchased programme content and specifically relate to Kabel Digital Home, Sky Entertainment, Arena TV and foreign language programmes.

The hardware costs of the reporting period include the sale of customer premises equipment as well as the write off of prepaid expenses resulting from providing equipment free of charge or for a reduced selling price in previous years.

The expenses for GEMA/VG Media include the license fees paid to the copyright collecting societies GEMA, Berlin (German Society for Musical Performing Rights and Mechanical Reproduction Rights) and VG Media, Berlin (Collecting Society for Performance Rights of Media Entities).

3.4 Personnel Costs

	2010	2009
	EUR'000	EUR'000
Wages and salaries	43,553	39,979
Social contributions	9,061	7,833
Other personnel costs	1,415	1,499
Personnel costs for internal staff	54,029	49,311
External human resources services	2,353	2,992
Personnel costs	56,382	52,303

The increase in personnel costs is due to the increase required by the collective bargaining agreement and the increased number of employees.

The item social contributions includes in addition to social insurance contributions and civil servant health care reinsurance expenses for defined benefit obligations of EUR 366 thousand (prior year: EUR –85 thousand) and voluntary social benefits of EUR 320 thousand (prior year: EUR 261 thousand). Employer contributions to statutory retirement pension system included in social contributions amount to EUR 2,976 thousand (prior year: EUR 2,654 thousand).

The other personnel costs refer to costs closely related to the employees (e.g. expenses for training and recruiting).

The reduction in external human resources services results from a decreased number of commercial and technical temporary labour.

3.5 Selling and Administrative Expenses

	2010	2009
	EUR'000	EUR'000
Selling and marketing expenses	24,289	24,422
Customer service outsourcing	15,326	15,810
Consulting costs	9,645	7,000
Postage and telecommunication expenses	3,890	5,800
Rent	3,674	3,615
Fleet of vehicles expenses	2,201	1,836
Other	8,455	8,873
Selling and administrative expenses	67,480	67,356

In addition to expenditures for public relations and market research as well as communication and advertising expenses, the selling and marketing expenses also include subscriber acquisition costs that cannot be capitalised according to IAS 38. Subscriber acquisition costs in the amount of EUR 17,663 thousand (prior year: EUR 15,558 thousand) have been capitalised in the reporting year (please refer to Note 2.4).

The item “Other” includes primarily expenses that relate to receivables written off, allowances made and income from receivables already written off (please refer to Note 4.2). In addition, this item also includes expenses for offices, office supplies, insurance, travel expenses and catering.

3.6 Technical Expenses Less Capitalised Expenses

	2010	2009
	EUR'000	EUR'000
Costs of providing cable network (including repair and maintenance expenses)	43,527	44,651
IT service expenses	5,777	3,846
Capitalised expenses	– 10,350	– 10,638
Technical expenses less capitalised expenses	<u>38,954</u>	<u>37,859</u>

The capitalised expenses primarily relate to the construction measures for fibre optics and broadband cables, hubs as well as IT projects.

3.7 Depreciation and Amortisation

	2010	2009
	EUR'000	EUR'000
Regular depreciation and amortisation	131,136	121,691
Impairments	14,970	6,544
Depreciation and amortisation	<u>146,106</u>	<u>128,235</u>

The item depreciation and amortisation include depreciation on property, plant and equipment and amortisation of intangible assets including acquired customer base and customer base generated through winning new customers. The allocation of depreciation and amortisation to classes of assets is presented on pages 45 and 46. The amortisation of subscriber acquisition costs (including impairments) amount to EUR 18,228 thousand (prior year: EUR 16,374 thousand).

Impairments relate to prepayments made for intangible assets due to the reassessment of strategic options for the course of action for the customer care and billing system of approximately EUR 9,610 thousand (prior year: EUR 0 thousand), subscriber acquisition costs due to individual churn rates of EUR 5,360 thousand (prior year: EUR 3,290 thousand) and broadband cable network due to the lack of future technical use of EUR 0 thousand (prior year: EUR 3,254 thousand).

3.8 Finance Income and Finance Expenses

	2010	2009
	EUR'000	EUR'000
Interest income	671	536
Interest expenses	– 76,046	– 79,411
Fair value adjustment for interest rate swap	0	– 2,816
Other interest expenses	– 1,299	– 1,242
Financial result	<u>– 76,674</u>	<u>– 82,933</u>

Accrued interest payments and receipts for derivative financial instruments (interest rate swaps) are netted per swap contract and recognised as interest income or interest expense at the net amount. In the reporting year this item included interest expenses from swap contracts of EUR 19,968 thousand (prior year: EUR 13,858 thousand).

The improvement in the financial result is mainly due to lower interest paid as a result of a decrease in the Euro Interbank Offered Rate (EURIBOR) in comparison with the prior year, the reduced amounts of debt and lower margins due to improved financial ratios.

The fair value adjustment of EUR 2,816 thousand, which was included in the financial result in the previous year, relates to the derecognition of the financial liabilities for the swaps that expired on 30 September 2009 (EUR 3,662 thousand) and from the recognition of the negative fair values of the new swaps at the beginning of the contract term in September 2009 through profit and loss (EUR – 6,478 thousand).

The other interest expense refers to the accretion of interest to provisions amounting to EUR 509 thousand (prior year: EUR 397 thousand) and other financing costs of EUR 790 thousand (prior year: EUR 845 thousand).

3.9 Taxes and Deferred Taxes

The tax benefits and expenses include the following:

	2010	2009
	EUR'000	EUR'000
Current income tax expenses	– 7,802	– 6,720
Deferred income tax benefits/expenses	52,459	– 2,638
Income tax benefits/expenses	44,657	– 9,358
Other tax expenses	– 60	– 289
Tax benefits/expenses	44,597	– 9,647

The current tax expenses include tax expenses relating to other periods of EUR 1,273 thousand (prior year: EUR 752 thousand) and tax benefits relating to other periods of EUR 483 thousand (prior year: EUR 0 thousand). The tax expenses relating to other periods primarily result from the retrospective discontinuation of the tax group with respect to corporate income tax and trade tax between HoldCo and TopCo due to the cancellation of the profit and loss transfer agreement which was effective 31 December 2010.

The other tax expenses result from vehicle tax, value added tax and property tax.

The deferred tax assets and liabilities are determined on the basis of tax rates that are anticipated at the time the assets and liabilities are realised. As of 31 December 2010, the applicable tax rate due to fiscal regulations was 29.825% as in the previous year and comprises the corporate income tax rate of 15.0% plus a solidarity surcharge of 5.5% on corporate income tax and a trade tax rate of 14.0%. The development of the deferred taxes is shown in Note 4.18.

The reconciliation between tax expenses and the product of earnings before tax multiplied by the applicable group tax rate is as follows:

	2010	2009
	EUR'000	EUR'000
Earnings before tax	92,875	48,908
Expected income tax expenses	– 27,700	– 14,589
Reconciliation items:		
Current taxes for prior years	– 790	– 752
Tax effect of changes in tax rates	0	12
Tax effect of non-taxable income	0	341
Tax effect of transitional consolidation	887	0
Tax effect of initial recognition and adjustments of deferred taxes for temporary differences	– 906	5,566
Tax effect of unrecognised deferred tax assets for tax loss and interest carryforwards	– 1,522	4,980
Tax effect of adjustments for tax losses carried forward	606	– 1,733
Tax effect of initial recognition of deferred tax assets for tax loss and interest carryforwards	77,561	0
Tax effect of non-deductible expenses	– 338	– 185
Tax effect of additions for trade tax purposes	– 3,152	– 2,981
Other reconciliation items	11	– 17
Tax benefits/expenses	44,657	– 9,358
Effective tax rate (calculated as division of tax benefits/expenses and earnings before tax)	48.1%	– 19.1%

In the previous year, the initial recognition of the deferred taxes on temporary differences resulted from an audit by tax authorities.

The tax effect from the initial recognition of deferred taxes for tax loss carryforwards and interest carryforwards amounted to EUR 77,561 thousand, of which EUR 71,737 thousand resulted from the termination of the profit and loss transfer agreement between HoldCo and TopCo as of 31 December 2010. In the previous year, HoldCo as the subordinated company in the tax group did not recognise deferred taxes for the frozen corporate and trade tax loss carryforwards. In addition, deferred tax assets amounting EUR 5,824 thousand for interest carryforwards from previous years due to interest barrier rules were recognised.

The tax effect of unrecognised deferred tax assets for tax loss and interest carryforwards refer to the tax losses of TopCo in the reporting period (please also refer to Note 4.18).

The tax effect of additions for trade tax purposes results mainly from interest, rental and lease payments that are only partly deductible.

4 Notes to the Consolidated Balance Sheet

4.1 Cash and Cash Equivalents

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Current bank accounts	100,983	54,456
Other liquid funds	12	5
Cash and cash equivalents	<u>100,995</u>	<u>54,461</u>

The liquid funds include cash on hand, among other things.

The changes in cash and cash equivalents are presented in the consolidated statement of cash flows.

Cash and cash equivalents have been fully pledged at carrying amounts through a blanket assignment.

4.2 Trade Receivables and Other Operational Receivables

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Current trade receivables	26,121	24,900
Suppliers with debit balances	1,610	545
Allowances for doubtful accounts	<u>– 1,966</u>	<u>– 2,000</u>
	25,765	23,445
Non-current trade receivables	<u>1,982</u>	<u>0</u>
Trade receivables and other operational receivables	<u>27,747</u>	<u>23,445</u>

As a condition for the senior facilities agreement, Kabel BW has furnished collateral for potential credit risks in the form of its total trade receivables at full carrying amount.

The non-current trade receivables primarily result from accrued revenues for free months, initial credits and vouchers.

The age structure analysis of trade receivables is as follows:

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Not overdue and not impaired receivables	20,542	13,948
Overdue, but not impaired receivables		
less than 30 days overdue	2,595	6,618
30 - 60 days overdue	2,451	986
61 - 90 days overdue	1,009	522
more than 90 days overdue	22	188
Overdue, but not impaired receivables	6,077	8,314
Gross amount of impaired receivables	3,094	3,183
Impairment	- 1,966	- 2,000
	27,747	23,445

There were no indications at the end of the reporting period that the debtors will not fulfil their payment obligations for the trade receivables which were neither impaired nor past due.

The allowance for doubtful accounts changed as follows:

	2010	2009
	EUR'000	EUR'000
1 January	2,000	1,699
Additions	621	1,780
Utilisation	- 114	- 420
Release	- 541	- 1,059
31 December	1,966	2,000

The following table shows the expenses for trade receivables written off in total and the income from payments received from trade receivables written off:

	2010	2009
	EUR'000	EUR'000
Expenses for fully written off receivables	- 4,938	- 4,005
Income from payments received from receivables written off	2,677	1,700
Result from derecognised receivables	- 2,261	- 2,305

All income and expenses that are associated with allowances and writing off trade receivables as well as receipt of payment for trade receivables already written off are disclosed in selling and administrative expenses. The income from reversal of impairments is recorded in other operating income.

In the reporting period, the net result from trade receivables amounts to EUR - 2,341 thousand (prior year: EUR - 2,568 thousand).

4.3 Inventories

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Merchandise	7,534	1,729
Raw materials, consumables and supplies	1,847	780
Inventories	9,381	2,509

At the end of the reporting period, write downs amounted to EUR 415 thousand (prior year: EUR 497 thousand) for raw materials, consumables and supplies and EUR 622 thousand (prior year: EUR 613 thousand) for merchandise. The customer premises equipment recorded within merchandise is recognised depending on its actual usage as property, plant and equipment (rental) or cost of goods sold (purchased).

The inventories have been pledged at their total carrying amount through a blanket assignment.

4.4 Receivables from Tax

The receivables from tax refer to withholding taxes on interest income of EUR 899 thousand (prior year: EUR 932 thousand), trade tax in the amount of EUR 131 thousand (prior year: EUR 10 thousand), and ancillary fees for taxes of EUR 67 thousand (prior year: EUR 0 thousand).

4.5 Other Financial Assets

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Receivables from shareholders	2,143	0
Cost reimbursement claims	42	42
Other current financial assets	2,185	42
Receivables from shareholders	2,025	1,918
Rent deposit	783	591
Other non-current financial assets	2,808	2,509
	4,993	2,551

The current financial receivables from shareholders result from reimbursements in the financial year 2010.

Receivables from shareholders are measured at amortised cost. The carrying amount of the receivables includes also contractually agreed interest.

As a condition for the senior facilities agreement, Kabel BW has furnished collateral for potential credit risks in the form of the receivables from its shareholders for the total carrying amount.

4.6 Other Current Assets

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Receivables from value added tax	400	2,064
Advance payments	240	1,944
Sundry receivables	26	42
Other current assets	666	4,050

At the balance sheet date, the special value added tax prepayment of EUR 3,072 thousand (prior year: EUR 1,821 thousand) was netted with the value added tax liabilities for November and December 2010 (please also refer to Note 4.15). In the previous year the amounts were not netted.

The advance payments mainly include prepaid commissions.

4.7 Prepaid Expenses

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Rent/lease prepayments	7,878	8,829
Deferred expenses for customer premises equipment	2,601	4,777
Other prepaid expenses	547	420
Prepaid expenses	11,026	14,026
Thereof		
Non-current assets	7,125	9,542
Current assets	3,901	4,484

For the purposes of a suitable presentation of assets under IFRS, prepaid expenses were classified according to the maturity in current and non-current assets in the reporting period. Prior year figures were reclassified in order to confirm with the 2010 presentation.

The deferred expenses for customer premises equipment result from delivering equipment free of charge or for a reduced selling price in previous years.

4.8 Intangible Assets

The movements in intangible assets are presented in the consolidated statement of development in assets (pages 45 and 46).

The additions due to full consolidation result from the acquisition of the remaining equity interest in BAK (please also refer Note 1.3.1). The disposals due to deconsolidation refer to the assets of BAK recognised on a proportional basis until 31 May 2010.

The additions regarding prepayments of EUR 8,315 thousand (prior year: EUR 16,954 thousand) mainly refer to expenses for IT projects. The additions regarding customer lists result from capitalised expenses for subscriber acquisition costs of EUR 17,663 thousand (prior year: EUR 15,558 thousand) and customer lists acquired from third parties of EUR 9,556 thousand (prior year: EUR 0 thousand).

Impairment Tests of Goodwill

The recognised goodwill is not amortised but is tested for impairment at least once a year and during the year if there are indications of impairment (triggering events). As part of the impairment test, the carrying amount is compared to the recoverable amount of the respective asset.

The impairment test is based on the Group's cash-generating units (CGUs). The CGUs identified correspond to the operating segments of Kabel BW under IFRS 8: Television, Telecommunication and Other. The carrying amounts of the CGUs were determined on 30 November 2010. The recoverable amount was calculated at the same date.

The recoverable amount is the higher of fair value less costs to sell and value in use. Due to the equivalence of the valuation methods the recoverable amount was primarily determined by the calculation of the fair value less costs to sell. However, if the fair value less costs to sell falls short of the carrying amount of the respective segment, the value in use is calculated.

The carrying amount basically contains non-interest bearing items essential for the business as well as goodwill and assets that can be allocated on a pro-rata basis. The CGU's carrying amounts are derived either by a direct allocation or by using allocation criteria on a reasonable and consistent basis.

The goodwill was allocated to the Group's identified CGUs depending on the expected synergies that were associated with the transactions. Other values that appropriately reflect the synergies can be used as alternative allocation criteria for the quantification of the expected synergies from the business combination. As of 30 November 2010, the total goodwill was allocated to the CGUs Telecommunication and Television due to the expected economic benefits. The allocation of the total goodwill is based on the calculation of the fair values according to the discounted cash flow (DCF) method and allocation criteria for assets (carrying capacity concept). This allocation was determined by comparing the fair values (fair values less cost to sell) with the carrying amounts of the CGUs.

The following table shows a summary of goodwill allocation to the CGUs:

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Television	452,809	449,971
Telecommunication	387,174	387,174
	<u>839,983</u>	<u>837,145</u>

The increase in the goodwill reported in the Television segment of EUR 2,838 thousand resulted from the full consolidation of BAK.

The impairment test was carried out on the basis of the integrated business plan for 2011-2015 considering the projected cash flows as of December 2010. The computation of the fair value of a CGU is based on the forecasted cash flows that were derived from the business plan of Kabel BW that was

authorised by the shareholders. The planning is based on growth rates based on a price/quantity structure and a corresponding development of market shares in the relevant market segments as well as the development of operating expenses, subscriber acquisition costs and capital expenditures. The cash flows after the 5-year planning period (terminal value) are extrapolated, using the growth rates specified below. The considered growth trends in the extended planning phase are based on the long-term real growth of the geographical sub-markets, in which the entity operates and the growth expectations of the respective industry. The weighted average growth rates are consistent with forecasts of external business analysts and were benchmarked with competitors in the relevant market segment. The growth rate does not exceed the long-term average growth rate of the business segment.

The forecasted cash flows have to be discounted with an appropriate interest rate. The discount rates were derived by making use of the risk-adjusted weighted average costs of capital (WACC). The WACC represents the weighted average yields of equity and bond investors. The equity costs were market based according to the Capital Asset Pricing Model (CAPM). The costs of debt were derived by considering the risk-free rate plus a credit spread.

The discount rates applied for the impairment test were 7.88% (prior year: 8.05%) for the segment Television and 8.10% (prior year: 9.30%) for the segment Telecommunication. The growth rates used as a basis for the impairment test amount for the segments Television and Telecommunication were 1.50% (prior year: 2.00%).

As in the prior year, the impairment test did not result in an impairment.

Impairment Tests of the Brand

For the purpose of the impairment test the recoverable amount of the brand was based on the fair value less costs to sell. Using the license price analogy method and based on the revenues deemed to be specific to the brand, the pre-tax royalty savings were determined by using specific royalty rates. Due to recent positioning and positive development of the brand Kabel BW, the rates used appear to be conservative estimates.

The cash flows thus attributed to the brand Kabel BW were then reduced for corporate taxes in order to determine the royalty savings after taxes. The cash flows were discounted at the balance sheet date with a discount rate of 10.0%, which is specific to the value of the asset (prior year: 10.6%). The discount rate was derived on the basis of the average costs of capital weighted by the CGU-specific revenues in the last year of the detailed planning phase plus a credit spread (reference is made to the disclosures regarding goodwill). The present value of the future royalty savings was adjusted for the tax benefit resulting from the amortisation and the cost to sell.

As in the prior year, the impairment test of the brand did not result in an impairment.

The brand, which has been registered as an industrial right, has been pledged at its full carrying amount of EUR 20,652 thousand through a blanket assignment.

Impairment Tests of Other Intangible Assets

Kabel BW has stopped its development of “Customer Care and Billing System”, a large IT-project, in order to reassess its various options. In the summer of 2010, a revised IT roadmap was adopted. As a result, an impairment of EUR 9,610 thousand was recognised for the IT project, which includes the CRM implementation and the allocated project costs. The performed impairment test considered the value in use as fair value.

4.9 Property, Plant and Equipment

For the movements in property, plant and equipment, we refer to the consolidated statement of development in assets (pages 45 and 46).

Property, plant and equipment have been pledged in the amount of their full carrying amount through a blanket assignment.

Kabel BW Erste Beteiligungs GmbH, Heidelberg
Development of Intangible Assets and Property, Plant and Equipment for the year ended 31 December 2010

	Cost							Accumulated Depreciation and Impairments			
	1 January 2010	Additions	Additions from Business Combination	Reclassifications	Disposals	Disposals from Deconsolidation	31 December 2010	1 January 2010	Additions	Additions Impairments	Reclassifications
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Intangible Assets											
1 Software and broadband cable transmission licences	25,885	5,990	0	6,230	0	0	38,105	13,697	6,439	39	60
2 Goodwill	837,145	0	2,838	0	0	0	839,983	0	0	0	0
3 Brand	20,652	0	0	0	0	0	20,652	0	0	0	0
4 Customer list	316,263	27,219	4,176	0	11,091	2,149	334,418	90,441	35,669	5,360	0
5 Advance payments	27,927	8,315	0	– 6,200	192	0	29,850	635	0	9,571	– 60
	<u>1,227,872</u>	<u>41,524</u>	<u>7,014</u>	<u>30</u>	<u>11,283</u>	<u>2,149</u>	<u>1,263,008</u>	<u>104,773</u>	<u>42,108</u>	<u>14,970</u>	<u>0</u>
Property, Plant and Equipment											
1 Land	39	0	0	0	0	0	39	0	0	0	0
2 Leasehold improvements and rights to joint use of cable ducts	43,570	726	0	1,373	0	0	45,669	5,226	2,023	0	0
3 Broadband cable network	767,189	68,631	3,748	18,063	872	2,883	853,876	156,994	72,206	0	0
4 Other equipment, plant and office equipment	46,941	20,611	2	85	1,120	0	66,519	34,191	14,799	0	0
5 Assets under construction	41,203	18,565	5	– 19,551	12	3	40,207	148	0	0	0
	<u>898,942</u>	<u>108,533</u>	<u>3,755</u>	<u>– 30</u>	<u>2,004</u>	<u>2,886</u>	<u>1,006,310</u>	<u>196,559</u>	<u>89,028</u>	<u>0</u>	<u>0</u>
	<u>2,126,814</u>	<u>150,057</u>	<u>10,769</u>	<u>0</u>	<u>13,287</u>	<u>5,035</u>	<u>2,269,318</u>	<u>301,332</u>	<u>131,136</u>	<u>14,970</u>	<u>0</u>

Kabel BW Erste Beteiligungs GmbH, Heidelberg

Development of Intangible Assets and Property, Plant and Equipment for the year ended 31 December 2009

	Cost				Accumulated Depreciation			
	1 January 2009	Additions	Reclassifications	Disposals	31 December 2009	1 January 2009	Additions	Additions Impairmen
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Intangible Assets								
1 Software and broadband cable transmission licences	22,213	2,403	1,269	0	25,885	8,289	5,408	
2 Goodwill	836,705	440	0	0	837,145	0	0	
3 Brand	20,652	0	0	0	20,652	0	0	
4 Customer list	319,563	15,558	0	18,858	316,263	70,720	35,289	3,29
5 Advance payments	11,848	16,954	− 850	25	27,927	635	0	
	<u>1,210,981</u>	<u>35,355</u>	<u>419</u>	<u>18,883</u>	<u>1,227,872</u>	<u>79,644</u>	<u>40,697</u>	<u>3,29</u>
Property, Plant and Equipment								
1 Land	39	0	0	0	39	0	0	
2 Leasehold improvements and rights to joint use of cable ducts .	41,807	1,030	862	129	43,570	3,356	1,995	
3 Broadband cable network	715,144	79,268	7,958	35,181	767,189	122,199	66,406	3,25
4 Other equipment, plant and office equipment	33,093	14,481	7	640	46,941	22,104	12,593	
5 Assets under construction	31,107	19,342	− 9,246	0	41,203	148	0	
	<u>821,190</u>	<u>114,121</u>	<u>− 419</u>	<u>35,950</u>	<u>898,942</u>	<u>147,807</u>	<u>80,994</u>	<u>3,25</u>
	<u>2,032,171</u>	<u>149,476</u>	<u>0</u>	<u>54,833</u>	<u>2,126,814</u>	<u>227,451</u>	<u>121,691</u>	<u>6,54</u>

The net carrying amount of the customer premises equipment (receivers, recorders) accounted for as operating leases amounted to EUR 5,664 thousand at the balance sheet date (prior year: EUR 0 thousand). The future minimum lease payments under non-cancellable operating leases for customer premises equipment amount to EUR 2,766 thousand (prior year: EUR 0 thousand). The underlying lease agreements have a residual term of less than 24 months.

The net carrying amounts of the assets capitalised under finance leases amount to:

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Acquisition costs	795	795
Accumulated depreciation	– 570	– 309
	<u>225</u>	<u>486</u>

The future minimum lease payments and their present values are as follows:

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Minimum lease payments under finance lease		
Within one year	238	290
Between one and five years	0	238
	<u>238</u>	<u>528</u>
Interest portion	– 5	– 24
Present value of minimum lease payments under finance lease	<u>233</u>	<u>504</u>
Present value within one year	233	267
Present value between one and five years	0	237
	<u>233</u>	<u>504</u>

4.10 Investment in Associates

The investment in associates relates to a non-listed entity whose fair value could not be reliably determined and which has therefore been recognised at cost. For this investment, which amounts to EUR 3 thousand, there is no stock market price or fair market value available and it was not possible to derive a fair value based on comparable transactions for the corresponding period. As the cash flows cannot be reliably determined, the investment is also not measured according to the DCF method. At the time the consolidated financial statements were prepared, there were no plans to dispose of the investment in associates.

4.11 Financial Liabilities

The following table shows an analysis of the current and non-current financial liabilities classified by residual terms:

31 Dec. 2010	Up to 1 year	1 to 5 years	More than 5 years	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Non-current financial liabilities				
Collateralised loans granted from banks		821,401	219,792	1,041,193
Market value of derivative instruments with designated cash flow hedge relationship		21,335	0	21,335
		<u>842,736</u>	<u>219,792</u>	<u>1,062,528</u>
Current financial liabilities				
Collateralised loans granted from banks	121,904			121,904
Finance lease liabilities	233			233
Other financial liabilities	900			900
Financial liabilities	<u>123,037</u>	<u>842,736</u>	<u>219,792</u>	<u>1,185,565</u>

<u>31 Dec. 2009</u>	<u>Up to 1 year</u>	<u>1 to 5 years</u>	<u>More than</u>	<u>Total</u>
	<u>EUR'000</u>	<u>EUR'000</u>	<u>5 years</u>	<u>EUR'000</u>
			<u>EUR'000</u>	
Non-current financial liabilities				
Collateralised loans granted from banks		634,082	541,452	1,175,534
Market value of derivative instruments with designated cash flow hedge relationship		18,460	0	18,460
Finance lease liabilities		237	0	237
		<u>652,779</u>	<u>541,452</u>	<u>1,194,231</u>
Current financial liabilities				
Collateralised loans granted from banks	22,168			22,168
Finance lease liabilities	267			267
Financial liabilities	<u>22,435</u>	<u>652,779</u>	<u>541,452</u>	<u>1,216,666</u>

The liabilities to financial institutions that are collateralised loans with a remaining term up to 30 June 2016 include the following:

	<u>31 Dec. 2010</u>	<u>31 Dec. 2009</u>
	<u>EUR'000</u>	<u>EUR'000</u>
Amount repayable	1,174,377	1,211,074
Interest liabilities	2,042	3,156
Issuance costs and debt discount/ premium (effective interest method)	– 13,322	– 16,528
Liabilities to financial institutions	<u>1,163,097</u>	<u>1,197,702</u>

The derivative financial instruments with a designated cash flow hedge relationship have a maturity of 16 September 2012.

The maturity structure of the financial liabilities is presented in Note 6.5.3.

4.12 Trade and Other Operational Payables

The trade payables include liabilities for outstanding invoices in the amount of EUR 23,203 thousand (prior year: EUR 18,576 thousand) and customers with credit balances of EUR 3,548 thousand (prior year: EUR 2,967 thousand).

4.13 Other Provisions

The other provisions changed as follows:

	<u>1 Jan. 2010</u>	<u>Utilization</u>	<u>Release</u>	<u>Accumulation</u>	<u>Addition</u>	<u>31 Dec. 2010</u>
	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>
Asset restoration provisions . .	1,462	0	0	194	49	1,705
Annual financial statement						
costs	278	276	2	0	308	308
Employee related provisions .	15	10	5	0	6	6
Onerous contracts	3	0	3	0	0	0
	<u>1,758</u>	<u>286</u>	<u>10</u>	<u>194</u>	<u>363</u>	<u>2,019</u>
Therof						
Non-current provisions . . .	1,282					1,681
Current provisions	476					338

	1 Jan. 2009	Utilization	Release	Accumulation	Addition	31 Dec. 2009
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Asset restoration provisions . .	1,025	0	0	80	357	1,462
Annual financial statement costs	486	365	102	0	259	278
Employee related provisions .	21	21	0	0	15	15
Onerous contracts	189	19	169	0	2	3
	<u>1,721</u>	<u>405</u>	<u>271</u>	<u>80</u>	<u>633</u>	<u>1,758</u>
Thereof						
Non-current provisions . . .	912					1,282
Current provisions	809					476

The asset restoration provisions are made as a result of contractual terms according to which the user of an asset is obligated to re-establish previously defined conditions of the asset at the end of its use. At the time of initial recognition, the related leasehold improvements are recognised at cost plus future cost of asset restoration (at discounted settlement value). A corresponding provision is recorded as a liability, which is accumulated on a proportional basis in the subsequent periods so that the provision always corresponds to the present value of the anticipated payment. Under various contracts Kabel BW is obliged to restore the original condition of leased assets. In 2009, the additions to the asset restoration provisions were recognised in the income statement because the changes relate to estimates of future costs as well as lease terms.

The provisions for the cost of the annual financial statements include external costs of preparing the financial statements and auditing fees.

The employee related provisions result from travel expenses.

The provisions for onerous contracts relate to leased assets and are recognised if the anticipated costs for fulfilling the contractual commitments exceed the anticipated economic benefit.

4.14 Current Tax Liabilities

The current tax liabilities result from corporate income tax including solidarity surcharge of EUR 5,635 thousand (prior year: EUR 3,156 thousand) and trade tax of EUR 6,875 thousand (prior year: EUR 4,327 thousand).

4.15 Other Current Liabilities

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Liabilities relating to employees	6,518	5,033
Liabilities from value added tax	3,871	5,106
Wage and church tax liabilities	831	994
Advance payments received	715	0
Sundry liabilities	160	0
Other current liabilities	<u>12,095</u>	<u>11,133</u>

The liabilities from value added tax mainly relate to the value added tax payables based on the advance tax returns for November and December 2010 reduced by a special value added tax prepayment. In the previous year, special value added tax prepayment was recorded in the other assets (please also refer to Note 4.6).

4.16 Deferred Income

The current deferred income primarily results from payments made by customers for cable TV charges for the period beginning after 31 December 2010. Furthermore, building cost allowances recognised in prior years are included in the current and non-current deferred income, which are released as revenue over the useful life of the underlying asset.

4.17 Provisions for Pensions

The employee benefit plans include defined contribution and defined benefit plans.

In the reporting year, the contributions made to defined contribution plans amounted to EUR 220 thousand (prior year: EUR 158 thousand) and were recognised in personnel costs. Employer contributions to statutory retirement pension systems amounted to EUR 2,976 thousand (prior year: EUR 2,654 thousand).

The defined benefit plans are based on a collective agreement regarding a company pension scheme according to the capital account plan and the collective agreement regarding the own contribution to the company pension scheme.

The contribution for the tariff and non-tariff employees amounts to 2.25% of total salary and total annual fixed salary, respectively. The contribution for the non-tariff employees are raised by 6% of the eligible salaries above the social security contribution ceiling. The contribution rates for individual commitments are determined on an individual basis. Each contribution is converted into an insurance amount by multiplying with the relevant age factor for the respective calendar year and is credited to the pension account for each employee.

The defined benefit obligation was measured by an actuarial expert on the basis of the projected unit credit method. The following assumptions were taken into account in the valuation:

	31 Dec. 2010	31 Dec. 2009
Discount rate	5.10%	5.25%
Estimated future salaries increase		
General	2.50%	2.50%
Employees with non-tariff salary contracts	3.25%	3.25%
Estimated future benefit increase	1.70%	2.00%
Estimated average rate of employee turnover	7.00%	7.00%

A reconciliation of the present value of the defined benefit obligation to the amount recorded in the balance sheet is as follows:

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Present value of defined benefit obligation (DBO)	6,964	6,004
Unrecognised actuarial gains	982	1,193
Unrecognised past service cost	137	207
Provision for pensions	8,083	7,404

The following amounts were recognised in the income statement:

	2010	2009
	EUR'000	EUR'000
Current service cost	476	650
Interest cost	314	310
Actuarial gains	– 41	– 90
Past service cost	– 69	– 645
	680	225

The interest costs are included within financial expenses. The other costs and gains are part of personnel costs.

The changes in the defined benefit obligation during the financial year were as follows:

	<u>2010</u>	<u>2009</u>
	EUR'000	EUR'000
As of 1 January	6,004	5,352
Current service cost	476	650
Interest cost	314	310
Benefits paid	0	- 9
Past service cost	0	- 851
Actuarial losses		
(a) Retroactive plan changes	31	82
(b) Change in actuarial assumptions	139	470
As of 31 December	<u>6,964</u>	<u>6,004</u>

The changes in the actuarial gains not recognised in the balance sheet were as follows:

	<u>31 Dec. 2010</u>	<u>31 Dec. 2009</u>
	EUR'000	EUR'000
As of 1 January	1,193	1,836
Recognised actuarial gains	- 41	- 90
Actuarial losses of the year	- 170	- 553
As of 31 December	<u>982</u>	<u>1,193</u>

The present values of the defined benefit obligation and experience adjustments for the reporting period and the preceding financial years were as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	EUR'000	EUR'000	EUR'000	EUR'000
Present value of defined benefit obligation				
(DBO)	6,964	6,004	5,352	5,182
Experience adjustments	170	552	- 526	- 995

4.18 Deferred Taxes

The changes in deferred taxes are as follows:

	<u>31 Dec. 2010</u>	<u>31 Dec. 2009</u>
	EUR'000	EUR'000
As of 1 January	- 66,767	- 67,703
Deferred tax benefits/ expenses (recognised in profit and loss)	52,459	- 2,638
Deferred tax benefits (recognised in other comprehensive income)	857	3,574
Deferred tax liabilities resulting from business combinations	- 1,237	0
As of 31 December	<u>- 14,688</u>	<u>- 66,767</u>

The change in deferred tax assets and liabilities by balance sheet item are as follows:

	Deferred tax assets 31 Dec. 2010 EUR'000	Deferred tax liabilities 31 Dec. 2010 EUR'000	Deferred tax assets 31 Dec. 2009 EUR'000	Deferred tax liabilities 31 Dec. 2009 EUR'000
Intangible assets	0	– 140,985	0	– 128,277
Property, plant and equipment	0	– 49,275	0	– 50,347
Receivables and other assets	62	– 1,871	4,613	0
Current and non-current liabilities	8,135	– 468	8,355	– 5,446
Pension provisions	925	0	924	0
Other provisions	52	0	129	0
Tax loss/ interest carryforwards	168,737	0	103,282	0
	<u>177,911</u>	<u>– 192,599</u>	<u>117,303</u>	<u>– 184,070</u>
Netting	<u>– 177,911</u>	<u>177,911</u>	<u>– 117,303</u>	<u>117,303</u>
	<u>0</u>	<u>– 14,688</u>	<u>0</u>	<u>– 66,767</u>

The items current and non-current liabilities include EUR 6,363 thousand (prior year: EUR 5,507 thousand) are deferred tax assets which relate to the derivative financial instruments with a designated hedge relationship, of which EUR 857 thousand (prior year: EUR 3,574 thousand) was recorded in other comprehensive income resulting and did not affect profit or loss.

The recognition of deferred tax assets for tax loss carryforwards as well as for interest carryforwards is based on management's assessment of future taxable profits. The recognition of deferred tax assets on tax loss carryforwards and interest carryforwards was evaluated based on the medium-term business plan, the expectation for future utilisation of the tax loss and interest carryforwards as well as anticipated taxable income. As a result, Kabel BW concluded that the related tax benefits are realisable and recorded deferred tax assets on tax loss carryforwards and interest carryforwards of EUR 168,737 thousand (prior year: EUR 103,282 thousand) as of 31 December 2010.

In the reporting period, deferred tax assets for tax loss carryforwards from prior years of EUR 71,737 thousand and for interest carryforwards of EUR 5,824 thousand from prior years were initially recognised (please refer to Note 3.9).

As of 31 December 2010, deferred tax assets of EUR 26,083 thousand are not recognised for corporate income tax loss carryforwards of EUR 164,820 thousand for HoldCo as these can only be utilised after the five-year mid-term business plan. Furthermore, deferred tax assets of EUR 2,580 thousand relating to the corporate income and trade tax loss carryforwards as well as interest carryforwards of TopCo are not recorded as of 31 December 2010.

The tax loss carryforwards are as follows:

	31 Dec. 2010 EUR'000	31 Dec. 2009 EUR'000
Corporate income tax loss carryforwards		
—HoldCo	750,277	619,611
—TopCo	<u>2,033</u>	<u>158,246</u>
	<u>752,310</u>	<u>777,857</u>
Trade tax loss carryforwards		
—OpCo	473,271	511,175
—HoldCo	0	3,010
—TopCo	<u>2,109</u>	<u>78</u>
	<u>475,380</u>	<u>514,263</u>
Interest carryforwards due to interest barrier rule		
—OpCo	37,345	47,574
—TopCo	<u>7,456</u>	<u>0</u>
	<u>44,801</u>	<u>47,574</u>

The change in the tax loss carryforwards of TopCo and HoldCo mainly results from the retrospective discontinuation of the tax group between these entities due to the termination of the profit and loss transfer agreement as of 31 December 2010.

4.19 Equity

For the composition and changes in equity, reference is made to the consolidated statement of changes in equity.

Subscribed capital and capital reserves amounted to EUR 25 thousand and EUR 403,434 thousand, respectively. The retained earnings include the reserves resulting from the adoption of IFRS and the carryforwards relating to prior years.

The accumulated other comprehensive income includes changes in equity that are not recognised in the income statement and are not caused by capital transactions with shareholders. These include unrealised gains and losses from fair value measurement of derivative financial instruments with a designated cash flow hedge relationship and the related tax effects.

The other comprehensive income of the reporting period amounts to EUR –2,018 thousand (prior year: EUR –8,408 thousand). The accumulated other comprehensive loss includes the following:

	31 Dec. 2010	31 Dec. 2009	Change
	EUR'000	EUR'000	EUR'000
Derivative financial instruments with designated cash flow hedge relationship	– 14,857	– 11,982	– 2,875
Tax effect on other comprehensive income	4,431	3,574	857
Accumulated other comprehensive loss	<u>– 10,426</u>	<u>– 8,408</u>	<u>– 2,018</u>

5 Notes to the Consolidated Statement of Cash Flows

Kabel BW realised cash flows from operating activities in the reporting period of EUR 247,665 thousand (prior year: EUR 167,570 thousand) that were sufficient to fully finance the investments of EUR 153,221 thousand (prior year: 149,037 thousand). The increase of the cash flows is primarily the result of an increase in the earnings before interest, tax, depreciation and amortisation (EBITDA) by EUR 55,578 thousand. The investments classified by asset category are presented in the consolidated statement of development in assets (pages 45 and 46). The cash flows from investing activities include cash flows for the acquisition of fully consolidated entities of EUR 3,199 thousand.

The negative cash flow from financing activities of EUR 47,910 thousand (prior year: EUR 31,400 thousand) primarily results from the repayment of loans.

Altogether, the cash inflows and outflows from operating, investing and financing activities resulted in an increase in cash and cash equivalents by EUR 46,534 thousand to EUR 100,995 thousand. Regarding the composition of the cash and cash equivalents please refer to Note 4.1.

6 Other Disclosures

6.1 Related Party Disclosures

TopCo is the parent company of the Group. Oskar Rakso S.à r.l., Luxembourg, held all shares in the TopCo. Oskar Rakso S.à r.l. is owned directly by Wire Holding Guernsey Ltd. and indirectly by the EQT funds IV and V.

The following groups of individuals or entities are identified as related parties of the Group as defined under IAS 24:

- Management
- Advisory Board of TopCo (until 31 December 2009)
- Advisory Board of Oskar Rakso S.à r.l. (since 1 January 2010)
- Oskar Rakso S.à r.l.
- Wire Holding Guernsey Ltd.

- EQT funds IV and V
- EQT Partners
- Deutsche Netzmarketing GmbH
- BAK Südwest GmbH (until 31 May 2010)

Management

In the financial year 2010, management functions were performed for Kabel BW by the following persons:

- Mr. Harald Rösch, Chief Executive Officer, Hamburg
- Mr. Uwe Bärmann, Chief Technical Officer, Backnang
- Mr. Christoph Nieder, Chief Marketing Officer, Paderborn
- Dr. Holger Püchert, Chief Financial Officer, Leimen

The total compensation granted to members of management in the financial year 2010 amounted to EUR 2,190 thousand (prior year: EUR 2,998 thousand). In addition to salary payments and variable remuneration components, the members of management were reimbursed for travel and other expenses according to the expenses actually incurred and received the normal amount of out-of-pocket expenses. No other payments were agreed. The salary payments are current compensation.

Besides the contracts referred to above, there are no other contractual relationships with members of the management.

Advisory Board

The advisory board of Kabel BW Erste Beteiligungs GmbH was dissolved as of 31 December 2009. Since 1 January 2010, the supervisory function of the Group was performed through the Meeting of Shareholders of the owner, Oskar Rakso S.à r.l. The total compensation of the advisory board amounted to EUR 150 thousand in 2009.

Oskar Rakso S.à r.l.

Kabel BW signed an agreement with Oskar Rakso S.à r.l. for strategic consulting services in 2010. Kabel BW made a semi-annual advance payment on the expected fees and reimbursements for costs of EUR 250 thousand per annum for these services.

At the end of the financial year, the outstanding receivables from Oskar Rakso S.à r.l. amounted to EUR 4,168 thousand (prior year: EUR 1,918 thousand) and relate to cost reimbursements of EUR 2,143 thousand as well as loan and interest receivables of EUR 2,025 thousand (prior year: EUR 1,918 thousand) (please also refer to Note 4.5). In the reporting period, Kabel BW recognised other operating income of EUR 2,143 thousand (prior year: EUR 0 thousand) as a result of transactions with Oskar Rakso S.à r.l. and interest income of EUR 107 thousand (prior year: EUR 107 thousand).

EQT Fonds IV and V

No consulting agreements were executed, and no collateral was furnished between the EQT funds IV and V and the group companies. Kabel BW bears expenses that are associated with the supervisory function. In the previous year, a provision of EUR 540 thousand was made for expenses not yet recharged. This provision declined to EUR 249 thousand as of 31 December 2010.

EQT Partners

Through the advisory board, a relationship has been established between EQT Partners and Kabel BW. In addition, no other contractual relationships/arrangements exist or collateral has been furnished.

Deutsche Netzmarketing GmbH

Kabel BW holds an equity investment of 3.23% in this associated entity.

BAK Südwest GmbH

The BAK was consolidated proportionally until 31 May 2010. As of 1 June 2010, BAK was initially fully consolidated (please also refer to Note 1.3.1). Kabel BW had entered into service agreements for administrative support. The Group had outstanding receivables from this company for loans and interest in the amount of EUR 2,470 thousand as of 31 December 2009. The revenues realised with the company amounted to EUR 9 thousand in 2009.

6.2 Segment Reporting

The relevant data underlying the identification of the segments according to IFRS 8 is the information that is regularly made available for internal control purposes to the so-called “chief operating decision maker” for management purposes. The chief operating decision makers identified, at the level of Kabel BW, consists of the management. The segments are identified by means of the internal reporting on the basis of the products or services offered by the Group. Kabel BW distinguishes the segments Television, Telecommunication and Other. Please refer to the explanation given regarding the segments in Notes 2.11 and 3.1.

The management reviews segment revenues on a regular basis to assess results and is disclosed below according to IFRS 8.23. The revenues of Kabel BW are almost exclusively realised in Baden-Württemberg. The cost of goods sold on segments basis is presented voluntarily for the purpose of external reporting. Balance sheet items are not classified by segments for internal reporting purposes because a classification would only be possible by a variety of allocations and assumptions and would not lead to a reliable presentation. As a result, the assets and liabilities are also not classified by segments for the external reporting purposes.

	Television	Telecommunication	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000
2010				
Revenue	319,443	209,762	17,643	546,848
Cost of goods sold	– 36,082	– 38,828	– 10,043	– 84,953
Gross profit of segments	283,361	170,934	7,600	461,895
Other operating income				16,575
Gross profit				478,470
2009				
Revenue	310,407	159,423	10,845	480,675
Cost of goods sold	– 35,528	– 30,853	– 9,327	– 75,708
Gross profit of segments	274,879	128,570	1,518	404,967
Other operating income				12,628
Gross profit				417,595

6.3 Other Financial Commitments

The expected minimum lease payments for non-cancellable operating leases amount to:

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Within one year	33,760	40,458
Between one and five years	28,975	33,696
More than five years	11,505	7,103
	74,240	81,257

The minimum lease payments result from commitments for buildings, cable ducts, technical equipment, vehicles as well as other equipment, plant and office equipment. The obligations regarding cable ducts are based on long term agreements with Deutsche Telekom AG, Bonn.

In the reporting period, the payments for operating leases amounted to EUR 36,451 thousand (prior year: EUR 34,079 thousand).

In addition to the obligations resulting from operating leases the Group is subject to obligations from service and supply agreements as well as investment commitments with the following maturities:

	31 Dec. 2010	31 Dec. 2009
	EUR'000	EUR'000
Within one year	14,833	1,551
Between one and five years	8,389	3,950
More than five years	5,810	0
	<u>29,032</u>	<u>5,501</u>

The other financial commitments include contractual obligations for mobile network capacities purchased from Telefónica O₂ (Germany) GmbH & Co. OHG, Munich. The valuation of the financial commitments resulting from compensation for contractual components which depend on future events is based on a most likelihood scenario. In the event that the underlying assumptions do not occur, the financial commitments of the future financial years may be considerably higher.

6.4 Contingent Liabilities

The cumulative amount in dispute resulting from out of court litigation amounted to approximately EUR 125 thousand as of 31 December 2010 (prior year: EUR 300 thousand).

6.5 Disclosures to Financial Instruments and Risk Management

6.5.1 Disclosures to Measurement Categories

The following analysis shows the carrying amounts, amounts recorded and fair values of the financial assets and liabilities classified under IAS 39:

		Classes under IFRS 7					
	Category as defined in IAS 39	Carrying amount	At amortised cost	At fair value through profit and loss	At fair value through other comprehensive income	Not recognised under IAS 39	Fair value
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 Dec. 2010							
Financial assets							
Cash and cash equivalents	LaR	100,995	100,995	0	0	0	100,995
Trade receivables	LaR	27,747	27,747	0	0	0	27,747
Other current financial assets	LaR	2,185	2,185	0	0	0	2,185
Investment in associates	AfS	3	0	3	0	0	n/ a
Other non-current financial assets	LaR	2,808	2,808	0	0	0	2,808
Financial liabilities							
Liabilities to financial institutions	FLAC	1,163,097	1,163,097	0	0	0	1,176,419
Finance lease liabilities	n.a.	233	233	0	0	233	233
Derivative financial instruments with designated hedge relationship	n.a.	21,335	0	6,478	14,857	0	21,335
Other financial liabilities	FLAC	900	900	0	0	0	900
Trade payables	FLAC	72,282	72,282	0	0	0	72,282
31 Dec. 2009							
Financial assets							
Cash and cash equivalents	LaR	54,461	54,461	0	0	0	54,461
Trade receivables	LaR	23,445	23,445	0	0	0	23,445
Other current financial assets	LaR	42	42	0	0	0	42
Investment in associates	AfS	3	0	3	0	0	n/ a
Other non-current financial assets	LaR	2,509	2,509	0	0	0	2,509
Financial liabilities							
Liabilities to financial institutions	FLAC	1,197,702	1,197,702	0	0	0	1,214,230
Finance lease liabilities	n.a.	504	504	0	0	504	504
Derivative financial instruments with designated hedge relationship	n.a.	18,460	0	6,478	11,982	0	18,460
Trade payables	FLAC	62,769	62,769	0	0	0	62,769

(LaR = Loans and Receivables; HtM = Held-to-Maturity Investments; AfS = Available-for-Sale Financial Assets; FLAC = Financial Liabilities measured at Amortised Cost; FLHfT = Financial Liabilities Held for Trading)

Cash and cash equivalents, other current financial assets and trade payables have primarily a remaining term of one year or less. Therefore, their carrying amounts at the balance sheet date correspond to the approximate fair value.

The trade receivables with a remaining term of more than one year are presented in the consolidated balance sheet separately and primarily have a residual term up to 31 December 2012. The receivables have not been discounted based on in the immaterial interest. The carrying amount of the trade receivables corresponds to the approximate fair value.

For the investment in associates the fair value cannot be determined reliably.

The fair values of floating-interest rate liabilities to financial institutions correspond to their nominal amounts and the related carrying amounts have been recorded based on the effective interest method.

The fair values of the derivate financial instruments with a designated cash flow hedge relationship (interest rate swaps) are determined by discounting the expected future cash flows over the contractual agreed residual term and the yield curves. The fair value of the finance lease liabilities is determined as the present value of the payments related to the obligation.

The derivative financial instruments with designated cash flow hedge relationship are financial instruments measured at fair value, which are subject to the valuation level 2 of the fair value hierarchy pursuant to IFRS 7.27A. The valuation levels take into account of the significance of the inputs used for the valuation. Observable market inputs have been used to determine the level 2 fair value measurement.

The net result, classified by measurement categories, as presented in the income statement is as follows:

	2010	2009
	EUR'000	EUR'000
Loans and receivables (LaR)	– 1,851	272
Financial liabilities measured at fair value		
thereof: Held for trading (FLHfT)	0	– 3,615
Financial liabilities measured at amortised cost (FLAC)	– 54,869	– 64,241
Net result	– 56,720	– 67,584

The net result includes interest, allowances and reversals as well as net gains and losses resulting from measurement of financial instruments at fair value.

With respect to financial assets allowances are only recognised for trade receivables. Regarding the expenses due to allowances reference is made to Note 4.2.

The interest income and interest expenses relating to financial instruments that were not measured at fair value are as follows:

	2010	2009
	EUR'000	EUR'000
Loans and receivables (LaR)	490	536
Financial liabilities measured at amortised cost (FLAC)	– 55,703	– 65,066
Finance lease	– 20	– 32
Interest result	– 55,233	– 64,562

In the reporting year, the financial liabilities measured at amortised cost include commitment fees in the amount of EUR 790 thousand (prior year: EUR 845 thousand).

6.5.2 Derivative Financial Instruments with Designated Hedge Relationship

Kabel BW uses derivative financial instruments (interest rate swap) for hedging interest rate risks. To hedge the risk resulting from cash flow changes due to floating-interest rate liabilities, Kabel BW entered into forward-starting-payer interest rate swaps. Due to these swaps, cash flow changes from liabilities that are caused by changes in the reference interest rate are matched by corresponding cash flow changes resulting from interest rate swaps. Due to the interest rate swaps, the floating-rate loans are transformed into fixed rate loans, thus fixing the cash flow resulting from the liabilities over the term of the hedging relationship.

The hedging relates to the EURIBOR interest rate risk that results from the variable-rate liabilities in the amount of EUR 880,000 thousand. Presently, the interest rate risk refers to the one-month EURIBOR. As the hedged items permit a monthly decision for the one-month or the three-month

EURIBOR, Kabel BW will potentially benefit from advantageous changes arising in the yield curve and possibly switch to the three-month EURIBOR.

Kabel BW applies hedge accounting for the interest rate swaps executed in the financial year 2009. The fair value of the interest rate swaps, with a notional amount of EUR 880,000 thousand was EUR –21,335 thousand as of 31 December 2010 (prior year: EUR –18,460 thousand). The cash flows resulting from the loans, which have designated as cash flow hedges, will be recognised in income during the period from 1 September 2009 through 16 September 2012.

The interest rate swaps recognised within accumulated other comprehensive income amounted to EUR –14,857 thousand as of 31 December 2010 (prior year: EUR –11,982 thousand). EUR –6,478 thousand resulted from the initial measurement of the interest rate swap and was recognised through the income statement in the previous year and was unchanged as of 31 December 2010.

As the cash flow hedges were effective in the reporting period, the profit for the year is not impacted by any results from the ineffectiveness of the hedge relationship.

6.5.3 Risk Management

Risk Management Principles

The following discussion focuses on the risks associated with financial instruments within the scope of the IFRS standards. Risks associated with the Group's operating activities are not addressed here.

Therefore, market price risks as a result of changes in interest rates as well as credit risks are the primary risks for Kabel BW. Currency risks are negligible because the Group operates predominantly in the euro-zone.

Risk management has been assigned to the internal audit and controlling functions. The goal of risk management is to identify at an early stage, and to be able to address potential risks due to corporate risks that might have a negative impact on the results of operations of Kabel BW or threaten the going-concern of the Company, by continuously monitoring the risk and security position and the exposure of Kabel BW.

The risks of the Company are regularly subject to qualitative and quantitative assessments in a systematic manner. These risks are then prioritised for implementing risk control measures and measures addressing the risks.

The goal of financial risk management is to mitigate existing market risks through current finance-orientated activities. Depending on the risk assessment, selected derivative hedging instruments are used. Additionally, credit risk is being monitored continuously. Derivative financial instruments are used exclusively as hedging instruments (i.e. they are not used for trading or other speculative purposes). Furthermore, derivatives are entered into as a general rule, only with leading financial institutions with a good rating and entered into with several financial institutions in order to minimise credit risk.

Fundamental financial policy is continuously defined by management, and presented to the Advisory Board, continuously and at regular intervals. All transactions are executed by management, which is also informed on the scope and amount of current risk exposure at regular intervals.

Credit Risks

In its operating business, Kabel BW is exposed to credit risk. Uncollected receivables are continuously being monitored both centrally by the accounting function and customer debtor management and at the segment level (i.e. in a decentralised manner through the private and business customer distribution functions). Credit risks are addressed by making specific and general allowances.

Receivables from key accounts, especially housing companies and Network Level 4 carriers, are subject to separate credit rating control. However, in relation to the total credit risk exposure, the amount of receivables from these counterparties does not represent a significant concentration of risk.

The maximum credit risk is reflected by the carrying amounts of the financial assets recognised in the balance sheet. There were no major agreements mitigating the maximum credit risk (e.g. netting agreements) at the balance sheet date.

Interest Rate Risks

Kabel BW is exposed to interest rate risks exclusively in the euro-zone. To minimise the effects of interest rate fluctuations, management determines the desired amount of fixed and floating-interest net financial liabilities for a period of three years. Taking into account the existing and planned debt structure, the Company uses interest rate derivatives in order to adjust the interest rates of the net financial liabilities to those defined by the management. Because of the derivative hedging transactions, an average of 74.9% of the net financial liabilities denominated in euro had a fixed interest rate at the end of the reporting period (prior year: 72.7%). The average value for the whole year was 75.8% (prior year: 62.5%).

Under IFRS 7, interest rate risks are required to be presented by means of sensitivity analyses, which reflect the effects of market interest rate changes on profit/loss as well as potentially on equity. Due to hedge accounting, in accordance with IAS 39, market interest rate changes for interest rate derivatives (interest rate swaps) do not impact the other financial result, but have an impact on equity.

The effects of the change in the market interest rates at the end of the reporting period are as follows:

	Decrease of interest rate by 100bps	Increase of interest rate by 100bps
	EUR'000	EUR'000
31 Dec. 2010		
Impact to profit/loss due to interest for loan	2,944	– 2,944
Impact to equity due to fair value measurement	– 13,799	13,307
31 Dec. 2009		
Impact to profit/loss due to interest for loan	3,311	– 3,311
Impact to equity due to fair value measurement	– 22,646	21,253

The hypothetical profit/loss decrease or increase is due to the potential effects of primary floating-interest rate financial debt. The hypothetical equity increase or decrease is due to the potential effects of interest rate derivatives with a designated cash flow hedge relationship.

Other Price Risks

Under IFRS 7, disclosures are required to be made for market risks and how hypothetical changes of risk variables impact prices of financial instruments. Potential significant risk variables are stock exchange prices or indices. As of 31 December 2010, Kabel BW was not exposed to any significant risks resulting from such market price changes.

Liquidity Risks

To ensure that Kabel BW is always able to pay and to ensure its continuous financial flexibility, a liquidity reserve in the form of credit lines and, if necessary, cash is maintained. For this purpose, Kabel BW entered into a senior facilities agreement with a bank syndicate including Royal Bank of Scotland plc, Frankfurt am Main branch (“RBS”) and Morgan Stanley Bank International Limited. The bilateral loan agreements have a remaining term until 30 June 2016.

The following table shows the maturity structure of Kabel BW's financial liabilities on the basis of contractually agreed terms and at non-discounted amounts:

	Carrying amount EUR'000	Cash flows 2011 (previous year: 2010)		Cash flows 2012 (previous year: 2011)		Cash flows 2013-2015 (previous year: 2012-2014)		Cash flows 2016 (previous year: 2015-2016)		
		Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment	
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 Dec. 2010										
Liabilities to financial institutions . .	1,163,097	44,078	122,012	42,059	115,000	95,683	716,860	7,487	292,000	
Finance lease liabilities	233	5	233							
Derivative instruments with designated cash flow hedge relationship	21,335	17,589		13,192						
Other financial liabilities	900		900							
Trade payables	72,282		72,282							
31 Dec. 2009										
Liabilities to financial institutions . .	1,197,702	45,151	60,546	42,036	101,952	106,193	497,242	29,584	631,416	
Finance lease liabilities	504	19	271	5	233					
Derivative instruments with designated cash flow hedge relationship	18,460	20,282		20,282		15,211				
Trade payables	62,769		62,769							

The analysis presented above takes into account all financial instruments included in the portfolio as of 31 December 2010 and for which payments had already been contractually agreed. The floating-rate interest payments under financial instruments were based on the assumption of a flat yield curve based on the three-month EURIBOR in effect on 31 December 2010. Financial liabilities repayable on demand are presented in the earliest period. Due to loan terms related to excess cash flow, as defined in the loan agreements, resulting from positive business development, it is possible that additional repayments may become required in 2011 in addition to those described in the repayment schedule.

6.6 Capital Management

The primary goal of Kabel BW's capital management is to ensure that the ability to repay debt, make capital investments, and the maintenance of financial substance will be sustained in the future.

Financial security is also measured by means of the equity ratio. The elements of this ratio total assets and equity presented in the consolidated financial statements is based on the definition of capital within IAS 1 at the Group level. The equity ratio is used as a major ratio that is used by investors, analysts, banks and rating agencies.

The capital structure of Kabel BW can be controlled by adjusting dividends, through capital reductions or issuance of new shares as well as issuance of financial instruments, which are classified as equity under IFRS. The goal is a capital structure that is appropriate for the business risk.

The equity ratio amounts at the balance sheet date were:

	31 Dec. 2010 EUR'000	31 Dec. 2009 EUR'000	Change %
Equity	635,089	499,636	27.1
Total assets	1,992,201	1,927,468	3.4
Equity ratio (in %)	31.9	25.9	

The change in the equity ratio was caused by the increase in equity as a result of the positive profit trend for the year, which amounted to EUR 137,472 thousand (prior year: EUR 39,261 thousand), and was only partially offset by the amounts recognised in other comprehensive income of EUR – 2,018 thousand (prior year: EUR – 8,407 thousand).

6.7 Sundry Disclosures

Fees and Services of the Auditors

The fees for the audit of the financial statements recognised as an expense in the consolidated financial statements amounted to EUR 439 thousand (prior year: EUR 340 thousand), which include fees paid to the auditors of the consolidated financial statements Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, for audit services of EUR 311 thousand (prior year:

EUR 252 thousand), other assurance services of EUR 116 thousand (prior year: EUR 5 thousand) and other services of EUR 12 thousand (prior year: EUR 83 thousand).

Employees

In the financial year 2010, the average number of employees was 794 (prior year: 767).

As of 31 December 2010, the Group employed a total number of 808 (prior year: 786) employees, which can be allocated to the locations as follows:

	31 Dec. 2010	31 Dec. 2009
Heidelberg	400	392
Villingen-Schwenningen and branches	242	244
Stuttgart	166	150

6.8 Events after the Reporting Period

No events of special significance occurred after the end of the reporting period.

6.9 Authorisation of Consolidated Financial Statements for Issuance

The management authorised the consolidated financial statements for issue on 28 February 2011 and will submit the consolidated financial statements to the Meeting of shareholders for approval on 2 March 2011.

Heidelberg, 28 February 2011

Harald Rösch <i>Chief Executive Officer</i>	Uwe Bärmann <i>Chief Technical Officer</i>
Christoph Nieder <i>Chief Marketing Officer</i>	Dr. Holger Püchert <i>Chief Financial Officer</i>

The following auditors' report (*Bestätigungsvermerk*) has been issued in accordance with § 322 German Commercial Code (*Handelsgesetzbuch*) in German language on the German version of the consolidated financial statements of Kabel BW Erste Beteiligungs GmbH as of and for the fiscal year ended December 31, 2009 and the group management report. The group management report is not included in this prospectus.

Independent Auditors' Report

We have audited the consolidated financial statements prepared by the Kabel BW Erste Beteiligungs GmbH, Heidelberg,—comprising the consolidated balance sheet, the consolidated income statement, the statement of income and expenses recognised in consolidated equity, statement of consolidated cash flows, statement of changes in consolidated equity and notes to the consolidated financial statements—and the group management report for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a (1) HGB (“German Commercial Code”) are the responsibility of the parent Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of the Kabel BW Erste Beteiligungs GmbH, Heidelberg, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, July 15, 2010

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Schlereth

Wirtschaftsprüfer

[German Public Auditor]

Signed: Lammers

Wirtschaftsprüferin

[German Public Auditor]

Kabel BW Erste Beteiligungs GmbH, Heidelberg

**Consolidated Balance Sheet
as of 31 December 2009**

	Note	31 December 2009	31 December 2008	1 January 2008
		EUR	EUR	EUR
Assets				
Current assets				
Cash and cash equivalents	4.1	54,460,849.61	67,327,567.99	39,111,470.10
Trade receivables and other operational receivables	4.2	23,444,967.51	19,821,784.25	24,600,836.50
Current financial assets	4.3	41,896.00	43,130.00	9,924,127.00
Receivables from shareholders	4.3	0.00	1,810,470.19	1,702,747.64
Inventories	4.4	2,508,899.05	6,156,231.16	14,378,529.81
Receivables from tax	4.5	941,749.99	632,871.69	2,213,916.70
Other current assets	4.6	4,049,675.22	1,812,089.71	1,843,848.03
Prepaid expenses	4.6	14,026,215.97	11,349,750.77	14,133,165.82
Total current assets		99,474,253.35	108,953,895.76	107,908,641.60
Non-current assets				
Intangible assets	4.7	1,123,099,323.60	1,131,337,266.64	1,139,929,954.96
Property, plant and equipment	4.8	702,383,530.93	673,382,658.59	592,429,451.07
Investment in associates	4.3	2,556.46	2,556.46	2,556.46
Other non-current financial assets	4.3	2,508,593.57	614,051.16	724,707.77
Total non-current assets		1,827,994,004.56	1,805,336,532.85	1,733,086,670.26
Total assets		1,927,468,257.91	1,914,290,428.61	1,840,995,311.86
Equity and liabilities				
Current liabilities				
Current financial liabilities	4.9	22,168,425.74	20,874,021.20	13,483,212.04
Trade payables and other operational payables	4.10	62,769,246.83	76,347,070.66	62,337,463.29
Other current financial liabilities	4.11	267,091.93	3,889,700.03	0.00
Deferred income	4.12	42,211,404.01	43,113,083.68	43,361,394.24
Other current liabilities	4.12	11,132,558.50	8,378,876.07	4,952,594.63
Current provisions	4.14	476,050.00	808,661.34	1,112,039.78
Current tax liabilities	4.15	7,483,277.95	0.00	4,189,326.26
Total current liabilities		146,508,054.96	153,411,412.98	129,436,030.24
Non-current liabilities				
Non-current financial liabilities	4.9	1,194,230,784.52	1,197,046,033.96	1,128,603,723.27
Provisions for pensions	4.13	7,403,535.00	7,187,809.00	6,550,502.00
Other non-current provisions	4.14	1,281,926.61	912,222.92	1,828,665.53
Non-current tax liabilities	4.15	0.00	6,514,778.48	8,326,936.41
Deferred tax liabilities	4.16	66,767,342.18	67,703,516.32	62,992,862.53
Non-current deferred income	4.12	11,640,312.44	12,731,531.56	13,822,612.96
Total non-current liabilities		1,281,323,900.75	1,292,095,892.24	1,222,125,302.70
Equity				
Subscribed capital		25,000.00	25,000.00	25,000.00
Capital reserve		403,434,187.79	403,434,187.81	405,065,000.41
Retained earnings		65,323,935.58	84,343,978.51	84,343,978.51
Accumulated other comprehensive loss	4.18	– 8,407,419.84	0.00	0.00
Profit/loss for the year		39,260,598.67	– 19,020,042.93	0.00
Total equity	4.17	499,636,302.20	468,783,123.39	489,433,978.92
Total equity and liabilities		1,927,468,257.91	1,914,290,428.61	1,840,995,311.86

Kabel BW Erste Beteiligungs GmbH, Heidelberg

**Consolidated Income Statement
for the year ended 31 December 2009**

	Note	1 January 2009- 31 December 2009	1 January 2008- 31 December 2008
		EUR	EUR
Revenue Television	3.1	310,407,457.65	297,719,058.46
Revenue Telecommunication	3.1	159,422,708.31	114,322,208.78
Revenue Other	3.1	10,845,169.67	11,307,126.39
Other operating income	3.2	12,627,978.94	15,574,840.24
Revenue and other operating income		493,303,314.57	438,923,233.87
Cost of goods sold	3.3	− 75,708,321.67	− 71,834,076.42
Gross profit		417,594,992.90	367,089,157.45
Personnel costs	3.4	− 52,302,898.30	− 54,868,783.95
Selling and administrative expenses	3.5	− 67,356,154.56	− 71,732,902.83
Technical expenses	3.6	− 37,859,010.92	− 32,502,584.05
Earnings before interest, tax, depreciation and amortisation		260,076,929.12	207,984,886.62
Depreciation and amortisation	3.7	− 128,235,483.73	− 112,348,756.64
Earnings before interest and tax		131,841,445.39	95,636,129.98
Finance income	3.8	535,558.45	7,531,174.53
Finance expenses	3.8	− 83,469,168.38	− 117,148,930.52
Earnings before tax		48,907,835.46	− 13,981,626.01
Current tax expenses	3.9	− 7,009,328.93	− 327,763.14
Deferred income tax expenses	3.9	− 2,637,907.86	− 4,710,653.78
Profit/loss of the year		39,260,598.67	− 19,020,042.93
Attributable to:			
Shareholders of Kabel BW Erste Beteiligungs GmbH . .		39,260,598.67	− 19,020,042.93
Non-controlling interest		0.00	0.00

Kabel BW Erste Beteiligungs GmbH, Heidelberg
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2009

	<u>Note</u>	<u>1 January 2009- 31 December 2009</u>	<u>1 January 2008- 31 December 2008</u>
		EUR	EUR
Profit/loss for the year		39,260,598.67	– 19,020,042.93
Derivative financial instruments with designated cash flow			
hedge relationship	4.18	– 11,981,501.84	0.00
Tax effect on other comprehensive income	4.18	3,574,082.00	0.00
Total comprehensive income/loss for the year		30,853,178.83	– 19,020,042.93
Attributable to:			
Shareholders of Kabel BW Erste Beteiligungs GmbH		30,853,178.83	– 19,020,042.93
Non-controlling interest		0.00	0.00

Kabel BW Erste Beteiligungs GmbH, Heidelberg

**Consolidated Statement of Cash Flows
for the year ended 31 December 2009**

	<u>Note</u>	2009	2008
		EUR'000	EUR'000
1. Cash flow from operating activities			
Profit/loss for the year		39,261	– 19,020
+ Depreciation and amortisation and write-downs		128,235	112,349
+ Interest expense		80,653	105,205
– Interest income		– 536	– 7,532
+/- Refinancing cost		2,816	11,945
+/- Current tax expenses		7,009	328
+/- Deferred income tax expenses		2,638	4,710
EBITDA		260,076	207,985
Increase (–) / decrease (+) in inventories, trade and other operational receivables and other current assets		– 2,826	17,308
Increase (+) / decrease (–) in trade and other operational payables and other current debt		– 14,647	15,496
Free cash flow from operating activities before investing activities .		242,603	240,789
+/- Change in non-current assets, taxes and liabilities		– 7,360	– 4,423
+/- Change in provisions for pensions		216	637
+/- Change in other provisions		37	– 917
– Interest paid		– 79,553	– 94,240
+ Interest received		428	0
+ Non-cash interest		10,720	9,882
Gain / loss from disposal of property, plant and equipment		479	1,295
Net cash flow from operating activities		167,570	153,023
2. Cash flows from investing activities			
Increase (–)/decrease (+) in assets under construction		– 1,156	3,696
Cash payments for investments in intangible assets		– 34,917	– 33,736
Cash payments for investments in property, plant and equipment .		– 112,964	– 155,966
Net cash flow from investing activities		– 149,037	– 186,006
Free cash flow from operating activities after investing activities . .		93,566	54,783
3. Cash flow from financing activities			
Cash receipts from the issuance of finance loans		40,000	155,100
Cash payments for the repayment of finance loans		– 71,400	– 93,900
Net cash flow from financing activities		– 31,400	61,200
4. Cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		67,328	39,111
Change in cash and cash equivalents		– 12,867	28,217
Cash and cash equivalents at the end of the period	4.1	54,461	67,328

Kabel BW Erste Beteiligungs GmbH
Consolidated Statement of Changes in Equity
for the year ended 31 December 2009

<u>in EUR</u>	<u>Subscribed Capital</u>	<u>Capital Reserve</u>	<u>Retained Earnings</u>	<u>Consolidated profit for the year</u>
Balance as of 1 January 2009	25,000	403,434,187	65,323,936	
Income and expenses directly recognised in equity	0	0		0
Deferred taxes on income and expenses recognised in equity	0	0		0
Consolidated profit/loss for the year	0	0		39,260,599
Balance as of 31 December 2009 = balance as of 1 January 2010	25,000	403,434,187	65,323,936	39,260,599

<u>in EUR</u>	<u>Subscribed Capital</u>	<u>Capital Reserve</u>	<u>Retained Earnings</u>	<u>Consolidated loss for the year</u>
Balance as of 1 January 2008	25,000	405,065,000	78,544,495	0
Adjustments due to change in accounting policy	0	0	5,799,484	0
Balance as of 1 January 2008 after adjustments	25,000	405,065,000	84,343,979	0
Other transactions with shareholders	0	– 1,630,813		0
Consolidated profit/loss for the year	0	0	0	– 19,020,043
Balance as of 31 December 2008 = balance as of 1 January 2009	25,000	403,434,187	84,343,979	– 19,020,043

(1) The equity is entirely attributable to Kabel BW Erste Beteiligungs GmbH; non-controlling interests do not exist.

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List of Abbreviations

AfS	available-for-sale (financial instruments available for sale under IAS 39)
BAK GmbH	BAK Südwest GmbH
bps	base points
CGU	cash-generating unit
CSO	current service cost (component of net pension commitments)
DBO	defined benefit obligation
DCF	discounted cash flow
DECT	digital enhanced cordless telephone (digital system for cordless telephones)
Dr	Doctor
et seq.	et sequens (Latin: and the following)
EU	European Union
EUR'000	thousands of euros
EURIBOR	European InterBank Offered Rate (interest rate for time deposits in euro in interbank dealings)
FASB	Financial Accounting Standards Board (standards setter for US Generally Accepted Accounting Principles)
FLaC	financial liabilities valued at amortised cost (under IAS 39)
FVtPL	fair value through profit or loss (financial instruments under IAS 39 held or designed for trading)
GEMA	Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte (German Society for Musical Performing and Mechanical Reproduction Rights)
GmbH	Gesellschaft mit beschränkter Haftung (limited liability company)
GmbHG	Gesetz betreffend die Gesellschaften mit beschränkter Haftung (German Law on Limited Liability Companies)
HGB	Handelsgesetzbuch (German Commercial Code)
HoldCo	Kabel BW Holdings GmbH
HR	Handelsregister (Commercial Register)
Htm	held-to-maturity (investments held to maturity under IAS 39)
IAS	International Accounting Standard
IASB	International Accounting Standards Board (standard setter for international reporting standards)
IFRIC	International Financial Reporting Interpretations Committee (official communications regarding the interpretation of International Financial Reporting Standards)
IFRS	International Financial Reporting Standards
IT	information technology
Kabel BW	Group of Kabel BW Erste Beteiligungs GmbH
KG	Kommanditgesellschaft (limited (commercial) partnership)
LaR	loans and receivables (loans and receivables under IAS 39)

Notes to the Consolidated Financial Statements as of 31 December 2009 (continued)

OpCo	Kabel Baden-Württemberg GmbH & Co. KG
OpCo-GP	Kabel Baden-Württemberg Verwaltungs-GmbH
PR	public relations
RBS	Royal Bank of Scotland plc, Frankfurt am Main branch
RKS TC	RKS TELECOM Süd-West GmbH
S.à r.l.	Société à responsabilité limitée (limited liability company under Luxembourg law)
SPA	sale and purchase agreement
TopCo	Kabel BW Erste Beteiligungs GmbH
TV	Television
US GAAP	United States (US) Generally Accepted Accounting Principles
VG Media	Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mit beschränkter Haftung (German Society for Utilisation of Copyrights and Ancillary Copyrights of Media Companies with Limited Liability)

1 General Information

Kabel BW Erste Beteiligungs GmbH is a limited liability company under German law and has its registered office in Heidelberg; it has been entered in the Commercial Register of the Mannheim local court (HR B 701726, Mannheim).

The premises of the Group are located in 69126 Heidelberg, Im Breitspiel 2-4.

The following companies

- Kabel BW Erste Beteiligungs GmbH, Heidelberg (TopCo) (parent company)
- Kabel BW Holdings GmbH, Heidelberg (HoldCo)
- Kabel Baden-Württemberg Verwaltungs-GmbH, Heidelberg (OpCo-GP)
- Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg (OpCo)
- BAK Südwest GmbH, Mannheim (50% investment) (BAK GmbH)

(collectively referred to as the “Group” or “Kabel BW”) operate the broadband cable network in the German state Baden-Württemberg. OpCo and BAK GmbH are the operational units of the Group, with OpCo being the major operational company. The other group companies are holding companies or general partners of other group companies.

The Company is not listed on a stock exchange.

As of 31 December 2009, Oskar Rakso S.à r.l., Luxembourg/Luxembourg, held all shares in TopCo or the Group.

1.1 General Information Regarding the Preparation of the Consolidated Financial Statements

The consolidated financial statements of Kabel BW Group have been prepared according to the regulations under the International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), and German commercial law pursuant to § 315a (3) HGB. In addition, Kabel BW is in compliance with all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that are binding for the financial year 2009, provided that these were adopted by the EU. The standards of the IASB and interpretations of the IFRIC, as adopted by the EU, that were mandatory for 2009 have been adopted.

The financial year of the company corresponds to the calendar year and ends on 31 December 2009. The consolidated financial statements have been prepared as of the balance sheet date of the parent company’s annual financial statements, which is also the balance sheet date of all subsidiaries and joint ventures included.

The consolidated financial statements are prepared in euro. All amounts stated in the consolidated financial statements are denominated in thousands of Euros (EUR’000), unless otherwise specified.

By applying IAS 1.88, the income statement was prepared according to the nature of expense method. In the interest of a clear presentation, various items of the balance sheet and income statement have been combined. These items are separately disclosed and addressed in these notes to the consolidated financial statements.

Accounting Standards Published by the IASB

New standards, interpretations and revisions of existing standards that are required to be applied and relevant to Kabel BW:

- **IAS 1, Presentation of Financial Statements
(applicable on or after 1 January 2009)**

IAS 1 revised was published by the IASB in September 2007 and was revised in detail once again in 2008. The revised standard specifies the format and minimum contents of IFRS financial statements and introduces changes which provide options for the terminology of components of the financial statements. A significant change is the new statement of comprehensive income, which reconciles the net income for the year in the income statement to comprehensive income through the income and expenses recognised in equity. Furthermore, non-owner changes in equity will be required to be disclosed separately from owner changes in equity in the future. In

addition, further disclosures in the notes to the financial statements are required for terminable financial instruments classified as equity instruments.

The revised IAS 1 requires the preparation of a balance sheet also for the beginning of the earliest possible comparative period if accounting policies are applied retroactively. The standard was endorsed by the EU in April 2009.

- **IFRS 7, Financial Instruments: Disclosures**
(applicable on or after 1 January 2009)

IFRS 7 relates to extended disclosure requirements which enhance the information provided on financial instruments. Both qualitative and quantitative disclosures regarding the scope of risks from financial instruments, including specific minimum disclosures regarding credit, liquidity and market risks as well as additional sensitivity analyses regarding market risks.

In March 2009, the IASB extended the disclosures regarding financial instruments under IFRS 7 with respect to measurement at fair value and the liquidity risk. The standard was endorsed by the EU in December 2009.

- **IFRS 8, Segment Reporting**
(applicable on or after 1 January 2009)

IFRS 8 supersedes IAS 14 and aligns the segment reporting to the requirements under US GAAP. Through this standard, which was published in November 2006, the identification of segments changes to the “management approach”. The relevant factor is the information that is regularly made available for internal control to the so-called “chief operating decision maker” (“through management’s eyes”) for decision purposes. This addresses a higher reporting relevance (within the meaning of “decision usefulness”). In addition, IFRS 8 changes the rules under IAS 36 concerning the impairment test of goodwill. A unit to which goodwill is allocated is now no longer permitted to be bigger than a business segment.

The standard was endorsed by the EU in November 2007.

As a company that is not listed on a stock exchange, Kabel BW had already prepared segment reporting on a voluntary basis and applied IFRS 8 last financial year. In comparison with the consolidated financial statements as of 31 December 2008, there are, therefore, no changes with respect to segment reporting.

Besides the additional disclosures in the notes to the financial statements, the first-time application of these revisions did not impact the results of operations and financial position of Kabel BW Group.

New standards, interpretations and revisions of existing standards the application of which is mandatory, that are not relevant to Kabel BW:

- **Improvement Project (May 2008)**
(applicable for reporting periods beginning on or after 1 January 2009)

As part of its annual improvement project, the IASB published a total of 20 amendments that are based on the draft prepared in October 2007. Through these projects, the IASB is able to make minor improvements to individual standards and interpretations. These relate principally to editorial adjustments of individual IFRSs in order to specify existing regulations; in addition, minor adjustments are made to recognition, measurement and disclosure. The standard was endorsed by the EU in January 2009.

- **IFRS 1, First-time Adoption of IFRS, and IAS 27, Consolidated and Separate Financial Statements**
(applicable for reporting periods beginning on or after 1 January 2009)

In May 2008, the IASB published changes with respect to the determination of cost of investments in subsidiaries upon adoption of IFRS. According to these changes, investments can be initially measured either at fair value (fair value under IAS 39) or at the carrying amount of the previous basis of accounting (at cost). If a new parent company is established due to a restructuring, the cost of the investment is required to be measured at the time of the restructuring. The standard was endorsed by the EU in January 2009.

- **IFRS 2, Share-based Payment**
(applicable for reporting periods beginning on or after 1 January 2009)

The publication in January 2008 clarified the nature of vesting conditions and defines the balance sheet treatment of early cancellations, irrespective of the party which terminated the agreement.

The standard was endorsed by the EU in December 2008.

- **IAS 23, Borrowing Costs**
(applicable on or after 1 January 2009)

In March 2007, a revision of IAS 23 was published. According to this revised standard, borrowing costs that can be directly attributed to the acquisition, construction or production of a qualifying asset are required to be capitalised. A qualifying asset is an asset that requires a considerable period of time to prepare the asset for its intended use or sale. The option of recognising borrowing costs as an expense as incurred has been eliminated. The standard was endorsed by the EU in December 2008.

- **IAS 32, Financial Instruments: Disclosure, and IAS 1, Presentation of Financial Statements**
(applicable on or after 1 January 2009)

In February 2008, changes were issued with respect to the treatment of terminable financial instruments and commitments arising upon their liquidation. According to these changes, some financial instruments that are currently recorded as a liability are required to be classified as equity if certain requirements are met. This change has a substantial impact on IAS 1, Presentation of Financial Statements. The standard was endorsed by the EU in January 2009.

- **IAS 39, Financial Instruments: Recognition and Measurement**
(applicable on or after 30 June and 1 July 2009, respectively)

As of 1 July 2008, the IASB published changes regarding optional reclassification of financial assets, in certain cases, from the category “FVtPL” as well as further guidance on the impairment of such reclassified assets. Furthermore, changes were made with respect to the identification of risk positions that qualify for hedge accounting. Both changes have additional effects on disclosures in the notes to the financial statements under IFRS 7, Financial Instruments. During 2009, IAS 39 was revised in detail once again to specifically address the assessment of embedded derivatives.

The standard was endorsed by the EU with respect to the risk positions in hedge accounting and embedded derivatives in September 2009 and December 2009, respectively.

- **IFRIC 9, Reassessment of Embedded Derivatives**
(applicable for reporting periods beginning on or after 1 January 2009)
- **IFRIC 13, Customer Loyalty Programmes**
(applicable for reporting periods beginning on or after 1 July 2008)
- **IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**
(applicable for reporting periods beginning on or after 1 January 2009)

Currently, the Group does not expect the new IAS interpretations as well as the amendments of the accounting standards referred to above to have any effects on the results of operations and financial position of Kabel BW.

The adoption of the following standards, interpretations and revisions of published standards are not yet required:

The following standards, revisions of standards and interpretations have already been published, though they are only applicable for reporting periods of the Group beginning on or after 1 January 2010 (the option of voluntary early adoption was not exercised):

- **Improvement Project (April 2009)**
(applicable for reporting periods beginning on or after 1 July 2009 and on or after 1 January 2010)

As part of its annual improvement project, the IASB published revisions to a total of twelve International Financial Reporting Standards. Through this annual improvement project, the

IASB makes outside major projects and changes to the IFRSs that are generally necessary, though not time sensitive. The EU endorsement was made in the first quarter of 2010.

- **IFRS 1, First-time Adoption of IFRSs**
(applicable for reporting periods beginning on or after 1 January 2010)

The version applicable as of 1 January 2010 is the newly structured version of this standard as revised by the IASB, without making major changes to its content. The standard was endorsed by the EU on 26 November 2009.

- **IFRS 1 and IFRS 7, Limited Exemption of First-time Preparers from Disclosing Comparative Information under IFRS 7**
(applicable for reporting periods beginning on or after 1 July 2010)

- **IFRS 2, Share-based Payment**
(applicable for reporting periods beginning on or after 1 January 2010)

The changes published in June 2009 relate to a clarification with respect to the accounting for certain share-based payments in financial statements of individual subsidiaries within a group. The IASB specifically addresses the case where goods are delivered or services are provided by a parent company under a share-based payment agreement. The standard was endorsed by the EU in the first quarter of 2010.

- **IFRS 3, Business Combinations, and IAS 27, Consolidated and Separate Financial Statements**
(applicable for reporting periods beginning on or after 1 July 2009)

In January 2008, the IASB published a revised version of IFRS 3 with significant changes to IAS 27. These changes were made as part of the convergence project between IASB and FASB. A major change is the measurement of non-controlling interests. An option exists that permits full goodwill accounting (full goodwill method) and, therefore, presenting the fair value of non-controlling interests. If the disposal of a portion of the investment does not lead to the loss of control of the investment, the transaction is not recognised in the income statement, whereas the loss of control leads to the immediate recognition of a gain or loss in the income statement. The standard was endorsed by the EU in June 2009.

- **IFRS 9, Financial Instruments**
(applicable for reporting periods beginning on or after 1 January 2013)

This new standard, which was published on 12 November 2009, represents the completion of the first stage of a three-part project concerning financial instruments, the purpose of which is eventually to fully replace the regulations under IAS 39. This new standard deals with the classification and measurement of financial assets; the topics of part two and part three will be the impairment methodology for financial instruments and hedge accounting, respectively. The effective date of IFRS 9 is 1 January 2013, and, as of the balance sheet date, the EU had not endorsement it.

- **IAS 24, Related Party Disclosures**
(applicable for reporting periods beginning on or after 1 January 2011)

This amendment, which was published on 4 November 2009, simplifies the disclosure requirements for transactions with state-controlled entities or entities which are significantly influenced by the government. The change provides exemptions to the required related-party disclosures in the notes to the financial statements provided that it is costly to gather or of less value to the users. The EU endorsement is due in the second quarter of 2010.

- **IAS 32, Financial Instruments: Presentation**
(applicable for reporting periods beginning on or after 1 February 2010)

This standard, which was published on 6 August 2009, addresses the classification of rights issues if these are not issued in the functional currency of the group. The rights issues granted to present shareholders are required to be classified as equity rather than as derivative financial liabilities. The standard was endorsed by the EU on 24 December 2009.

- **IFRIC 12, Service Concession Arrangements**
(applicable for reporting periods beginning on or after 29 March 2009)

- **IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**
(applicable for reporting periods beginning on or after 1 January 2011)
- **IFRIC 15, Agreements for the Construction of Real Estate**
(applicable for reporting periods beginning on or after 1 January 2010)
- **IFRIC 16, Hedges of a Net Investment in a Foreign Operation**
(applicable for reporting periods beginning on or after 1 July 2009)
- **IFRIC 17, Distributions of Non-cash Assets to Owners**
(applicable for reporting periods beginning on or after 1 November 2009)
- **IFRIC 18, Transfers of Assets from Customers**
(applicable for reporting periods beginning on or after 1 November 2009)
- **IFRIC 19, Settlement of Financial Liabilities through Equity Instruments**
(applicable for reporting periods beginning on or after 1 July 2010)
- **Improvement Project (May 2010)**
(applicable for reporting periods beginning on or after 1 July 2010 and on or after 1 January 2011, respectively)

As part of its annual improvement project, the IASB published a total of seven amendments to IFRS. These amendments basically deal with topics that had been included in the proposed draft amendments to the IFRSs dated August 2009. These amendments are due to be endorsed by the EU in the fourth quarter of 2010 and relate to:

- **IFRS 1, First-time Adoption of IFRS**
(applicable for reporting periods beginning on or after 1 January 2011)

The changes to this standard relate to changes to accounting methods applied in the first IFRS financial statements compared to prior interim reporting under IFRS. Revaluations are taken into account during the first reporting period if fair value is used as deemed cost. In addition, the recognition of carrying amounts under previous accounting rules as deemed cost in price-regulated business segments has been clarified.

- **IFRS 3, Business Combinations**
(applicable for reporting periods beginning on or after 1 July 2010)

The change to this standard clarifies the option of how to measure non-controlling interests at fair value or at the corresponding share of the identified net assets of the enterprise acquired and clarifies the measurement of share-based compensation premiums in the event of redemption through the acquirer. A transitional provision regarding contingent compensation was introduced prior to the effective dates of the revised IFRSs. In addition, it addresses the measurement of non-controlling interest.

- **IFRS 7, Financial Instruments: Disclosures**
(applicable for reporting periods beginning on or after 1 January 2011)

The amendment clarifies the disclosure requirements related to credit risk.

- **IAS 1, Presentation of Financial Statements**
(applicable for reporting periods beginning on or after 1 July 2010)

The amendment to IAS 1 clarifies the presentation of the income and expenses recognised in equity. They can be presented either in the statement of changes in equity or in the notes to the financial statements.

- **IAS 27, Consolidated and Separate Financial Statements**
(applicable for reporting periods beginning on or after 1 July 2010)

Transitional requirements regarding the 2008 revision of this standard has been incorporated.

- **IAS 34, Interim Financial Reporting**
(applicable for reporting periods beginning on or after 1 January 2011)

The amendment relates to the clarification of the reporting for significant events and transactions that were reported in the latest IFRS financial statements published.

- **IFRIC 13, Customer Loyalty Programmes**
(applicable for reporting periods beginning on or after 1 January 2011)

The amendment defines the term fair value of incentive credits.

The effects of the new or revised standards and interpretations that are applicable on or after 1 January 2010 are being examined. According to the current state, the Group anticipates, however, that the new or revised standards and interpretations will not impact Kabel BW's results of operations and financial position.

1.2 Consolidation Principles

Scope of consolidated entities

Subsidiaries are all enterprises where the Group has control over the financial and operating policies and typically have a voting right share of more than 50%, as defined under IAS 27.

The scope of consolidated entities by Kabel BW covers four (prior year: six) entities; all (prior year: all) entities are located in the domestic territory.

The scope of consolidated entities changed as follows:

As at 31 December 2008	6
Merged in financial year 2009	2
As at 31 December 2009	<u>4</u>

Under the merger agreement dated 17 July 2009, RKS TELECOM Süd-West GmbH, Heidelberg was retroactively merged into Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg on 1 January 2009. This merger was entered in the Commercial Register at the level of OpCo on 31 July 2009.

Thereafter, RKS I GmbH, Heidelberg was merged into OpCo under the merger agreement dated 21 August 2009 as of 1 January 2009. This merger was entered in the Commercial Register on 25 August 2009.

Both mergers were recorded at carrying amounts without any fair value step-ups. From the Group's point of view, the mergers did not have an impact on the income statement. The goal of the mergers was to improve the use of synergies and to further streamline the group structure.

In the financial year 2009, the following companies were within the scope of full consolidation:

<u>Name</u>	<u>Registered office</u>	<u>Investment of the Group in %</u>
HoldCo	Heidelberg	100
OpCo-GP	Heidelberg	100
OpCo	Heidelberg	100

The date of initial consolidation of the Group's subsidiaries (or their legal predecessors) were as follows:

- HoldCo: 18 April 2006
- OpCo: 9 June 2006
- OpCo-GP: 9 June 2006

The subsidiary Kabel BW Holdings GmbH, Heidelberg, which is legally organised as a corporation is using the exemption rule under § 264 (3) HGB.

Investments in Associates or Jointly Controlled Enterprises

The following company has been included at 50% in the group of consolidated entities by way of proportionate consolidation under IAS 31.30 because it is controlled jointly with Rehnig Holding GmbH, Neustadt an der Aisch, which holds the other 50%:

- BAK GmbH, Mannheim.

The impact from 50% ownership of joint ventures on the balance sheet and the income statement of Kabel BW Group are as follows:

	2009 EUR'000	2008 EUR'000
Assets		
Current assets	291	64
Non-current assets	1,955	2,136
	2,246	2,200
Equity and liabilities		
Current liabilities	1,642	1,800
Non-current liabilities	0	24
Equity	604	376
	2,246	2,200
Income statement		
Revenue and other income	729	730
Operating expenses, depreciation and amortisation	– 295	– 248
Financial result	– 104	– 130
Taxes	– 103	– 85
	227	267

Furthermore, there is an immaterial investment in Deutsche Netzmarketing GmbH, Cologne/Germany, of 3.23% or EUR 3 thousand.

Basis of Consolidation

Intragroup balances and transactions, including profits, expenses and income, are eliminated in consolidation. Also, profits or losses on intra-group transactions that are included in the carrying amount of assets, such as inventories and fixed assets, are fully eliminated. Related intragroup losses can be an indicator of impairment. The subsidiaries' accounting and measurement principles are consistent with those applied by the parent company.

Subsidiaries are included in the consolidated financial statements (full consolidation) from the time control is obtained by the Group. They are deconsolidated at the time when control is lost.

Intragroup profits and losses arising from proportionate consolidation were eliminated in relation to the investment holding. Intragroup receivables and payables are, however, disclosed proportionately according to the investment holding.

1.3 Currency Translation

Functional Currency and Reporting Currency

The items included in the financial statements of each subsidiary are measured on the basis of the currency that corresponds to the currency of the primary economic environment in which the enterprise operates (functional currency within the meaning of IAS 21). The euro is the functional currency and the reporting currency of the Group.

Transactions and Balances

Foreign currency transactions of the consolidated companies are initially translated into the functional currency at the exchange rate in effect at the time of transaction. The accounting for foreign currency translation on the following balance sheet date, is different for monetary and non-monetary items. Monetary items are characterised by the fact that they represent the right to receive, or the obligation to pay, a fixed or determinable number of currency units, whereas non-monetary items do not represent the right to receive, or the obligation to pay, a fixed or determinable number of currency units.

Monetary items are required to be translated at the exchange rate in effect at the respective balance sheet date. Translation differences that are due to the fact that monetary items are settled or translated at a

rate other than the rate at which they were translated at the time of initial recognition during the reporting period or in former sets of financial statements are required to be recognised in income.

Non-monetary items measured at historical cost in a foreign currency are required to be translated at the historical rate in the subsequent periods and non-monetary items that were measured at fair value in a foreign currency are required to be translated at the spot rate in effect at the time the value is determined. Translation differences of non-monetary items are recorded consistent with the recognition method of changes in the value of the non-monetary item. Translation differences for non-monetary items where the profit and loss is recognised through the income statement are required to be recognised in the income statement. For non-monetary items for which the fair value changes are recognised directly in equity, translation differences are also required to be recognised directly in equity.

In the reporting period, there were no significant foreign currency transactions at any of the group companies. Therefore, no currency differences arose at the level of Kabel BW.

1.4 Estimates Underlying Accounting and Measurement

The preparation of consolidated financial statements in compliance with IFRS partially requires the use of estimates. Furthermore, the application of company-wide recognition and measurement policies requires assessments to be made by management. Actual results can, irrespective of the fact that the estimates have been made to management's best knowledge of present events and measures, deviate from these estimates.

All estimates and assessments are continuously being remeasured and are based on empirical data and further factors, including expectations with respect to future events that seem to be appropriate under the given circumstances.

The estimates and assumptions that involve a significant risk in the form of a material adjustment of carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated Impairment of Goodwill

In compliance with the accounting and measurement method described in Note 2.3, the Group examines at least annually whether there is an impairment of goodwill. The realisable amount for each cash-generating unit (CGUs) was determined on the basis of fair value, using a DCF approach. The related estimate of future cash flows, discount rates and growth rates are based on assumptions with a relatively high level of uncertainty.

The carrying amount of the goodwill is EUR 837,145 thousand.

Estimated Impairment of Customer List and Brand

In compliance with the accounting and measurement method described in Note 2.3, the Group examines at least annually whether there is an impairment of the capitalised customer list and brand. The realisable amount of CGUs was determined on the basis of the fair value, using a DCF approach. The related estimate of future cash flows, discount rates and growth rates is based on assumptions with a relatively high level of uncertainty.

The carrying amount of the brand is EUR 20,652 thousand and the carrying amount of the customer list is EUR 215,313 thousand, which are both subject to impairment testing.

Useful Life of Intangible Assets and Property, Plant and Equipment

The underlying useful lives of intangible assets and property, plant and equipment are measured based on the economic life, which is regularly estimated on the basis of empirical data.

The carrying amounts of the remaining intangible assets and property, plant and equipment that are amortised or depreciated amount to EUR 22,698 thousand and EUR 661,289 thousand, respectively.

For details on the useful lives of property, plant and equipment and intangible assets, reference is made to the statements in Notes 2.2 and 2.3, respectively.

Provisions for Pension Commitments

The current value of the pension commitment in the amount of EUR 7,404 thousand depends on a number of factors which are determined on an actuarial basis by means of various assumptions. As a result, changes to these assumptions influence the amount of the pension provision, as stated in Note 4.13.

Other Provisions

As mentioned in Note 5.1, Kabel BW Group is party to litigation in several cases. At regular intervals, management assesses legal disputes and makes provisions for probable commitments as well as related legal costs. Internal and external counsels are used to assess the underlying facts. As part of the assessment, provisions are recorded by management if a commitment is likely to lead to future cash outflows and this commitment can be reliably estimated (IAS 37.14).

Non-current provisions for restoring assets to their previous condition, with a carrying amount of EUR 1,462 thousand are recognised at the present value of the commitment and interest is accreted over the term, are determined by discount factors as well as trend assumptions of major estimated variables. Changes in estimates such as costs and lease terms can lead to changes to these provisions.

In the reporting year 2009, the Group re-evaluated the anticipated costs of restoring assets to their previous condition as well as the extension of lease terms. The present values of the commitments were adjusted accordingly. Reference is made to Note 4.14.

Revenue Recognition

Income from service transactions, as predominantly offered by the Group, are required to be recognised if the amount of the income can be reliably measured, an inflow of economic benefit for the enterprise is more likely than not and the costs incurred for the transactions and the cost anticipated until the completion of the services can be reliably measured (IAS 18.20). For details on revenue recognition in the different business segments, refer to Note 3.1.

The sales revenues recognised at group level amount to EUR 480,675 thousand.

Derivative Financial Instruments

Kabel BW uses derivative financial instruments in order to hedge interest rate risks resulting from financial transactions and investments. In compliance with the recognition and measurement methods described in Note 2.5.3, Kabel BW examines at quarterly intervals whether hedging relationships are effective. Should the cumulative fair value changes of the hedging instrument exceed that of the hedged item, the excess is recognised in income. Otherwise, the corresponding amount is not recognised in the income statement.

The fair value of a derivative financial instrument is the amount that Kabel BW would either receive or is obligated to pay if the financial instrument is terminated at the balance sheet date.

If no market values are available to Kabel BW, the fair values of the derivatives are calculated by means of recognised valuation models. In calculating the fair values of recognised interest rate swaps, the fixed payments and the forward interest rates derived from the yield curve are initially discounted at adequate-maturity zero rates and then netted.

The estimate of future interest rate structures, discount rates and growth rates is based on assumptions with a relatively high level of uncertainty.

Income and Deferred Taxes

The Group measures the amount of the provisions for the anticipated tax burden on the basis of estimates as to whether and at which amount additional income taxes will become due. (For details, see also Note 2.12.)

The current income tax liabilities recognised amount to EUR 7,483 thousand.

In addition, assumptions are made in calculating deferred taxes. For this purpose, the realisation of deferred tax assets is determined specifically planning of future taxable income.

Like in prior years, the Group has assessed the recoverability of deferred tax assets that relate to loss carryforwards. For further details, refer to the statements in Note 4.16.

At the time the consolidated financial statements were prepared, Kabel BW Group did not expect any further changes to assumptions underlying the accounting and measurements. Therefore, no major adjustments are expected to be made to assumptions or estimates in the financial year 2010.

1.5 Impairment of Non-financial Assets

Assets that have an indefinite useful life and goodwill are not depreciated or amortised but are tested for impairment (impairment test) at least once a year and if events or changed circumstances indicate that the carrying amount might no longer be recoverable.

Assets that are subject to depreciation or amortisation are examined for impairment if corresponding events or changes in circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss is recognised for the difference between the realisable amount and carrying amount. The recoverable amount is the higher of fair value of the asset less costs to sell or its value in use. For the purposes of the recoverability test, assets are grouped at the lowest level for which cash flows can be separately identified (so-called CGUs). Except for goodwill, prior impairment charges are examined at the end of every reporting period to determine whether a reversal of the impairment charge is necessary. The impairment tests carried out by the Company are based on fair value less cost to sell.

2 Summary of Major Recognition and Measurement Methods

The consolidated financial statements are prepared on the basis of historical cost, except for derivative financial instruments, which are recognised in income at fair value under IAS 39. The group did not take advantage of the option of remeasurement or to use the fair value option. Assets and liabilities are netted if the requirements are met.

Income and expenses that are derived from assets and liabilities are recognised in operating result or finance result depending on the nature of the respective balance sheet item or are deferred based on the accrual concept. If income and expenses are required to be recognised in the other comprehensive income under IFRS, they do not have an impact on the income statement and are separately presented in the statement of changes in equity.

The major recognition and measurement methods that have been applied in preparing the consolidated financial statements are described below. The methods described have been consistently applied to the reporting periods presented, unless otherwise specified.

2.1 Change in Accounting Policy

To enhance the comparability of the financial statements with those of other cable network carriers, Kabel BW now capitalises subscriber acquisition costs as non-current assets in its consolidated financial statements. Due to the adoption of this industry standard, the user of the financial statements is provided more relevant and meaningful information as a result of conforming to the industry standard. This change in accounting policy was applied retrospectively. Any information contained in the set of consolidated financial statements on hand is therefore presented as if subscriber acquisition costs have always been capitalised.

Subscriber acquisition costs are recognised as an intangible asset if they can be definitively allocated to customer contracts, are payable to a third party and can be reliably determined, if the inflow of the related benefit is deemed to be more probable than not and they also meet the definition and recognition criteria under IAS 38 in connection with Framework F. 49. They are amortised over the minimum contract terms of 1 and 2 years. Should the subscriber acquisition costs capitalised turn out to be irrecoverable (for example due to failure to pay) or a contract is terminated within the minimum contract term, the capitalised subscriber acquisition costs are immediately and fully written off. Costs that do not meet the criteria under IAS 38 are expensed as incurred.

The capitalisation of subscriber acquisition costs results in an increase in intangible assets, equity, deferred tax liabilities, amortisation and write-offs as well as deferred tax expense. Additionally, it also leads to a reduction in selling and administrative expenses. The monetary effects due to the capitalisation of subscriber acquisition costs on the respective balance sheet and income statement items as of

31 December 2009 and 2008 as well as at 1 January 2008 and for the years ended 31 December 2009 and 2008 are as follows:

Consolidated Balance Sheet as of 31 December 2009

	Balance before change in accounting policy 31 Dec. 2009	Effect of change in accounting policy	Balance after change in accounting policy 31 Dec. 2009
	EUR	EUR	EUR
Assets			
Non-current assets			
Intangible assets	1,112,589,800.51	10,509,523.09	1,123,099,323.60
Total non-current assets	1,817,484,481.47	10,509,523.09	1,827,994,004.56
Total assets	1,916,958,734.82	10,509,523.09	1,927,468,257.91
Equity and liabilities			
Non-current liabilities			
Deferred tax liabilities	63,632,351.44	3,134,990.74	66,767,342.18
Total non-current liabilities	1,278,188,910.01	3,134,990.74	1,281,323,900.75
Equity			
Retained earnings	57,377,839.14	7,946,096.44	65,323,935.58
Profit for the year	39,832,162.76	– 571,564.09	39,260,598.67
Total equity	492,261,769.85	7,374,532.35	499,636,302.20
Total equity and liabilities	1,916,958,734.82	10,509,523.09	1,927,468,257.91

Consolidated Income Statement for the year ended 31 December 2009

	Balance before change in accounting policy 2009	Effect of change in accounting policy	Balance after change in accounting policy 2009
	EUR	EUR	EUR
Sales commission	– 22,779,245.30	15,559,203.28	– 7,220,042.02
Selling and administrative expenses . .	– 82,915,357.84	15,559,203.28	– 67,356,154.56
Earnings before interest, tax, depreciation and amortisation	244,517,725.84	15,559,203.28	260,076,929.12
Depreciation and amortisation	– 111,861,738.50	– 16,373,745.23	– 128,235,483.73
Earnings before interest and tax	132,655,987.34	– 814,541.95	131,841,445.39
Earnings before tax	49,722,377.41	– 814,541.95	48,907,835.46
Deferred taxes	– 2,880,885.72	242,977.86	– 2,637,907.86
Profit for the year	39,832,162.76	– 571,564.09	39,260,598.67

Consolidated Balance Sheet as of 31 December 2008

	Balance before change in accounting policy 31 Dec. 2008	Effect of change in accounting policy	Balance after change in accounting policy 31 Dec. 2008
	EUR	EUR	EUR
Assets			
Non-current assets			
Intangible assets	1,120,013,201.60	11,324,065.04	1,131,337,266.64
Total non-current assets	1,794,012,467.81	11,324,065.04	1,805,336,532.85
Total assets	1,902,966,363.57	11,324,065.04	1,914,290,428.61
Equity and liabilities			
Non-current liabilities			
Deferred tax liabilities	64,325,547.72	3,377,968.60	67,703,516.32
Total non-current liabilities	1,288,717,923.64	3,377,968.60	1,292,095,892.24
Equity			
Retained earnings	78,544,495.00	5,799,483.51	84,343,978.51
Loss for the year	– 21,166,655.86	2,146,612.93	– 19,020,042.93
Total equity	460,837,026.95	7,946,096.44	468,783,123.39
Total equity and liabilities	1,902,966,363.57	11,324,065.04	1,914,290,428.61

Consolidated Income Statement for year ended 31 December 2008

	Balance before change in accounting policy 2008	Effect of change in accounting policy	Balance after change in accounting policy 2008
	EUR	EUR	EUR
Sales commission	– 26,746,033.11	17,757,511.96	– 8,988,521.15
Selling and administrative expenses . .	– 89,490,414.79	17,757,511.96	– 71,732,902.83
Earnings before interest, tax, depreciation and amortisation	190,227,374.66	17,757,511.96	207,984,886.62
Depreciation and amortisation	– 97,650,405.18	– 14,698,351.46	– 112,348,756.64
Earnings before interest and tax	92,576,969.48	3,059,160.50	95,636,129.98
Earnings before tax	– 17,040,786.51	3,059,160.50	– 13,981,626.01
Deferred taxes	– 3,798,106.21	– 912,547.57	– 4,710,653.78
Loss for the year	– 21,166,655.86	2,146,612.93	– 19,020,042.93

Consolidated Balance Sheet as of 1 January 2008

	Balance before change in accounting policy 1 Jan. 2008	Effect of change in accounting policy	Balance after change in accounting policy 1 Jan. 2008
	EUR	EUR	EUR
Assets			
Non-current assets			
Intangible assets	1,131,665,050.43	8,264,904.53	1,139,929,954.96
Total non-current assets	1,724,821,765.73	8,264,904.53	1,733,086,670.26
Total assets	1,832,730,407.33	8,264,904.53	1,840,995,311.86
Equity and liabilities			
Non-current liabilities			
Deferred tax liabilities	60,527,441.51	2,465,421.02	62,992,862.53
Total non-current liabilities	1,219,659,881.68	2,465,421.02	1,222,125,302.70
Equity			
Retained earnings	78,544,495.00	5,799,483.51	84,343,978.51
Profit/loss for the year	0.00	0.00	0.00
Total equity	483,634,495.41	5,799,483.51	489,433,978.92
Total equity and liabilities	1,832,730,407.33	8,264,904.53	1,840,995,311.86

2.2 Property, Plant and Equipment

Land and buildings as well as all other property, plant and equipment are measured at amortised cost. The cost includes the expenses that are directly attributable to purchase or construction of the asset. Rebates, bonus incentives and cash discounts are deducted from cost.

Subsequent costs (e.g., investment in new plant capacity), are recognised as part of the cost of an asset or, if relevant, as a separate asset if it is probable that a related economic benefit will flow to the Group in the future and the cost of the asset can be reliably determined. The residual carrying amount of the replaced part of the asset is written off.

Expenses for repair and maintenance that do not constitute material expansions (e.g., day-to-day services) are recognised as an expense in the income statement in the financial year when they were incurred.

Property, plant and equipment are measured under IAS 16 at historical cost less accumulated depreciation and accumulated impairment losses as a result of impairments. If the carrying amount of an element of property, plant and equipment exceeds its estimated recoverable amount, it is written down immediately to the lower realisable amount (IAS 36.08).

Land is not depreciated. All other assets are depreciated on a straight-line basis, with cost being depreciated on a straight-line basis to the residual carrying amount over the estimated useful life of the assets (IAS 16.73).

Leasehold improvements are depreciated over the shorter of the period of the corresponding lease or useful life.

Gains on, and losses from, disposal of property, plant and equipment are determined as the difference between the cash flow from disposal and the carrying amount of the property, plant and equipment and are recognised as income or expense as incurred under other income or expenses.

The residual carrying amounts and economic lives are examined at the end of every reporting period and adjusted, if required (IAS 16.51).

	<u>Useful life</u>
Broadband cable network	
• Broadband and fibre optic cables	1-25 years
• Other network elements	1-17 years
• Cable duct systems	35 years
Leasehold improvements	
• HUB improvements	10 years
• Other	according to term of tenancy agreement
Other equipment, plant and equipment	
• IT systems	3-13 years
• Sundry plant and equipment	1-23 years

2.3 Intangible Assets

Goodwill

Goodwill constitutes the excess of the cost of the acquisition over the fair value of the Group's share in the net assets of the acquired entity at the time of acquisition. Goodwill that arose through an acquisition is recognised under intangible assets. The goodwill recognised is tested for impairment at least once a year and measured at original cost less accumulated impairment. Reversals are not permitted under IAS 36. Gains on, and losses from, disposal of an entity include the carrying amount of the goodwill that is allocated to the entity disposed.

For the purpose of the impairment test, the goodwill is allocated to CGUs. It is allocated to those units or groups of CGUs that are expected to derive a benefit from the acquisition from which the goodwill arose. The CGUs of the Group correspond to the segments Television, Telecommunication and Other identified under IFRS 8. (For details, see also Notes 4.7 and 5.3.)

Customer List and Brand

The intangible assets of Kabel BW primarily include the acquired customer list and the value of the Kabel BW brand, which were identified, measured and recognised in connection with certain acquisitions.

In addition, the customer list includes subscriber acquisition costs. These costs are capitalised if they can be definitively allocated to customer contracts, are payable to a third party and can be reliably determined, if the inflow of the related benefit is deemed to be more probable than not and they also meet the definition and recognition criteria under IAS 38. They are amortised over the minimum contract terms of 1 or 2 years. Should the subscriber acquisition costs capitalised turn out to be irrecoverable (for example due to failure to pay) or a contract is terminated within the minimum contract term, the capitalised subscriber acquisition costs are immediately and fully written off. Costs that do not meet the criteria under IAS 38 are expensed as incurred.

The brand is not amortised, but tested for impairment annually and if there are indications of impairment, because management anticipates that the brand will continue to exist for an indefinite period.

Software

Acquired software licences are capitalised at cost plus cost to prepare for use. Subsequent capital expenditures are capitalised if the criteria for recognition of intangible assets are met. The total cost is amortised over the estimated useful life.

Costs that are related to development and maintenance of software are recognised as an expense as incurred. Costs that are incurred to customise individual software products are recognised as part of the

intangible assets. The direct costs include, among other things, the personnel costs of the personnel involved in the development as well as further costs directly attributable to the software development.

Software development costs capitalised are amortised over the estimated useful life of the software concerned, which normally corresponds to the useful life of the related machine for which the software was developed.

Useful Life of Intangible Assets

In determining the useful life of Kabel BW's customer list, the extrapolated churn rate and the average contractual period with the respective end user are taken into account, provided that a significant amount of revenue is realised under the related contracts. The effects of future competition are taken into account.

The amortisation of other intangible assets is calculated based on the scheduled allocation of the amortisable amount over the estimated useful life of the assets. Amortisation starts at the time when the asset is ready for use.

The intangible assets of Kabel BW are amortised over the following useful lives:

	Useful life
Goodwill	indefinite
Kabel BW brand	indefinite
Customer list	7 to 39 years
Subscriber acquisition costs	1 to 2 years
Licences	1 to 20 years
Sundry intangible assets	1 to 25 years

Because of the increased economic life, the useful life of the Cable Master customer relation management software was extended until 31 March 2011. This resulted in a positive earnings impact in 2009 in the amount of EUR 1,589 thousand.

2.4 Borrowing Costs

In 2007, the IASB revised the standard concerning borrowing costs with respect to the option to recognise borrowing costs. Under IAS 23.8, borrowing costs that can be directly allocated to the acquisition, construction or production of a qualifying asset are required to be capitalised as a portion of the cost of the asset. The option to recognise such costs as an expense as incurred was removed for reporting periods beginning on or after 1 January 2009.

At group level, borrowing costs incurred are recognised as an expense as incurred because there are no qualifying assets.

2.5 Financial Instruments

In accordance with IAS 32.11, financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Regulations governing recognition and measurement of financial instruments are provided under IAS 39.

At group level, financial assets are basically cash and cash equivalents, trade receivables, other loans and receivables, other original financial assets, such as investments, receivables from shareholders and rent deposits.

Financial liabilities represent an obligation to return cash or another financial asset. The financial liabilities of Kabel BW include primarily liabilities to banks, trade payables as well as derivative financial instruments with designated cash flow hedge relationship.

Financial instruments are recognised as soon as Kabel BW becomes a contracting party of the financial instrument. If the transactions are entered into under conditions that are not consistent with market terms, the financial instruments are recognised at fair value at the settlement date. For transactions that are entered into under conditions that are not consistent with market terms, the expense is recognised in the income statement.

Normally, financial assets and financial liabilities are not offset against each other. They are only netted if there is a right to net settle on the effective date of measurement and there is intent to net settle the financial assets and financial liabilities on a net basis.

2.5.1 Financial Assets

Upon initial recognition, financial assets are measured at fair value. Transaction costs directly attributable to the acquisition of all financial assets that are not subsequently measured at fair value through the income statement are capitalised. The fair values recognised in the balance sheet normally represent the market values of the financial assets. If these are not directly available, fair value is calculated through application of generally accepted measurement models, normally discounted cash flow models, and take into account current market factors. Fixed cash flows or cash flows determinable by means of forward rates using the current yield curve, are discounted on the effective date of measurement with the discount factors determined on the basis of the yield curve that is valid on the effective date.

Cash and cash equivalents include cash on hand and demand deposits. By appropriate application of IAS 7.7, these have a residual term of up to three months at the time of recognition. Cash and cash equivalents are measured at amortised cost.

Trade receivables and **other loans and receivables** are measured at amortised carrying amount less allowances according to the effective interest method. Allowances are made in the form of specific or general allowances, thus adequately providing for anticipated credit risks. Defaults which are certain result in a write off of the receivable. Within the scope of general allowances, financial assets for which there is a potential allowance requirement are classified by means of similar credit risk qualities and tested collectively for impairment and possibly written down. In determining the anticipated future cash flows of the portfolios, historical empirical data are also taken into account in addition to the contractual cash flows; these factors are complemented by current data concerning the customers' payment history. Trade receivables are written down solely via allowance accounts. These receivables are not directly reduced. As soon as receivables are, however, deemed to be irrecoverable and are handed over to the collection agency, the allowance account is reduced by writing off the related receivables. The portion of the accounts receivable that has not already been impaired is written off without adjusting the allowance account.

At the end of each reporting period, the carrying amounts of financial assets that are not required to be measured at fair value through the income statement are examined for objective substantial indications of impairment (such as, for example, major financial difficulties of the debtor or a high probability of insolvency proceedings against the debtor). Any impairment loss that results from a fair value that is lower than the carrying amount is recognised in income. Impairments that relate to non-listed equity capital instruments are not reversed.

The fair value of loans and receivables measured at amortised cost, which are included in the impairment testing, equals the present value of the estimated future cash flows discounted at the original effective yield. The fair value of non-listed equity capital instruments measured at cost is derived from the present value of the anticipated future cash flows discounted at the current interest rate which corresponds to the specific risk position of the investment.

At the end of the 31 December 2009 reporting period, Kabel BW classified and measured financial assets at amortised cost as "loans and receivables" (LaR) and "available-for-sale, measured at fair value" (AfS).

No financial assets have been classified as "fair value through profit or loss" (FVtPL) and "held-to-maturity" (Htm).

2.5.2 Financial Liabilities

Upon initial recognition, financial liabilities are measured at fair value. The transaction costs directly attributable to the acquisition are capitalised for all financial liabilities that are subsequently not measured at fair value through the income statement.

Trade payables and **other original financial liabilities** are measured at amortised cost according to the effective interest method. With respect to financial liabilities, the Group has not taken advantage of the option to designate any financial liabilities to be measured through profit and loss upon initial recognition (fair value option).

For details on **liabilities under finance leases**, refer to Note 2.13.

The **other derivative financial liabilities** are exclusively derivative financial instruments with a negative fair value that have been designated as a hedging instrument in an effective hedging relationship under IAS 39. They are therefore required to be classified as derivatives used for hedging, with the initial negative contractual values recorded immediately as an expense and the change in fair values being recognized within other equity components and without an impact on the income statement

The Group did not take advantage of the category “financial liabilities at fair value through profit or loss” (FVtPL) for the reporting period ended 31 December 2009.

2.5.3 Derivative Financial Instruments (Cash Flow Hedges)

Kabel BW uses derivative financial instruments in order to hedge interest rate risks resulting from financial transactions and investments. Derivative financial instruments are neither held nor issued for speculative purposes.

Upon initial recognition and subsequent to initial recognition, derivative financial instruments are measured at fair value. The fair value of traded derivative financial instruments represents the market values. If no market values are available to Kabel BW, the fair values of the derivatives are calculated by means of accepted valuation models. For derivative financial instruments, the fair value corresponds to the amount that Kabel BW would either receive or have to pay at the balance sheet date upon termination of the financial instrument. This amount is calculated by means of the exchange rates, interest rates and credit ratings of the other parties to the contract that are relevant at the balance sheet date.

The fair values of the recognised interest rate swaps are calculated by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich/Germany. In calculating the fair values of recognised interest rate swaps, the fixed payments and the forward interest rates derived from the yield curve are initially discounted at adequate-maturity zero rates and then netted.

The Group applies the regulations governing hedge accounting under IAS 39.71 et seq. (hedge accounting) in order to account for the hedge of balance sheet items and future cash flows. The changes in the fair values of all derivatives are therefore required to be recognised in the other comprehensive income after tax without an impact on the income statement.

The ineffective portion of a hedge is recognised in income at quarterly intervals on the basis of accumulated fair value changes. Should the accumulated fair value changes of a hedging instrument exceed those of the hedged item, the excess is required to be recognised in income. If the fair value of a hedged item exceeds the accumulated fair value changes of the hedging instrument, this excess has no accounting impact.

The reclassification from equity to the income statement is made at the same time the hedged item has an impact on the income statement, taking into account respective deferred taxes.

2.6 Inventories

Inventories are recognised at the lower of cost or net realisable value under IAS 2. Cost is determined on the basis of the moving average. All costs that were incurred in order to bring the inventories to their current place and their current condition are included.

Cost does not include any borrowings costs. The net realisable value is the estimated sales proceeds that are realisable in the normal course of business, less estimated costs to sell. Write-downs are recognised as an expense in the income statement.

2.7 Equity

The subscribed capital and capital reserves are classified as equity and recognised at nominal value.

An analysis of, and the changes in, equity are presented in the consolidated statement of changes in equity.

2.8 Income and Expenses Recognised in Consolidated Equity

This item includes changes in equity that are not recognised in the income statement if these are due to capital transactions with shareholders (for example capital increases or distributions).

These include unrealised gains and losses from fair value measurement of derivative financial instruments in cash flow hedges as well as the related deferred taxes.

2.9 Employee Benefits (Pension Commitments)

The Group has both defined benefit plans and defined contribution plans within the meaning of IAS 19.27 and IAS 19.26, respectively.

Kabel BW has a pension plan that covers all employees of the Group for which a direct commitment was agreed (totalling 671; prior year: 598). The Group does not have a related pension fund that secures the defined benefit plans; all commitments are deemed to be non-funded.

The defined benefit plans have a fixed amount of benefits that an employee will receive at the retirement date and normally depends on one or several factors, such as age, period of service and salary.

According to IAS 19, the provision for defined benefit plans recognised in the balance sheet corresponds to the present value of the defined benefit obligation (DBO) adjusted for accumulated actuarial gains and losses at the end of the reporting period that have previously not been recognised in the income statement. The present value of the defined benefit obligation is calculated by discounting the anticipated future cash outflows at the interest rate of corporate bonds with a first-class credit rating. The corporate bonds are denominated in the currency of the payout amounts and have maturities that correspond to the pension commitments.

The current service cost component (CSO) of net periodic pension cost is defined as the actuarial present value of the benefits which are allocated to the employee's service rendered in exchange for the benefits during the period concerned according to the pension formula.

The actuarial gains and losses exceeding the 10% corridor (IAS 19.92 et seq.) are distributed over the average residual period of service of the employees covered by the plan and recognised in the income statement.

The contributions for defined contribution plans are recognised in personnel costs at the time of maturity. Prepaid contributions are recognised as assets to the extent that there is a right to repayment or reduction of future payments.

2.10 Other Provisions

Provisions are made under IAS 37 if the Group has a present legal or constructive obligation that results from a past event, it is more likely than not that settlement of this obligation will lead to a net asset charge and the amount of the provision can be reliably determined. No provisions are made for future operating losses.

Non-current provisions are measured at the present value of the anticipated expenses, with a pre-tax interest rate, which takes into account current market expectations with respect to the time value of money and the specific risks for the obligation being used. The increase in the provision that result from the accretion of interest to the provision is recognised as interest expense in the income statement.

2.11 Revenue and Other Operating Income

Under IAS 18, revenue includes the gross inflow of economic benefit from the ordinary activities of the enterprise during the reporting period, which is measured at fair value.

Revenue presented excludes value added tax, returns and the elimination of intragroup sales. Income from service transactions, as predominantly offered by the Group, are recognised if the amount of the income can be reliably determined, an inflow of economic benefit to the enterprise is more likely than not and the costs incurred for the transaction and the cost anticipated until the completion of the services can be reliably estimated (IAS 18.20).

Almost all revenues of Kabel BW are realised in Baden-Württemberg.

Revenue is recognised as follows:

Connection/Delivery Charges

Revenue from cable connection charges are recognised at the time of invoicing and after the services are provided. This direct revenue recognition methodology is based on the fact that these connection charges are matched by the cost of technical services and commission and installation costs.

Television and Telecommunication Segments

Revenue is, as a general rule, recognised at the time the services used are invoiced.

In the Television segment, revenue is generated by granting the right to use a basic offer of analogue as well as digital TV and broadcasting programmes. In addition, revenue is generated in this segment through payment of charges for Pay TV services provided.

In the Telecommunication segment, products are offered via the cable network. In this segment, revenue is generated by providing broadband and telephony services through various subscription models.

If Pay TV, telephony and internet services are bundled under a multiple-component contract, the related discount granted, in comparison to a purchase of individual components, is fully allocated to the internet component. Related connection and delivery charges, if invoiced, are not included in the multiple-component transaction, but are separately recorded.

If services are provided free of charge (free months granted upon conclusion or extension of contract as well as test/try-out access connections for promotion campaigns), no revenue is recognised in the corresponding periods. Revenues are also reduced by rebates and bonuses granted such as special conditions granted for contracts executed over the internet.

Feed-in Charges

Feed-in charges are paid by providers of programme content which pay for broadcasting national and regional/local programmes via the cable network. In addition, programme charges and other revenues also include the revenues for digital contents that result from feed-in and transmission of digital TV programmes.

Supply of Terminals / Other Hardware Components

Under various contracts, customers are permitted the right to use hardware components (for example in the form of routers, Set Top Boxes and DECT phones) free of charge or at reduced prices. If the equipment/components is/are provided free of charge, no revenue is recorded. The expense related to this service is accrued as a prepaid expense over the anticipated term of the contract. If the equipment/components is/are provided at reduced prices, only the net amount (i.e., the difference between the expense and the received payment) is recognised as a prepaid expense.

Other Revenue and Other Operating Income

The revenue item “Other” includes revenues from modernisation of Network Level 4 Inhousing, as well as revenues from rental/sale of Set Top Boxes and other hardware. Furthermore, this item also includes revenues from the release of liabilities in connection with payments or services received from private or public contractors.

The other operating income includes, among other things, income from the release of provisions made in the prior year, income from dunning charges as well as income not related to the reporting period.

2.12 Income Taxes

Current Tax

Liabilities to, and claims against, tax authorities include the amount of income tax for the current and previous years that is expected by management to be payable and refunded, respectively. This assessment is based on a computation in compliance with the laws applicable at the end of the reporting period.

Deferred Tax

Deferred tax is recognised under IAS 12 for all temporary differences between the tax base of the assets/liabilities and their carrying amounts in the IFRS financial statements (so-called liability method). If temporary differences arise as a result of the initial recognition of an asset or of a liability, which does not constitute a business combination, no tax is deferred both at the time of initial recognition and thereafter. Deferred taxes are measured by applying the tax rates (and tax regulations) that are applicable, or which have been legally adopted, at the end of the reporting period and that are expected to be applicable at the time the deferred tax asset is realised or the deferred tax liability is settled. In addition, deferred tax assets are recognised for tax loss carryforwards, interest carryforwards as well as future tax benefits.

Deferred tax assets are recognised to the extent that it is more likely than not that a taxable profit against which the temporary difference can be used will be available. Deferred tax assets are calculated on the basis of the tax rates that are expected to be applicable for the period when an asset is realised or a liability is settled. The tax rates and tax regulations underlying the Company's computation are the rates and regulations that are applicable or have been announced at the end of the reporting period. The carrying amount of a deferred tax asset is assessed by the enterprise at the end of each reporting period and is written down to the extent that the probability that sufficient taxable earnings will be available for the deferred tax asset to be used, either in part or in whole, is remote.

Both current taxes and deferred tax assets and liabilities are disclosed on a net basis if the Group has an enforceable right to offset the amounts against each other and these are levied by the same tax authority for the same taxable entity (IAS 12.71).

2.13 Leases

Operating Leases

Leases where a material part of the risks and opportunities that are related to the title of the leased asset remain with the lessor are classified as operating leases. Payments made in connection with an operating lease are recognised on a straight-line basis in accounting income over the period of the lease.

Finance Leases

Leases where the Group bears the material risks and receives the benefit from the leased asset are classified as finance leases. Under IAS 17, assets under finance leases are capitalised at the lower of fair value or present value of the minimum lease payments at the inception of the lease. An equivalent leasing liability is recorded under non-current liabilities. Each lease payment is divided into an interest and repayment portion so that the leasing liability accrues interest at a constant rate. The interest portion of the rental is recognised as an expense as incurred. The finance lease assets capitalised under property, plant and equipment are depreciated over the shorter of the two following periods: the economic life or the lease term.

The leases at group level, which are classified as operating leases, relate to the plant and equipment as well as the fleet of service vehicles.

Additionally, major leases relate on the one hand to contracts for joint use of conduit draw-gears and parts of conduit draw-gears in cable duct systems for broadband cables of the Group. On the other hand, there is a lease contract for the rental of cable TV networks of Network Level 4. The leased assets are used for providing digital TV signals, internet access and telephony to residential property and companies. Furthermore, financial obligations result from various tenancy agreements and leases for the joint use of cable duct systems, that are also classified as operating leases.

The minimum lease payments under operating leases to be made in the future amount to:

<u>Minimum lease payments under operating leases</u>	<u>31 Dec. 2009</u>	<u>31 Dec. 2008</u>
	<u>EUR'000</u>	<u>EUR'000</u>
Up to 1 year	40,458	31,446
1 to 5 years	33,696	20,070
More than 5 years	7,103	2,960
	<u>81,257</u>	<u>54,476</u>

The lease expenses incurred in the reporting year amounted to EUR 34,079 thousand (prior year: EUR 34,641 thousand).

The contracts classified as finance leases relate to hire-purchase contracts on software licences that were executed in 2008.

The net carrying amounts at 31 December 2009 of the assets capitalised under finance leases amount to:

<u>Net carrying amounts of assets capitalised under finance leases</u>	<u>31 Dec. 2009</u>	<u>31 Dec. 2008</u>
	<u>EUR'000</u>	<u>EUR'000</u>
Acquisition and manufacturing costs	795	795
Accumulated depreciation	309	44
Net carrying amount	486	751

The future minimum lease payments and their present values are as follows:

<u>Present values finance leases</u>	<u>31 Dec. 2009</u>	<u>31 Dec. 2008</u>
	<u>EUR'000</u>	<u>EUR'000</u>
Present value up to 1 year	267	228
Present value 1 to 5 years	237	530
Present value of minimum lease payments under finance leases	504	758

<u>Minimum lease payments under finance leases</u>	<u>31 Dec. 2009</u>	<u>31 Dec. 2008</u>
	<u>EUR'000</u>	<u>EUR'000</u>
Up to 1 year	290	254
1 to 5 years	238	561
Minimum lease payments under finance leases	528	815
Interest portion	24	57
Present value of minimum lease payments under finance leases	504	758

3 Notes to the Consolidated Income Statement

3.1 Revenue

Revenues in the amount of EUR 480,675 thousand (prior year: EUR 423,348 thousand), which were realised almost exclusively in Baden-Württemberg, include the following:

	<u>2009</u>	<u>2008</u>
	<u>EUR'000</u>	<u>EUR'000</u>
Basic cable services	256,688	244,697
Carriage fees	30,997	30,175
Pay TV	22,722	22,847
Revenue Television	310,407	297,719
Internet services	112,560	83,211
Telephony services	46,863	31,111
Revenue Telecommunication	159,423	114,322
Network Level 4 operations	5,037	4,090
Rental/sale of cable boxes and other hardware	4,487	5,956
Reversal of building cost allowances	1,321	1,261
Revenue Other	10,845	11,307

The revenues from basic cable services include primarily the monthly charges paid by subscribers for cable network access and transmission of analogue and digital signals.

The carriage fees are paid by providers of programme content which pay for broadcasting international, national and regional/local programmes via the cable network.

Pay TV revenues are realised from supplementary digital products offered by Kabel BW to specific target groups for a consideration (especially products such as foreign language programmes, Arena TV and Kabel Digital Home).

Internet/telephony revenues result primarily from the monthly charges paid by subscribers for telecommunication services provided via the cable network and are offered according to various subscriber models.

The revenue that relates to Network Level 4 operations, which are disclosed under Other revenue, includes engineering, construction, operation and granting of rights to use the cable networks of network level 4 house wiring.

The revenues from reversal of building cost allowances relate to the release of deferred income that was recognised in connection with payments or services from private or public contractors.

3.2 Other Operating Income

	2009	2008
	EUR'000	EUR'000
Income from release of provisions and accruals made in prior year	3,864	3,826
Income relating to other periods	2,370	3,660
Income from dunning charges	1,698	1,434
Income from liabilities written off	469	2,487
Sundry	4,227	4,168
Other operating income	12,628	15,575

The income relating to other periods basically includes income of EUR 1,761 thousand that relates to the sale and purchase agreement ("SPA") concluded with Tele Columbus GmbH, Hanover/Germany, (as the legal successor of Tele Columbus GmbH & Co. KG) dated 2/3 August 2006.

Additionally, the item "sundry" includes primarily income from damages (EUR 707 thousand, prior year: EUR 864 thousand) as well as advertising cost allowances received (EUR 622 thousand, prior year: EUR 271 thousand).

3.3 Cost of Goods Sold

	2009	2008
	EUR'000	EUR'000
Interconnection cost internet/telephony	29,292	20,218
Pay TV expenses	15,591	15,846
GEMA/VG Media expenses	12,832	12,050
Energy procurement cost	5,978	5,720
Network Level 4 costs	1,561	1,435
Other expenses	10,454	16,565
Cost of goods sold	75,708	71,834

The Pay TV expenses relate to foreign language programmes, Kabel Digital Home and Arena TV. The GEMA and VG Media expenses include expenses for procurement of third-party signals as well as charges paid to GEMA and VG Media.

The item other expenses includes expenses for Set Top Boxes and Smart Cards (EUR 8,630 thousand, prior year: EUR 13,436 thousand; and EUR 1,126 thousand, prior year: EUR 961 thousand, respectively).

3.4 Personnel Costs

	2009	2008
	EUR'000	EUR'000
Wages and salaries, including termination benefits	39,979	39,251
Social security contributions	7,833	8,062
Other personnel costs	1,499	1,613
Personnel costs for internal staff	49,311	48,926
External human resources services	2,992	5,943
Total personnel costs	52,303	54,869

The increase in personnel costs is due to the increase under the 2008 collective bargaining agreement and the increased number of employees.

The reduction in external human resources services results from a reduction of commercial and technical temporary labour.

3.5 Selling and Administrative Expenses

	2009	2008
	EUR'000	EUR'000
Selling and marketing expenses	24,422	25,503
Customer Service Outsourcing	15,810	14,872
Consulting costs	7,000	5,953
Rent	3,615	4,209
Other	16,509	21,196
Selling and administrative expenses	67,356	71,733

In addition to sales commission paid by Kabel BW, the selling and marketing expenses also include expenditures on public relations (PR) and market research as well as communication and advertising expenses.

The subscriber acquisition costs in the amount of EUR 15,559 thousand (prior year: EUR 17,758 thousand) capitalised in the reporting year lead to an equivalent reduction in selling and marketing expenses. (For details see also Note 2.1.)

The item "Other" primarily relates to postage and telecommunication expenses as well as repair and maintenance expenses. In addition, this item includes also expenses that relate to receivables written off, allowances made and income from receivables already written off. (For details, see also Note 4.2.)

3.6 Technical Expenses

	2009	2008
	EUR'000	EUR'000
Costs of providing cable network	35,438	32,091
Repair/maintenance and IT expense	13,059	13,036
Capitalised expenses	– 10,638	– 12,624
Technical expenses	37,859	32,503

The cable network expenses relate principally to costs for joint use of cable duct systems.

The capitalised expenses primarily relate to the construction measures for fibre optics and broadband cables, hubs as well as IT projects.

3.7 Depreciation and Amortisation

	2009	2008
	EUR'000	EUR'000
Regular depreciation and amortisation	121,691	108,501
Impairments	6,544	3,848
Depreciation and amortisation	128,235	112,349

The item depreciation and amortisation include depreciation on property, plant and equipment and amortisation of intangible assets including acquired customer lists and customer lists generated through winning new customers. In the reporting year, this item includes for the first time amortisation of subscriber acquisition costs in the amount of EUR 16,374 thousand (prior year: EUR 14,698 thousand). (For details, see also Section 2.1.)

Impairments relate to customer relationships that are no longer recoverable due to termination of the underlying contract or the inability to pay and are therefore required to be impaired and was written down to a fair value of EUR 0. The resulting impairment loss amounted to EUR 3,290 thousand in 2009 (prior year: EUR 3,848 thousand).

In addition, technical broadband cable equipment disclosed under property, plant and equipment as well as decentralised headends have been impaired in the amount of EUR 3,254 thousand (prior year: EUR 0) due to technical obsolescence.

3.8 Finance Income and Finance Expenses

	2009	2008
	EUR'000	EUR'000
Interest income from financial instruments	– 536	– 7,532
Interest expense from financial instruments	79,411	103,824
Net interest expenses from financial instruments	78,875	96,292
Fair value adjustment for interest rate swap	2,816	11,945
Other interest expense	1,242	1,381
Net finance expenses	82,933	109,618

Accrued interest payments and receipts for derivative financial instruments (interest rate swaps) are netted per swap contract and recognised as interest income or interest expense at the net amount.

In the prior year, this item included interest income of EUR 5,920 thousand from swap contracts and interest expenses of EUR 13,858 thousand were also recorded in the reporting year.

The difference in the net finance expenses is mainly due to lower interest paid as a result of the decreased EURIBOR in comparison with the prior year as well as lower amounts of debt.

The fair value adjustment in the amount of EUR 2,816 thousand relates to the reversal of the provision for the swaps that expired on 30 September 2009 in the amount of EUR – 3,662 thousand (prior year: EUR 11,945 thousand). This item also includes the negative fair value of the new swaps at the beginning of the contract term in the amount of EUR 6,478 thousand.

3.9 Income Taxes

The current and deferred tax expense can be analysed as follows:

	2009	2008
	EUR'000	EUR'000
Current income tax expense	6,720	282
Deferred income tax expense	2,638	4,711
Income tax expense	9,358	4,993
Other tax expense	289	46
Tax expenses	9,647	5,039

In accordance with IAS 12.74, deferred tax assets and liabilities are determined on the basis of tax rates that are anticipated at the time the assets and liabilities are realised. The applicable tax rates due to fiscal regulations at 31 December 2009 were 29.83% (prior year: 29.85%).

Due to the capitalised subscriber acquisition costs, deferred tax income of EUR 243 thousand was recognised in the reporting year (prior year: deferred tax expense of EUR 913 thousand).

Reconciliation between tax expense and the product of earnings before tax multiplied by the applicable tax rate:

	2009	2008
	EUR'000	EUR'000
Earnings before tax (IFRS)	48,908	– 13,982
Anticipated income tax expense	14,842	– 5,083
Reconciliation effects:		
Different local tax rate	– 12	0
Taxes related to prior years	– 4,814	– 452
Non-deductible expenses	185	11,301
Tax-exempt income	– 341	0
Unrecognised deferred tax assets for tax losses and interest carried forward	– 4,980	– 4,627
Adjustments for tax losses carried forward	1,733	1,236
Imputations/deductions for local tax / trade tax	2,981	2,315
Deferred taxes on capitalised subscriber acquisition costs	– 243	913
Other	7	– 610
Total	9,358	4,993
Effective income tax expense according to income statement	9,358	4,993
Effective tax rate	19.1%	35.7%

The taxes related to prior years in the amount of EUR – 4,814 thousand relate to deferrals recognised only for tax purposes due to a government tax audit and that are not matched by any comparable amounts in the prior year. Furthermore, the item “unrecognised deferred tax assets “ primarily relates to interest carryforwards remeasured in the 2009 reporting year. The effect due to loss carryforwards results from the reduction of the loss carryforward as a result of the government tax audit and the simultaneous reversal of the prior years’ amounts.

The non-deductible expenses disclosed in the prior year principally relate to finance interest due to the tax interest threshold.

The total effective income tax expense includes income taxes of the current reporting year and deferred taxes of EUR 6,720 thousand (prior year: EUR 282 thousand) and EUR 2,638 thousand (prior year: EUR 4,711 thousand), respectively.

4 Notes to the Consolidated Balance Sheet

4.1 Cash and Cash Equivalents

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Current bank accounts	54,456	33,334	931
Other liquid funds	5	33,994	38,180
Cash and cash equivalents	54,461	67,328	39,111

The other liquid funds predominantly include cash on hand. The difference from the prior year results from the reclassification of overnight money accounts to the item current bank accounts.

Total cash and cash equivalents decreased by EUR 12,867 thousand to EUR 54,461 thousand in the reporting period. The changes in cash and cash equivalents are presented in the consolidated statement of cash flows for the year.

Cash and cash equivalents have been fully pledged at carrying amounts of EUR 54,461 thousand (prior year: EUR 67,328 thousand) through a blanket assignment.

4.2 Trade Receivables and Other Operational Receivables

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Trade receivables	24,900	20,973	25,996
Suppliers with debit balances	545	548	139
Allowances for doubtful accounts	– 2,000	– 1,699	– 1,534
Trade receivables and other operational receivables	23,445	19,822	24,601

As a condition for the senior facilities agreement, Kabel BW has furnished collateral for potential credit risks in the form of its total trade receivables at a carrying amount of EUR 23,445 thousand (prior year: EUR 19,822 thousand).

The changes in the age structure analysis of trade receivables were as follows:

	Carrying amount under IFRS 7	Of which not past due, not impaired at balance sheet date	Of which gross amount before impairment at balance sheet date	Impairment	Of which past due, not impaired at balance sheet date (IFRS 7.37a)			
	EUR'000	EUR'000	EUR'000	EUR'000	30 to 60 days	60 to 90 days	90 to 120 days	> 120 days
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 Dec. 2009								
Trade receivables . . .	23,445	20,566	3,183	– 2,000	986	522	22	166
31 Dec. 2008								
Trade receivables . . .	19,822	17,510	2,105	– 1,699	1,046	619	4	237
1 Jan. 2008								
Trade receivables . . .	24,601	21,225	2,669	– 1,534	1,272	822	1	7

There were no indications at the end of the reporting period that the debtors will not fulfil their payment obligations for the portfolio of trade receivables which were neither impaired nor past due.

The impairment at the end of the reporting period can be analysed as follows:

	Balance of impairments at 1 January	Additions		Utilisation	Release	Balance of impairments at 31 December
	EUR'000	Specific allowances	General allowances	EUR'000	EUR'000	EUR'000
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 Dec. 2009						
Trade receivables	1,699	554	1,226	– 420	– 1,059	2,000
31 Dec. 2008						
Trade receivables	1,534	186	894	– 875	– 40	1,699
1 Jan. 2008						
Trade receivables	155		3,072	– 521	– 1,172	1,534

The following table shows the expenses for trade receivables fully written off in total and the income from payments received from trade receivables written off:

	2009	2008
	EUR'000	EUR'000
Expenses for fully written off of receivables	– 4,005	– 3,352
Income from payments received on account of receivables written off	1,700	1,346
Expenses from derecognised receivables	– 2,305	– 2,006

All income and expenses that are associated with allowances and writing off trade receivables as well as receipt of payment on account of trade receivables already written off are disclosed under “bad debt” in selling and administrative expenses.

4.3 Other Financial Assets

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Receivables from shareholders	0	1,811	1,703
Bills	0	0	1,631
Cost reimbursement claims	42	43	10
Derivatives with positive fair value	0	0	8,283
Other current financial assets	42	1,854	11,627
Receivables from shareholders	1,918	0	0
Rent deposits	591	614	724
Investment in associates	3	3	3
Other non-current financial assets	2,512	617	727

As compared to last year, receivables from shareholders were disclosed under other non-current financial assets in the reporting period because the amounts are not short-term in nature. Because of the indefinite term of the loan, the fair value can neither be reliably calculated nor is there a quoted market price or other market value. The amount recorded at 31 December 2009 at amortised cost is EUR 1,918 thousand (prior year: EUR 1,811 thousand). This includes also contractually agreed interest.

The investments in associates relates to a non-listed entity whose fair value could not be reliably determined and which has therefore been recognised at cost in the amount of EUR 2.57 thousand at 31 December 2009 (prior year: EUR 2.57 thousand). For this investment, there is neither a stock market price or a fair market value nor is it possible to derive the fair value by means of comparable transactions for the corresponding period. As the cash flows cannot be reliably determined, the investment is also not measured according to the DCF method. At the time the consolidated financial statements were prepared, there were no plans to dispose of the investments in associates.

As a condition for the senior facilities agreement, Kabel BW has furnished collateral for potential credit risks in the form of receivables from its shareholders with a carrying amount of EUR 1,918 thousand (prior year: EUR 1,811 thousand).

4.4 Inventories

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Raw materials, consumables and supplies	780	364	14,372
Work in progress	0	7	7
Merchandise	1,729	5,785	0
Inventories	2,509	6,156	14,379

The write downs that related to inventories amounted to EUR 497 thousand (prior year: EUR 906 thousand) and EUR 613 thousand (prior year: EUR 585 thousand) for raw materials, consumables and supplies and for merchandise, respectively.

The inventories have been pledged at their total carrying amount of EUR 2,509 thousand (prior year: EUR 6,156 thousand) through a blanket assignment.

4.5 Receivables from Tax

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Income tax receivables	942	633	1,046
Other tax receivables	0	0	1,168
Receivables from tax	942	633	2,214

The receivables from tax include claims due to withholding taxes on interest and trade tax in the amount of EUR 932 thousand (prior year: EUR 633 thousand) and EUR 10 thousand (prior year: EUR 0), respectively.

4.6 Other Assets

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Current accruals	14,026	11,350	14,133
Prepaid expenses	14,026	11,350	14,133
Receivables from value added tax	2,064	0	0
Advance payments	1,944	1,799	1,840
Sundry receivables	42	13	4
Other current assets	4,050	1,812	1,844

The largest items within current accruals are prepaid rent for cable networks and locations of the Company in the amount of EUR 8,829 thousand (prior year: EUR 9,494 thousand) as well as other accruals in the amount of EUR 5,186 thousand (prior year: EUR 1,856 thousand), which relate to, among other things, give-away cable boxes. The advance payments mainly include prepaid commission in the amount of EUR 1,609 thousand (prior year: EUR 1,761 thousand).

The value added tax assets in the amount of EUR 2,064 thousand primarily relate to the 2009 special VAT prepayment in the amount of EUR 1,821 thousand. This special prepayment is due to the safety retention of the tax authority for extending the time of the VAT prepayment to the beginning of the calendar year. At 31 December 2009, there was a claim against the tax authority.

4.7 Intangible Assets

For the movements in intangible assets, we refer to the statement of development in consolidated non-current assets.

Impairment Tests of Goodwill

The recognised goodwill is not amortised but is tested for impairment at annual intervals and during the year (impairment test) if there are indications of impairment (so-called triggering events). The annual impairment test is carried out by Kabel BW at the end of the reporting period, which is 31 December, of the respective year. As part of the impairment test, the carrying amount is compared to the realisable amount.

The impairment test is based on the Group's CGUs. The CGUs identified correspond to the operating segments of Kabel BW under IFRS 8: Television, Telecommunication and Other.

The goodwill was allocated to the Group's identified CGUs depending on the synergies that were associated with the transactions, resulting in identification of the two CGUs Television and Telecommunication. The total goodwill was allocated to these two CGUs on the basis of a fair value determination according to the DCF method and allocation criteria for assets (carrying capacity concept). This allocation was determined by comparing the fair values (fair values less cost to sell) with the carrying amounts of the CGUs.

The following table shows a summary of goodwill allocation to the CGUs:

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Television	449,971	449,735	449,735
Telecommunication	387,174	386,970	386,970
Other	0	0	0
	837,145	836,705	836,705

The impairment test was carried out on the basis of the integrated 2010-2014 business planning of Kabel BW, which was classified by CGUs.

The realisable amount of a CGU is derived from the fair value less costs to sell. These calculations are based on forecasted pre-tax cash flows, which have been derived from the budget planning of Kabel BW. All cash flows after the 5-year planning period (sustained earnings) are extrapolated, using the growth rates specified below.

The growth rate does not exceed the long-term average growth rate of the business segment where the CGU operates. The weighted average growth rates are consistent with those forecast in industry reports. The discount factors used are interest rates after tax and reflect the specific risks of the segments concerned.

The computation of the fair value less costs to sell was based on the following assumptions:

	Television	Telecommunication	Other
Growth rate	2.00%	2.00%	0.00%
Discount factor (WACC)	8.05%	9.30%	8.05%

The impairment test at 31 December 2009 did not result in an impairment.

Impairment Tests of the Brand

The recoverability of the brand was tested according to the licence price analogy method. Based on the revenue deemed to be specific to the brand, the pre-tax royalty savings were determined by using specific royalty rates. Due to recent positioning and positive development of the Kabel BW brand, the rates used appear to be conservative estimates.

The cash flows thus attributed to the Kabel BW brand were then reduced for corporate taxes in order to determine the royalty savings after taxes.

To determine the present value of future royalty savings after taxes, these are discounted at the balance sheet date with a discount rate that is specific to the value of the asset. Reference is made to the disclosures regarding goodwill.

The impairment test of the brand at 31 December 2009 did not result in an impairment.

The industrial right registered as a brand has been pledged at its carrying amount of EUR 20,652 thousand through a blanket assignment.

4.8 Property, Plant and Equipment

For the movements in property, plant and equipment, we refer to the statement of development in consolidated non-current assets.

The property, plant and equipment have been pledged in the amount of their full carrying amount of EUR 702,383 thousand (prior year: EUR 673,383 thousand) through a blanket assignment.

Kabel BW Erste Beteiligungs GmbH, Heidelberg

Development of non-current Assets for the year ended 31 December 2009

	Cost					Accumulated Depreciation and			
	1 January 2009	Additions	Reclassifications	Disposals	31 December 2009	1 January 2009	Additions	Additions Impairments	Reclassifi
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'
I. Intangible assets									
1. Software and broadband cable transmission licences . .	22,213	2,403	1,269	0	25,885	8,289	5,408	0	
2. Goodwill	836,705	440	0	0	837,145	0	0	0	
3. Brand	20,652	0	0	0	20,652	0	0	0	
4. Customer list	319,563	15,558	0	18,858	316,263	70,720	35,289	3,290	
5. Advance payments	11,848	16,954	– 850	25	27,927	635	0	0	
	1,210,981	35,355	419	18,883	1,227,872	79,644	40,697	3,290	
II. Property, plant and equipment									
1. Undeveloped land	39	0	0	0	39	0	0	0	
2. Leasehold improvements and rights of joint use of cable ducts	41,807	1,030	862	129	43,570	3,356	1,995	0	
3. Broadband cable network . .	715,144	79,268	7,958	35,181	767,189	122,199	66,406	3,254	
4. Other equipment, plant and equipment	33,093	14,481	7	640	46,941	22,104	12,593	0	
5. Assets under construction . .	31,107	19,342	– 9,246	0	41,203	148	0	0	
	821,190	114,121	– 419	35,950	898,942	147,807	80,994	3,254	
III. Financial assets									
Investments in associates . . .	3	0	0	0	3	0	0	0	
	2,032,174	149,476	0	54,833	2,126,817	227,451	121,691	6,544	

Kabel BW Erste Beteiligungs GmbH, Heidelberg

Developments of non-current Assets for the year ended 31 December 2008

	Cost					Accumulated Depreciation and			
	1 January 2008	Additions	Reclassifications	Disposals	31 December 2008	1 January 2008	Additions	Additions Impairments	Reclassifi
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'
I. Intangible assets									
1. Software and broadband cable transmission licences . .	14,175	5,797	2,241	0	22,213	3,111	5,178	0	
2. Goodwill	836,705	0	0	0	836,705	0	0	0	
3. Brand	20,652	0	0	0	20,652	0	0	0	
4. Customer list	320,740	17,758	0	18,935	319,563	52,813	32,994	3,848	
5. Advance payments	4,217	10,181	– 2,252	298	11,848	635	0	0	
	1,196,489	33,736	– 11	19,233	1,210,981	56,559	38,172	3,848	
II Property, plant and equipment									
1. Undeveloped land	39	0	0	0	39	0	0	0	
2. Leasehold improvements and rights of joint use of cable ducts	26,311	5,772	10,584	860	41,807	2,008	1,675	0	
3. Broadband cable network . .	582,493	116,320	19,166	2,835	715,144	66,940	57,453	0	
4. Other equipment, plant and equipment	21,503	11,987	37	434	33,093	11,238	11,201	0	
5. Assets under construction . .	42,418	21,887	– 29,776	3,422	31,107	148	0	0	
	672,764	155,966	11	7,551	821,190	80,334	70,329	0	
III. Financial assets									
Investments in associates . . .	3	0	0	0	3	0	0	0	
	1,869,256	189,702	0	26,784	2,032,174	136,893	108,501	3,848	

4.9 Financial Liabilities

The following table shows an analysis of Kabel BW's financial liabilities classified by residual terms:

<u>31 Dec. 2009</u>	<u>Up to 1 year</u>	<u>1 to 5 years</u>	<u>More than</u>	<u>Total</u>
	<u>EUR'000</u>	<u>EUR'000</u>	<u>5 years</u>	<u>EUR'000</u>
Non-current financial liabilities				
Collateralised loans granted from banks	0	634,082	541,452	1,175,534
Derivatives used for cash flow hedge	0	18,460	0	18,460
Non-current liabilities under finance leases	0	237	0	237
	<u>0</u>	<u>652,779</u>	<u>541,452</u>	<u>1,194,231</u>
Current financial liabilities				
Collateralised loans granted from banks	22,168	0	0	22,168
Total	<u>22,168</u>	<u>652,779</u>	<u>541,452</u>	<u>1,216,399</u>
<u>31 Dec. 2008</u>	<u>Up to 1 year</u>	<u>1 to 5 years</u>	<u>More than</u>	<u>Total</u>
	<u>EUR'000</u>	<u>EUR'000</u>	<u>5 years</u>	<u>EUR'000</u>
Non-current financial liabilities				
Collateralised loans granted from banks	0	403,510	793,006	1,196,516
Non-current liabilities under finance leases	0	530	0	530
	<u>0</u>	<u>404,040</u>	<u>793,006</u>	<u>1,197,046</u>
Current financial liabilities				
Collateralised loans granted from banks	20,874	0	0	20,874
Total	<u>20,874</u>	<u>404,040</u>	<u>793,006</u>	<u>1,217,920</u>
<u>1 Jan. 2008</u>	<u>Up to 1 year</u>	<u>1 to 5 years</u>	<u>More than</u>	<u>Total</u>
	<u>EUR'000</u>	<u>EUR'000</u>	<u>5 years</u>	<u>EUR'000</u>
Non-current financial liabilities				
Collateralised loans granted from banks	0	255,056	873,548	1,128,604
Current financial liabilities				
Collateralised loans granted from banks	13,483	0	0	13,483
Total	<u>13,483</u>	<u>255,056</u>	<u>873,548</u>	<u>1,142,087</u>

4.10 Trade Payables and Other Operational Payables

In the financial year, trade payables amounted to EUR 62,769 thousand (31 December 2008: EUR 76,347 thousand; 1 January 2008: EUR 62,337 thousand) and are fully current.

This item includes liabilities for outstanding invoices in the amount of EUR 18,576 thousand (31 December 2008: EUR 20,477 thousand; 1 January 2008: EUR 10,559 thousand).

In addition, this item includes sales ledger credit balances in the amount of EUR 2,967 thousand (31 December 2008: EUR 2,708 thousand; 1 January 2008: EUR 3,489 thousand).

4.11 Other Current Financial Liabilities

	<u>31 Dec. 2009</u>	<u>31 Dec. 2008</u>	<u>1 Jan. 2008</u>
	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>
Derivatives with negative fair value not used for hedge accounting	0	3,662	0
Current liabilities under finance leases	267	228	0
Other current financial liabilities	<u>267</u>	<u>3,890</u>	<u>0</u>

The derivatives with a negative fair value expired in 2009. For the newly executed derivatives used for cash flow hedging, we refer to Notes 2.5.3 as well as 5.7.

4.12 Other Liabilities and Deferred Income

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Due to staff	5,033	5,309	4,254
VAT liabilities < 1 year	5,106	2,184	0
Wage and church tax liabilities	994	885	699
Advanced payments	0	1	0
Other current liabilities	11,133	8,379	4,953
Current deferrals	42,211	43,113	43,361
Current deferred income	42,211	43,113	43,361
Non-current deferrals	11,640	12,732	13,822
Non-current deferred income	11,640	12,732	13,822

The current VAT liabilities mainly relate to the VAT payable in the amount of EUR 4,477 thousand according to the November and December 2009 advance tax returns as well as the 2009 annual tax return. The tax audits conducted by the Heidelberg and Hanover tax authorities resulted in tax payables for prior years in the amount of EUR 307 thousand and EUR 322 thousand, respectively.

The current deferrals include primarily payments made by customers for cable TV charges for the period beginning after 31 December 2009.

The non-current deferrals include building cost allowances granted by private parties and public authorities, which are recognised as deferred income and released over the useful life.

4.13 Provisions for Pensions

The employee benefit plans include defined contribution and defined benefit plans.

In the reporting year, the contributions made to defined contribution plans amounted to EUR 158 thousand (prior year: EUR 148 thousand). The contributions are recognised under personnel costs.

Pension provisions are recorded for defined benefit plans. The pension provisions were measured using the projected unit credit method and were based on an actuarial expert report prepared by Rauser Towers Perrin AG, Reutlingen/Germany, which was based on the following assumptions:

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
Discount rate	5.25%	5.80%	5.25%
Estimated future salaries increase			
General	2.50%	2.50%	2.50%
For employees with non-tariff salary contracts	3.25%	3.25%	3.25%
Estimated future benefit increase	2.00%	2.00%	1.70%
Estimated average rate of employee turnover	7.00%	5.00%	7.00%

The amount recorded in the balance sheet is determined as follows:

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Present value of DBO	6,004	5,352	5,182
Present value of non-funded obligation (total value of DBO) . .	6,004	5,352	5,182
Unrecognised actuarial gains	1,193	1,836	1,369
Unrecognised past service cost	207	0	0
Recognised provision	7,404	7,188	6,551

The following amounts were recognised in the income statement:

	2009	2008
	EUR'000	EUR'000
Current service cost	650	582
Interest expense	310	272
Recognition of:		
(a) Actuarial gain	- 90	- 59
(b) Past service cost	- 645	0
Total amount recognised in income statement	225	795

The movements in the defined benefit obligation during the financial year were as follows:

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Defined benefit obligation (DBO) at beginning of the year			
(1 January)	- 5,352	- 5,182	- 5,988
Current service cost	- 650	- 581	- 590
Interest expense	- 310	- 272	- 267
Benefits paid	9	0	0
Plan participants' contributions	0	0	0
Asset transfers / acquisitions / business combinations	0	0	668
Past service cost	851	0	0
Gains or losses resulting from curtailments and settlements ...	0	157	0
Currency effects	0	0	0
Actuarial loss/gain			
(a) Retroactive plan changes	- 82	147	190
(b) Change in actuarial assumptions	- 470	379	805
Present value of DBO at end of the year (31 December)	- 6,004	- 5,352	- 5,182

In the financial year 2008, assets had been transferred to Deutsche Telekom, Bonn, Group companies. This asset transfer related to recharged expenses for retirement benefits for employees taken over from Deutsche Telekom. Such costs will no longer be incurred for said employees in future periods because either all employees have changed employers or lost their right to return.

As a result, the assets to be transferred directly at 31 December 2009 amount to EUR 0 (prior year: EUR 157 thousand).

The following actuarial gains and losses were not taken into account:

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Actuarial gains unrecognised at 1 January	1,836	1,369	374
Actuarial gains/losses recognised	- 90	- 59	0
Actuarial gains/losses for the year	- 553	526	995
Actuarial gains unrecognised at 31 December	1,193	1,836	1,369

4.14 Other Provisions

The other provisions include the following:

	<u>1 Jan. 2009</u>	<u>Utilisation</u>	<u>Release</u>	<u>Accumulation</u>	<u>Addition</u>	<u>31 Dec. 2009</u>
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Asset restoration provisions	1,025	0	0	80	357	1,462
Annual financial statements	486	365	102	0	259	278
Employee related provisions	21	21	0	0	15	15
Onerous contracts	189	19	169	0	2	3
	<u>1,721</u>	<u>405</u>	<u>271</u>	<u>80</u>	<u>633</u>	<u>1,758</u>
Thereof:						
Non-current portion	912					1,282
Current portion	809					476
	<u>1,721</u>	<u>405</u>	<u>271</u>	<u>80</u>	<u>633</u>	<u>1,758</u>
Asset restoration provisions	1,903	2	959	83	0	1,025
Annual financial statements	197	15	166	0	470	486
Employee related provisions	66	4	61	0	21	21
Onerous contracts	775	599	8	0	21	189
	<u>2,941</u>	<u>620</u>	<u>1,194</u>	<u>83</u>	<u>512</u>	<u>1,721</u>
Thereof:						
Non-current portion	1,829					912
Current portion	1,112					809

The asset restoration provisions are made as a result of contractual terms according to which the user of an asset is obligated to re-establish previously defined conditions of the asset at the end of its use.

At the time of initial recognition, the related leasehold improvements are recognised at cost plus future cost of asset restoration (at discounted settlement value). A corresponding provision is recorded as a liability, which is accumulated on a pro rata basis in the following periods so that the provision corresponds always to the present value of the anticipated payment (IAS 16.16 in connection with 37.45).

Under various contracts for 21 assets, Kabel BW is obliged to restore the original condition of leased assets. The asset restoration provisions primarily relate to the following assets:

- Stuttgart, Hedelfinger Straße
- Mannheim, Am Ullrichsberg
- Heidelberg, Im Breitspiel
- Ludwigsburg, Strombergstraße
- Karlsruhe, Emmy-Noether-Straße
- Offenburg, Freiburger Straße

The addition to the asset restoration provisions in the amount of EUR 357 thousand in the reporting year relates to a change in the estimate of future costs as well as lease terms. Under IAS 8.32, such changes in estimates are recognised prospectively.

The employee related provisions primarily include provisions for travel expenses.

The provisions for onerous contracts relate to leased assets and are recognised if the anticipated cost for fulfilling the contractual commitments is higher than the anticipated economic benefit.

The provisions for cost of the annual financial statements include external costs of preparing the annual financial statements and auditing fees.

4.15 Tax Liabilities

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Income tax liabilities with a term of < 1 year	7,483	0	4,189
Current tax liabilities	7,483	0	4,189
Tax liabilities with a term of 1 to 5 years	0	6,515	8,327
Non-current tax liabilities	0	6,515	8,327
Tax liabilities	7,483	6,515	12,516

The current income tax liabilities result from corporate income tax and trade tax (EUR 3,156 thousand and EUR 4,327 thousand, respectively) for the reporting years 2008 and 2009. In the prior year, the non-current tax liabilities included trade and corporate income taxes in the amount of EUR 4,702 thousand and EUR 1,813 thousand, respectively, for the financial years 2006, 2007 and 2008.

4.16 Deferred Tax Liabilities

Deferred tax assets and liabilities are offset against each other through the application of IAS 12.71 if there is a corresponding enforceable legal claim to netting and if the deferred taxes are due from or to the same tax authority.

The amounts of the deferred taxes are as follows:

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Deferred tax liabilities	66,767	67,703	62,993
	66,767	67,703	62,993

The changes in deferred taxes are as follows:

	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Beginning of the year			
<i>Deferred tax assets</i>	0	0	67
<i>Deferred tax liabilities</i>	67,703	62,993	60,595
	67,703	62,993	60,528
Tax expense recognised in the income statement	2,638	4,710	2,465
Tax benefit recognised in the other comprehensive income . . .	– 3,574	0	0
Total difference	– 936	4,710	2,465
End of the year			
<i>Deferred tax assets</i>	0	0	0
<i>Deferred tax liabilities</i>	66,767	67,703	62,993
	66,767	67,703	62,993

The change in deferred tax assets and liabilities during the current year, without taking into account netting of open items with the same tax authority, can be classified by balance sheet item as follows:

	Deferred tax assets 31 Dec. 2009	Deferred tax liabilities 31 Dec. 2009	Deferred tax assets 31 Dec. 2008	Deferred tax liabilities 31 Dec. 2008	Deferred tax assets 1 Jan. 2008	Deferred tax liabilities 1 Jan. 2008
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Intangible assets	0	– 128,277	0	– 116,246	0	– 102,529
Property, plant and equipment	0	– 50,347	0	– 56,832	0	– 58,734
Receivables and other assets	4,613	0	62	0	62	– 2,493
Current and non-current liabilities	8,355	– 5,446	4,192	– 5,971	3,193	– 6,960
Pension provisions . .	924	0	832	0	792	0
Other provisions	129	0	51	0	602	– 408
Loss carryforwards . .	110,811	0	112,879	0	119,149	0
Total	124,832	– 184,070	118,016	– 179,049	123,798	– 171,124
Allowance	– 7,529	0	– 6,670	0	– 15,667	0
Netting	– 117,303	117,303	– 111,346	111,346	– 108,063	108,063
Disclosed in the balance sheet	0	– 66,767	0	– 67,703	68	– 63,061

Deferred taxes resulting from capitalised subscriber acquisition costs have been recorded in the balance sheet item “intangible assets”. Reference is made to Note 2.1.

The increase in deferred taxes related to receivables and other assets results from deferrals recognised in the tax balance sheet. The deferrals resulting from the government tax audit at group level amounted to EUR 15,258 thousand.

The change in current and non-current liabilities for EUR 4,163 thousand is primarily due to the negative fair values of the derivatives used for cash flow hedging. The deferred tax assets that relate to the derivatives used for cash flow hedging amount to EUR 5,507 thousand, of which EUR 3,574 thousand are recorded in the other comprehensive income.

As in prior years, the Group recognises trade and corporate income tax loss carryforwards and, for the first time in the reporting year, also interest carryforwards. The recognition of deferred tax assets, specifically for tax loss carryforwards of the Group, is based on management’s assessment of future taxable profits. According to the medium-term budget planning and due to the anticipated taxable income, it is generally assumed that the deferred tax assets are recoverable and it will be possible to realise the related benefits. In the reporting year, the Group did not recognise deferred tax assets in the amount of EUR 7,529 thousand which relate to interest carryforwards in the amount of EUR 25,246 thousand that can be carried forward and be eliminated against future taxable profits.

The tax loss carryforwards of the Group at 31 December 2009 are as follows:

	Nominal values		
	31 Dec. 2009	31 Dec. 2008	1 Jan. 2008
	EUR'000	EUR'000	EUR'000
Corporate income tax loss carryforwards			
—Kabel BW Erste Beteiligungs GmbH	158,246	182,423	178,577
—Kabel BW Erste Holdings GmbH—prior to establishment of group taxation relationship	619,611	619,611	619,611
	777,857	802,034	798,188
Municipal trade tax loss carryforwards			
—Kabel Baden-Württemberg GmbH & Co. KG	511,175	547,352	554,433
—Kabel BW Erste Holdings GmbH—prior to establishment of group taxation relationship	3,010	3,010	3,010
—Kabel BW Erste Beteiligungs GmbH	78	179	2,478
	514,263	550,541	559,921

The present values of the loss carryforwards are included within the scope of impairment testing (see Note 4.7) and are taken into account in assessing the recoverability.

4.17 Equity

For the changes in equity, reference is made to the consolidated statement of changes in equity.

Share capital and capital reserves at 31 December 2009 amounted to EUR 25 thousand and EUR 403,434 thousand, respectively. In the financial year, share capital and capital reserves remained unchanged.

In 2008, the change is due to the write off of the outstanding contribution to the capital reserves.

The profit carryforward includes the reserves resulting from the adoption of IFRS and the prior year's loss carryforward. The change in accounting for capitalising subscriber acquisition costs resulted in an increase of the profit carryforward at 1 January 2008 by EUR 5,799 thousand.

4.18 Accumulated Other Comprehensive Loss

The other comprehensive loss at 31 December 2009, which is included in equity, can be analysed as follows:

	Before tax	Tax effect	After tax
	EUR'000	EUR'000	EUR'000
Unrealised changes in fair value of derivative financial instruments with designated cash flow hedge relationship . . .	– 11,981	3,574	– 8,407
Accumulated other comprehensive loss	– 11,981	3,574	– 8,407

5 Other Disclosures

5.1 Contingent Liabilities

The cumulative amount in dispute from out of court litigation at 31 December 2009 amounted to approximately EUR 300 thousand.

5.2 Related Party Disclosures

Kabel BW Erste Beteiligungs GmbH is the parent company of Kabel BW Group.

At 31 December 2009, Oskar Rakso S.à r.l., Luxembourg, held all shares in Kabel BW Erste Beteiligungs GmbH or the Group. Oskar Rakso S.à r.l. is owned by the EQT funds IV and V.

Furthermore, there is joint control of BAK Südwest GmbH with Rehnig Holding GmbH, Neustadt an der Aisch. Service agreements have been executed between Rehnig Antennentechnik GmbH & Co. KG, Neustadt an der Aisch, a subsidiary of Rehnig Holding GmbH, and BAK Südwest GmbH.

As a result, the following groups of individuals or entities are identified as related parties of the Group as defined under IAS 24:

- Management
- The Advisory Board
- Oskar Rakso S.à r.l.
- EQT funds IV and V
- EQT Partners
- Rehnig Holding GmbH
- Rehnig Antennentechnik GmbH & Co. KG
- BAK Südwest GmbH

Management

In the financial year 2009, management functions were performed for Kabel BW by the following persons:

- Mr Harald Rösch, chief executive officer, Hamburg (from 2 February 2009)
- Mr Klaus Thiemann, chief executive officer, Düsseldorf (until 2 February 2009)
- Mr Uwe Bärmann, managing director engineering, Oberrot
- Dr Holger Püchert, managing director finance, Leimen
- Mr Christoph Nieder, managing director marketing, Paderborn

Mr Harald Rösch was newly appointed as the chief executive officer in the financial year 2009. In February 2009, Mr Klaus Thiemann changed to the advisory board of the group parent company.

The total compensation granted to members of management in the financial year 2009 amounted to EUR 2,998 thousand (prior year: EUR 2,109 thousand). In addition to salary payments and variable remuneration components, the members of management were reimbursed for travel and other expenses according to the expenses actually incurred and received the normal amount of out-of-pocket expenses. No other payments were made.

The salary payments are current compensation.

One member of management was granted a loan of EUR 120,000. This loan bears no interest, but is treated in accordance with the regulations under German wage tax law. In the financial year, EUR 96,000 thousand was repaid. The residual amount will be made together with the payment of the variable compensation in 2010.

Besides the contracts referred to above, there are no other contractual relationships with members of management.

Advisory Board

The Company has established an advisory board, to which the provisions of § 52 GmbHG do not apply in accordance with § 10 of the articles of association. As far as admissible under the law and unless otherwise specified in the articles of association, the advisory board has all powers and duties that are otherwise exerted and fulfilled by the Meeting of Shareholders. These are in particular appointment and dismissal of managing directors, advising and monitoring management and approving given transactions.

In the financial year, the Advisory Board had the following members:

- Mr Gunnar Asp, merchant
- Mr Marcus Brennecke, merchant

- Prof Thomas Hintze, merchant
- Mr Werner E Klatten, lawyer (from 17 February 2009)
- Mr Kai-Uwe Ricke, merchant
- Mr Klaus Thiemann, merchant (from 17 February 2009)
- Mr Thomas von Koch, merchant (until 9 February 2009)
- Mr Bengt Braun, merchant (until 17 February 2009)

Through resolution of the advisory board dated 27 February 2007, Mr Gunnar Asp was appointed as the chairman of the advisory board.

The advisory board of Kabel BW Erste Beteiligungs GmbH was dissolved as of 31 December 2009. Since 1 January 2010, the supervisory function of the Group was performed through the Meeting of Shareholders of the owner, Oskar Rakso S.à r.l.

The total compensation paid to the advisory board in the financial year amounted to EUR 150 thousand (prior year: EUR 125 thousand). The members of the Advisory Board that are not appointed by EQT are paid a contractual remuneration for their Advisory Board activities. In addition, they are reimbursed for expenses actually incurred and paid out-of-pocket expenses.

Oskar Rakso S.à r.l.

The outstanding receivables from Oskar Rakso S.à r.l. at the end of the reporting period amounted to EUR 1,918 thousand (prior year: EUR 1,811 thousand).

EQT Funds IV and V

No consulting agreements were executed, and no collateral was furnished between the EQT funds IV and V and the group companies. Kabel BW bears expenses that are associated with the supervisory function. In the financial year 2009, a provision of EUR 540 thousand (prior year: EUR 0) was made for expenses not yet recharged.

EQT Partners

Through the advisory board, a relationship has been established between EQT Partners and Kabel BW. In addition, no other contractual relationships/arrangements exist or collateral furnished.

Rehnig Holding GmbH

This Company, by which BAK GmbH is jointly controlled, provides services for group companies at the operating level. These relate mainly to maintenance and interference suppression services. In the financial year, the services were provided and accounted for via Rehnig Antennentechnik GmbH & Co. KG.

Rehnig Antennentechnik GmbH & Co. KG

In the financial year 2009, payments of EUR 45 thousand were made to Rehnig Antennentechnik GmbH & Co. KG for fixing damaged fibre optic equipment, maintenance and interference suppression work at Network Level 4 as well as headend transformation. There were no outstanding liabilities at 31 December 2009.

BAK Südwest GmbH

The service agreements entered into with BAK Südwest GmbH relate to commercial support. The revenues realised with the group companies in the reporting year amounted to EUR 9 thousand (prior year: EUR 20 thousand).

In the reporting year, the Group has outstanding receivables from this Company for loans and interest in the amount of EUR 2,470 thousand (prior year: EUR 2,796 thousand).

5.3 Segment Reporting

The Company prepared for the first time segment reporting under IFRS 8 at 31 December 2008. The relevant data underlying the identification of the different segments is the information that is regularly

made available for internal control to the so-called “chief operating decision maker” (“through management’s eyes”) for decision purposes. The chief operating decision makers identified, at the level of Kabel BW, consists of the managing directors.

Thus, the following segments are identified under IFRS 8:

- Television
- Telecommunication
- Other

The segments are identified by means of the internal reporting on the basis of the products or services offered by the Group.

- The Television segment covers all services in connection with carriage, distribution and marketing of TV and broadcasting programmes. These include analogue as well as digital TV and broadcasting programmes that can be used without paying an additional charge (Free TV) as well as the additionally offered fee based digital TV and broadcasting programmes that address specific target groups, such as Arena TV, foreign language programmes, Kabel Digital Home or other digital supplementary programmes (Pay TV).
- The Telecommunication segment covers the telecommunication services and products received via the cable network that can be used for a corresponding charge in addition to TV and radio reception. These include offers of various subscription models for high-speed internet and telephony.
- The segment Other includes all further activities, including the sale and rental of Set Top Boxes, as well as revenues from building cost allowances, which were granted to the Company, for example, for developing new districts.

2009	Television	Telecommunication	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Revenue	310,407	159,423	10,845	480,675
Less cost of goods sold	– 35,528	– 30,853	– 9,327	– 75,708
Gross profit	274,879	128,570	1,518	404,967

2008	Television	Telecommunication	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Revenue	297,719	114,322	11,307	423,348
Less cost of goods sold	– 34,577	– 21,652	– 15,605	– 71,834
Gross profit	263,142	92,670	4,298	351,514

Balance sheet items are not included in the internal reporting and therefore not classified by segment. The assets and liabilities could be classified by segment through a variety of allocations and assumptions. As such allocations would not lead to a reliable presentation and classification of assets and liabilities by segment and therefore, no allocation is made for internal reporting purposes. For this reason, the assets and liabilities are also not classified by segment for the purpose of segment reporting according to the management approach under IFRS 8.

5.4 Events after the Reporting Period

The advisory board of Kabel BW Erste Beteiligungs GmbH was dissolved as of 31 December 2009. The governance responsibilities for the Group has been performed through the Meeting of Shareholders of the owner, Oskar Rakso S.à r.l., since 1 January 2010.

In February 2010, an agreement on provision of Video-On-Demand contents was executed with On Demand Deutschland GmbH & Co. KG, Munich/Germany. Kabel BW intends to offer Video-On-Demand to its end customers during 2010.

In May 2010, a partial withdrawal for the CRM component of the central customer management and accounting system, that is being acquired, was communicated to SAP. In this context, an impairment in the one-digit million range was booked for the corresponding IT project in May 2010.

At the end of May 2010, the investment in BAK Südwest GmbH was increased to 100%.

At the end of June 2010, cooperation agreements were signed with O2 and Sky. Kabel BW agreed with Telecolumbus to take over further parts of the Telecolumbus network in Baden-Württemberg in 2010.

5.5 Other Required Disclosures under German Law

Fees and Services of the Auditors of the Financial Statements

The fees for the audit of the financial statements recognised as an expense in the consolidated financial statements amount to EUR 300 thousand, which include fees paid to the auditors of the consolidated financial statements Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf/Germany, for audit, other assurance and other services in the amount of EUR 252 thousand, EUR 5 thousand and EUR 83 thousand, respectively.

Number of Employees

In the financial year 2009, the average number of employees was 767 (prior year: 719). As of 31 December 2009, the Group employed a total number of 786 (prior year: 765) employees at the locations as follows:

Heidelberg:	392
Villingen and branches:	244
Stuttgart:	150

Other Financial Commitments

The financial commitments of the Group under master service agreements with service providers over the remaining terms of the underlying agreements are as follows:

	EUR'000
2010	1,551
2011	3,950
	<u>5,501</u>

5.6 Consolidated Statement of Cash Flows

For the consolidated cash flows, reference is made to the statement of consolidated cash flows.

As presented in the statement of cash flows, the Group realised cash inflows from operating activities in the financial year 2009 (EUR 167,570 thousand), which was sufficient to fully finance the investing activities of the financial year (EUR –149,037 thousand). The cash outflows from financing activities (EUR 31,400 thousand) primarily result from repayment of loans, which were made in the reporting year.

The inflows and outflows from operating, investing and financing activities, in the aggregate, resulted in a decrease in cash and cash equivalents by EUR 12,867 thousand.

The income taxes paid in the financial year 2009 amounted to EUR 6,515 thousand (prior year: EUR 1,812 thousand).

The financial funds solely consists of cash and cash equivalents.

5.7 Notes to Financial Instruments and Risk Management

Carrying Amounts, Values Recognised and Fair Values Classified by Measurement Categories

The following analysis shows the financial assets and liabilities classified under IAS 39:

Financial assets at 31 Dec. 2009	At amortised cost	Available-for-sale	Carrying amounts at 31 Dec. 2009	Fair values at 31 Dec. 2009
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and cash equivalents	54,461		54,461	54,461
Trade receivables	23,445		23,445	23,445
Other current financial assets	42		42	42
Investments in associates		3	3	N/A
Other non-current financial assets . .	2,509		2,509	2,509
	80,457	3	80,460	80,457

Financial liabilities at 31 Dec. 2009	At amortised cost	Derivatives used for cash flow hedge	Measured in accordance with IAS 17	Carrying amounts at 31 Dec. 2009	Fair values at 31 Dec. 2009
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Financial liabilities	1,197,703	18,460	237	1,216,400	1,233,195
Trade payables	62,770			62,770	62,770
Other current financial liabilities			267	267	267
Other current liabilities					
	1,260,473	18,460	504	1,279,437	1,296,232

Financial assets at 31 Dec. 2008	At amortised cost	Available-for-sale	Carrying amounts at 31 Dec. 2008	Fair values at 31 Dec. 2008
	EUR'000	EUR'000	EUR'000	EUR'000
Cash and cash equivalents	67,328		67,328	67,328
Trade receivables	19,822		19,822	19,822
Other current financial assets	1,854		1,854	1,854
Investments in associates		3	3	N/A
Other non-current financial assets	614		614	614
	89,618	3	89,621	89,618

Financial liabilities at 31 Dec. 2008	At amortised cost	Measured at fair value through profit or loss	Measured in accordance with IAS 17	Carrying amounts at 31 Dec. 2008	Fair values at 31 Dec. 2008
	EUR'000	EUR'000		EUR'000	EUR'000
Financial liabilities	1,217,390		491	1,217,881	1,237,823
Trade payables	76,347			76,347	76,347
Other current financial liabilities		3,662	228	3,890	3,890
Other current liabilities					
	1,293,737	3,662	719	1,298,118	1,318,060

Cash and cash equivalents, trade receivables, other primary financial instruments and trade payables have predominantly a residual term of up to one year. Therefore, their carrying amounts at the balance sheet date correspond approximately to the fair value.

For investments in associates and the receivables from shareholders, the fair value cannot be determined reliably. The fair values of floating-interest rate liabilities to banks correspond to their nominal amounts, whereas the carrying amounts have been determined according to the effective interest method.

The net result classified by measurement categories as shown in the income statement are as follows:

	Net result 2009	Net result 2008
	EUR'000	EUR'000
Loans and receivables (LaR)	– 272	– 637
Financial liabilities measured at fair value through profit and loss Of which:		
held for trading	3,615	6,025
Financial liabilities measured at amortised cost (FLaC)	64,241	104,340
Total net results	67,584	109,728

The net result (under IFRS 7) includes interest, allowances and reversals and net gains/losses resulting from measurement of financial instruments at fair value.

The interest income and interest expenses relating to financial instruments that were not measured at fair value are as follows:

	Interest income	Interest expense
	EUR'000	EUR'000
Loans and receivables (LaR)	– 536	
Financial liabilities valued at amortised cost (FLaC)		65,066
Interest expense under finance leases		32
2009 net interest expense/income	– 536	65,098
Loans and receivables (LaR)	– 1,611	
Financial liabilities valued at amortised cost (FLaC)		103,818
Interest expense under finance leases		6
2008 net interest expense/income	– 1,611	103,824

In the reporting year, the financial liabilities measured at amortised cost include consideration expenses in the amount of EUR 480 thousand (prior year: EUR 701 thousand). These result from commitment fees for the maximum value of the credit line.

Derivative Financial Instruments in Hedge Accounting

Kabel BW uses derivative financial instruments, i.e. interest rate swaps, for hedging interest rate risks. The following table presents the fair values recognised in the balance sheet as well as the notional values of these hedging instruments, with interest rate swaps that are part of an effective hedging relationship under IAS 39:

	31 Dec. 2009		31 Dec. 2008	
	Notional value	Fair value	Notional value	Fair value
	EUR'000	EUR'000	EUR'000	EUR'000
Interest rate swaps				
—Used for cash flow hedges	880,000	18,460		
—Not used for hedge accounting			675,000	3,662
	880,000	18,460	675,000	3,662

To hedge the risk resulting from cash flow changes due to floating-interest rate liabilities, Kabel BW entered into forward-starting-payer interest rate swaps. Due to these swaps, cash flow changes from liabilities that are caused by changes in the reference interest rate are matched by corresponding cash flow changes resulting from interest rate swaps. Due to the interest rate swaps, the floating-rate loans are transformed into fixed rate loans, thus stabilising the cash flow of the liabilities over the term of the hedging relationship.

The hedging relates to the EURIBOR interest rate risk that results from the variable-rate liabilities in the amount of EUR 880 million. Presently, the interest rate risk refers to the one-month EURIBOR. As the hedged items permit a monthly decision for the one-month or the three-month EURIBOR, Kabel BW

will potentially benefit from beneficial changes arising in the yield curve and possibly change over to the three-month EURIBOR. The credit risk from the loan is not hedged.

Kabel BW applies hedge accounting for the interest rate swaps newly executed in the financial year 2009. The fair value of the interest rate swaps designated as hedging instruments used for cash flow hedges by Kabel BW was EUR 18,460 thousand at 31 December 2009 (prior year: EUR 0).

The cash flows of the loans designated as cash flow hedges for the first time in 2009 will be recognised in income during the period from 1 September 2009 until 16 September 2012.

The unrealised losses from measurement of the interest rate swaps that were recognised in the revaluation reserve in the financial year 2009 amounted to EUR 18,563 thousand, of which EUR 6,581 thousand were recognised as a finance cost in the reporting period.

As the cash flow hedges were effective in the financial year 2009, the consolidated profit does not include results from measurement of the interest rate swaps that are due to ineffective hedging relationships.

Risk Management

Risk Management Principles

The following statements focus on the risks associated with financial instruments within the meaning of the IFRS standards. Risks associated with the Group's operating activities are not addressed here.

In light of this, market price risks as a result of changes in interest rates as well as credit risks are the primary risks for Kabel BW Group. Currency risks are negligible because the Group operates predominantly in the euro-zone.

Risk management has been assigned to the internal audit and controlling functions. The goal of risk management is to identify at an early stage, and to be able to address, potential risks due to corporate risks that might have a negative impact on the results of operation of Kabel BW or threaten the going-concern of the Company, by continuously monitoring the risk and security position and the exposure of Kabel BW.

The risks of the enterprise are regularly subject to qualitative and quantitative assessment in a systematic manner. These risks are then prioritised for implementing risk control measures and measures addressing the risks.

The goal of financial risk management is to mitigate existing market risks through current finance-orientated activities. Depending on the risk assessment, selected derivative hedging instruments are used. Additionally, credit risk is being monitored continuously. Derivative financial instruments are used exclusively as hedging instruments (i.e., they are not used for trading or other speculative purposes). Furthermore, derivatives are entered into as a general rule, only with leading financial institutions with a good rating and entered into with several financial institutions in order to minimise credit risk.

Fundamental financial policies are defined by management, and presented to the Advisory Board, continuously and at regular intervals. All transactions are executed by management, which is also informed on the scope and amount of current risk exposure at regular intervals.

Credit Risks

In its operating businesses, Kabel BW is exposed to credit risk. Uncollected receivables are continuously being monitored both centrally by the accounting function and customer debtor management and at the segment level (i.e., in a decentralised manner through the private and business customer distribution functions). Credit risks are addressed by making specific and general allowances.

Receivables from key accounts, especially housing companies and Network Level 4 carriers, are subject to separate credit rating control. However, in relation to the total credit risk exposure, the amount of receivables from these counterparties does not represent a significant concentration of risk.

The maximum credit risk is reflected by the carrying amounts of the financial assets recognised in the balance sheet. There were no major agreements mitigating the maximum credit risk (e.g. netting agreements) at the balance sheet date.

Interest Rate Risks

Kabel BW is exposed to interest rate risks exclusively in the euro-zone. To minimise the effects on interest rate fluctuations, management determines the desired amount of fixed and floating-interest net financial liabilities for a future period of three years. Taking into account the existing and planned debt structure, the Company uses interest rate derivatives in order to adjust the interest rates of the net financial liabilities to those defined by management. Because of the derivative hedging transactions, an average of 72.7% of the net financial liabilities denominated in euro had a fixed interest rate at the end of the reporting period (prior year: 54.8%). The average value for the whole year was 62.5%.

Under IFRS 7, interest rate risks are required to be presented by means of sensitivity analyses, which reflect the effects of market interest rate changes on profit/loss as well as possibly on equity. The profit/loss-related sensitivity analyses of Kabel BW consider the market interest rate changes that impact the net interest income/expense of primary floating-rate financial instruments. Due to hedge accounting, in accordance with IAS 39, market interest rate changes for interest rate derivatives (interest rate swaps) do not impact the other net finance income/cost, but have an impact on the equity.

The effects of the change in the market interest rate level at the end of the reporting period are as follows:

31 December 2009		
	Decrease in interest rate by 100 bps	Increase in interest rate by 100 bps
	EUR'000	EUR'000
Impact on profit/loss due to loan interest	3,311	– 3,311
Impact on equity due to fair value measurement	– 22,646	21,253
31 December 2008		
	Decrease in interest rate by 100 bps	Increase in interest rate by 100 bps
	EUR'000	EUR'000
Impact on profit/loss due to loan interest	2,603	– 2,603

The hypothetical profit/loss decrease or increase is due to the potential effects of primary floating-interest rate financial debt.

The hypothetical equity increase or decrease is due to the potential effects of interest rate derivatives used for cash flow hedges.

Other Price Risks

Under IFRS 7, disclosures are required to be made for market risks and how hypothetical changes of risk variables impact prices of financial instruments. Major conceivable risk variables are stock exchange prices or indices. At 31 December 2009, Kabel BW was not exposed to any major risks resulting from such market price changes.

Liquidity Risks

To ensure that Kabel BW is always able to pay and to ensure its continuous financial flexibility, a liquidity reserve in the form of credit lines and, if necessary, cash is maintained. For this purpose, Kabel BW entered into a senior facilities agreement with a bank syndicate including Royal Bank of Scotland plc, Frankfurt am Main branch (“RBS”) and Morgan Stanley Bank International Limited. The bilateral loan agreements will terminate no later than 30 June 2016.

The following table shows the maturity structure of Kabel BW's financial liabilities on the basis of contractually agreed terms and at non-discounted amounts, with the carrying amounts being presented in column 2:

	Carrying amount under IFRS 7 EUR'000	Cash flows 2010		Cash flows 2011		Cash flows 2012-2014		Cash flows 2015-2017	
		Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 Dec. 2009									
Liabilities to banks	1,197,703	45,151	60,546	42,036	101,952	106,193	497,242	29,584	631,416
Trade payables	62,770		62,770						
Liabilities under finance leases	504	19	271	5	233				
Other non-derivative financial liabilities	6,027		4,575						1,452
Derivatives used for cash flow hedges	18,460	20,282		20,282		15,211			
	Carrying amount under IFRS 7 EUR'000	Cash flows 2009		Cash flows 2010		Cash flows 2011-2013		Cash flows 2014-2016	
		Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
31 Dec. 2008									
Liabilities to banks	1,217,390	70,668	15,400	71,450	56,660	190,809	394,080	88,549	900,529
Trade payables	76,347		76,347						
Liabilities under finance leases	758	32	258	19	267	5	233		
Other non-derivative financial liabilities	18,926		18,926						
Derivative financial liabilities with negative fair value	3,662		3,662						

The above analysis takes into account all instruments included in the portfolio at 31 December 2009 and for which payments had already been contractually agreed. The floating-rate interest payments under financial instruments were based on the assumption of a flat yield curve based on the 3-month EURIBOR in effect on 31 December 2009. Financial liabilities repayable on demand are presented in the earliest time frame.

5.8 Capital Management

The primary goal of Kabel BW's capital management is to ensure that the ability to repay debt, make capital investments, and the maintenance of financial substance will be sustained in the future.

Financial security is also measured by means of the equity ratio. The elements of this ratio are the total assets disclosed in the consolidated financial statements as well as the equity disclosed in the consolidated balance sheet, which constitutes also the capital within the meaning of IAS 1 at the level of the Group. The equity ratio is used as a major ratio that is relevant to investors, analysts, banks and rating agencies.

The capital structure of Kabel BW can be controlled by adjusting dividends, through capital reductions or issuance of new shares as well as issuance of financial instruments, which are classified as equity under IFRS. The goal is a capital structure that is appropriate for the business risk.

	After change in accounting policy		
	31 Dec. 2009	31 Dec. 2008	Variance
	EUR'000	EUR'000	%
Equity	499,636	468,783	6.6
Total assets	1,927,468	1,914,290	0.7
Equity ratio (in %)	25.9	24.5	

The change in the equity ratio is caused by the increase in equity as a result of the positive trend of net income, which amounted to EUR 39,260 thousand, and was only partially offset by amounts recognised in other comprehensive income in the amount of EUR 8,407 thousand.

	After change in accounting policy		
	31 Dec. 2008	1 Jan. 2008	Variance
	EUR'000	EUR'000	%
Equity	468,783	489,434	− 4.2
Total assets	1,914,290	1,840,995	4.0
Equity ratio (in %)	24.5	26.6	

The change in the equity ratio results, on the one hand, from the reduction in equity as a result of the net loss and, on the other hand, from increased total assets due to continued high capital spending.

5.9 Authorisation of Consolidated Financial Statements for Issue

The consolidated financial statements on hand will be presented to the Meeting of Shareholders for approval on 22 July 2010.

Heidelberg, 15 July 2010

The General Management

Unitymedia GmbH
Condensed consolidated unaudited financial statements
as of and for the period ending March 31, 2012

UNITYMEDIA GMBH

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2012		December 31, 2011	
	in millions			
ASSETS				
Current assets:				
Cash and cash equivalents.....	€	13.4	€	20.1
Trade receivables and unbilled revenue, net.....		65.3		44.7
Loan receivable - related-party (note 10).....		76.0		54.0
Other current assets (note 4)		15.3		13.8
Total current assets		170.0		132.6
Property and equipment, net (note 6).....		2,056.5		2,041.2
Goodwill		1,436.1		1,436.1
Intangible assets subject to amortization, net (note 6).....		537.1		562.3
Investment in associate (note 10).....		61.7		61.0
Other noncurrent assets (note 4)		77.9		96.3
Total noncurrent assets		4,169.3		4,196.9
Total assets.....	€	4,339.3	€	4,329.5

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

UNITYMEDIA GMBH

CONDENSED CONSOLIDATED BALANCE SHEETS - (Continued)
(unaudited)

	March 31, 2012	December 31, 2011
	in millions	
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	€ 30.3	€ 32.7
Accrued liabilities	128.9	112.1
Accounts payable and accrued liabilities – related-party (note 10)	21.5	13.4
Corporate income taxes payable	6.0	10.1
Current provisions	18.6	18.4
Deferred revenue and advance payments from subscribers and others.....	147.6	64.3
Current portion of debt and finance lease obligations (note 7)	79.1	22.7
Other current liabilities.....	5.8	5.9
Total current liabilities.....	437.8	279.6
Noncurrent debt and finance lease obligations (note 7):		
Third-party	2,627.7	2,722.4
Related-party	155.0	193.1
Deferred tax liabilities	296.8	307.1
Noncurrent provisions	9.1	9.1
Other noncurrent liabilities.....	7.9	7.8
Total noncurrent liabilities.....	3,096.5	3,239.5
Total liabilities.....	3,534.3	3,519.1
Commitments and contingencies (note 11)		
Shareholder's equity (note 9):		
Share capital	—	—
Additional paid-in capital.....	1,178.8	1,178.5
Accumulated deficit	(373.8)	(368.1)
Total shareholder's equity.....	805.0	810.4
Total liabilities and shareholder's equity.....	€ 4,339.3	€ 4,329.5

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

UNITYMEDIA GMBH
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended March 31,			
	2012		2011	
	in millions			
Revenue (note 3).....	€	270.9	€	245.8
Operating costs and expenses:				
Operating (other than depreciation and amortization) (OpEx) (note 10).....		76.0		68.1
Selling, general and administrative expenses (other than depreciation and amortization) (including stock-based compensation) (SG&A) (note 10)		39.5		31.9
Restructuring and other operating items, net		(0.8)		—
Related-party fees and allocations (note 10).....		9.6		7.5
Total operating costs and expenses.....		124.3		107.5
Earnings before interest, taxes, depreciation and amortization (EBITDA)		146.6		138.3
Depreciation and amortization.....		98.7		93.1
Earnings before interest and taxes (EBIT)		47.9		45.2
Financial and other expense:				
Interest expense:				
Third-party		(61.8)		(61.6)
Related-party (note 10)		(3.8)		(25.3)
Foreign currency transaction gains, net.....		18.6		37.2
Realized and unrealized losses on derivative instruments, net (note 4)		(18.9)		(29.1)
Other expense, net		(1.4)		(1.0)
Net financial and other expense.....		(67.3)		(79.8)
Loss before income taxes		(19.4)		(34.6)
Income tax benefit (expense) (note 8)		13.7		(4.7)
Net loss / comprehensive loss (a).....	€	(5.7)	€	(39.3)
Further details of OpEx and SG&A:				
Direct costs (interconnect, programming, copyright and other).....	€	23.6	€	21.8
Staff-related costs (excluding restructuring charges)		24.7		22.9
Network operating costs		24.0		22.3
Sales and marketing costs.....		18.5		15.7
Other indirect costs		24.7		17.3
	€	115.5	€	100.0

- (a) There were no items of comprehensive earnings or loss in the current or prior year periods other than the net loss for the period and, accordingly, no statements of comprehensive earnings or loss are presented.

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

UNITYMEDIA GMBH

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (DEFICIT) (unaudited)

	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total shareholder's equity (deficit)</u>
	in millions		
Balance at January 1, 2011.....	€ 17.0	€ (234.4)	€ (217.4)
Net loss.....	—	(39.3)	(39.3)
Balance at March 31, 2011.....	<u>€ 17.0</u>	<u>€ (273.7)</u>	<u>€ (256.7)</u>
Balance at January 1, 2012	€ 1,178.5	€ (368.1)	€ 810.4
Net loss.....	—	(5.7)	(5.7)
Stock-based compensation (note 10).....	0.3	—	0.3
Balance at March 31, 2012	<u>€ 1,178.8</u>	<u>€ (373.8)</u>	<u>€ 805.0</u>

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

UNITYMEDIA GMBH

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Three months ended March 31,	
	2012	2011
	in millions	
Cash flows from operating activities:		
Net loss	€ (5.7)	€ (39.3)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation expense	0.3	—
Restructuring and other operating items, net	(0.8)	—
Related-party fees and allocations	9.6	7.5
Depreciation and amortization	98.7	93.1
Amortization of deferred financing costs and non-cash interest accretion	3.2	2.9
Non-cash related-party interest expense	3.8	25.3
Foreign currency transaction gains, net	(18.6)	(37.2)
Realized and unrealized losses on derivative instruments, net	18.9	29.1
Deferred tax benefit	(10.4)	(1.4)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	123.6	110.7
Net cash provided by operating activities	<u>222.6</u>	<u>190.7</u>
Cash flows from investing activities:		
Capital expenditures	(86.8)	(68.8)
Advances to a Liberty Global subsidiary	(81.9)	—
Other investing activities	0.6	—
Net cash used by investing activities	<u>(168.1)</u>	<u>(68.8)</u>
Cash flows from financing activities:		
Repayments of third-party debt and finance lease obligations	(113.1)	(80.2)
Borrowings of third-party debt	33.0	—
Net related-party borrowings	18.9	—
Net cash used by financing activities	<u>(61.2)</u>	<u>(80.2)</u>
Net increase (decrease) in cash and cash equivalents	(6.7)	41.7
Cash and cash equivalents:		
Beginning of period	20.1	58.7
End of period	<u>€ 13.4</u>	<u>€ 100.4</u>
The following amounts are included in net cash provided by operating activities:		
Cash paid for interest (excluding payments related to derivative instruments)	€ 0.7	€ 0.2
Net cash paid for taxes	<u>€ 1.0</u>	<u>€ 3.0</u>

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

UNITYMEDIA GMBH
Notes to Condensed Consolidated Financial Statements
March 31, 2012
(unaudited)

(1) Basis of Presentation

Unitymedia GmbH (Unitymedia) is a wholly-owned subsidiary of UPC Germany Holding B.V. (UPC Germany Holding), which in turn is an indirect subsidiary of Liberty Global, Inc. (Liberty Global). Unitymedia was formed by Liberty Global on October 15, 2009 and registered with the commercial register on October 23, 2009 in contemplation of the issuance of debt financing in connection with Unitymedia's then potential acquisition of the entity (Old Unitymedia) that owned the second largest cable operator in Germany. In the following text, the terms "Unitymedia," "we," "our," "our company," and "us" may refer, as the context requires, to Unitymedia, or collectively to Unitymedia and its subsidiaries.

Unitymedia, which operates in the German states of North Rhine-Westphalia and Hesse, provides video, broadband internet and telephony services to its customers.

Our unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 and do not include all of the information required by International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) for full annual financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included in our 2011 annual report, which include a description of the significant accounting policies followed in these financial statements.

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

The UM Senior Secured Notes and UM Senior Notes, each as defined in note 7, are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market, which is not a regulated market (as defined by Article 1(13) of Directive 93/22/EEC).

Our functional currency is the euro. Unless otherwise indicated, convenience translations into euros are calculated as of March 31, 2012.

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

These condensed consolidated financial statements were approved for publication by the Managing Directors on May 25, 2012.

(2) Accounting Changes and Recent Pronouncements

First-time Application of Accounting Standards

The application of the following accounting standard did not have any impact on our consolidated financial statements:

Standard/ Interpretation	Title	Applicable for fiscal years beginning on or after	Date of endorsement by the EU
IFRS 7 (amendments)	Amendments to IFRS 7 financial instruments: Disclosures - Transfers of Financial Assets	July 1, 2011	November 22, 2011

UNITYMEDIA GMBH
Notes to Condensed Consolidated Financial Statements - (Continued)
March 31, 2012
(unaudited)

New Accounting Standards, Not Yet Effective

The following accounting standard was issued by the International Accounting Standards Board during the three months ended March 31, 2012 but is not yet effective for the reporting period. We have not early adopted this accounting standard.

Standard/ Interpretation	Title	Applicable for reporting periods beginning on or after	Date of endorsement
IFRS 9 / IFRS 7 (amendments)	Mandatory Effective Date and Transition Disclosures	January 1, 2015	Not yet endorsed

We have not fully evaluated the impact of applying this new, but not yet effective accounting standard on our condensed consolidated financial statements, however, we currently do not expect the impact to be material.

(3) Segment Reporting

We operate in the cable segment providing digital and analog video, broadband internet and telephony services to residential and business customers over an integrated broadband communications network.

We operate in one geographical area, the country of Germany.

Our revenue by major product category is as follows:

	Three months ended March 31,	
	2012	2011
	in millions	
Subscription revenue (a):		
Video	€ 156.7	€ 154.4
Broadband internet	39.0	27.1
Telephony	42.5	33.6
Total subscription revenue	238.2	215.1
Non-subscription revenue (b).....	32.7	30.7
Total revenue	€ 270.9	€ 245.8

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service.

(b) Non-subscription revenue includes carriage fee, interconnect and installation revenue.

(4) Derivative Instruments

We have entered into certain derivative instruments to manage foreign currency exposure with respect to the United States (U.S.) dollar. We were also party to an interest rate swap contract that was originally entered into to manage interest rate risk with respect to our senior secured floating rate notes due 2013, which were repaid on March 2, 2010. This interest rate swap contract matured on April 30, 2011.

UNITYMEDIA GMBH
Notes to Condensed Consolidated Financial Statements - (Continued)
March 31, 2012
(unaudited)

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

	March 31, 2012			December 31, 2011		
	Current (a)	Noncurrent (a)	Total	Current (a)	Noncurrent (a)	Total
	in millions					
Assets - Cross-currency derivative contracts (b)	€ 3.1	€ 57.9	€ 61.0	€ 4.4	€ 75.6	€ 80.0

- (a) Our current derivative assets and our noncurrent derivative assets are included in other current assets and other noncurrent assets, respectively, in our condensed consolidated balance sheets.
- (b) We consider credit risk in our fair value assessments. As of March 31, 2012 and December 31, 2011, the fair values of our cross-currency derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €4.6 million and €7.8 million, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and adjustments to our derivative liabilities related 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. The changes in the credit risk valuation adjustments associated with our derivative instruments resulted in net gains of €3.2 million and €1.7 million during the three months ended March 31, 2012 and 2011, respectively. These amounts are included in realized and unrealized losses on derivative instruments, net, in our condensed consolidated statements of operations. For further information concerning our fair value measurements, see note 5.

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

	Three months ended March 31,	
	2012	2011
	in millions	
Cross-currency derivative contracts.....	€ (18.9)	€ (29.0)
Interest rate derivative contract.....	—	(0.1)
Total.....	€ (18.9)	€ (29.1)

The net cash paid or received 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 cross-currency or interest rate derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity. Our cash flows related to derivative instruments during the three months ended March 31, 2012 were nil. Our cash outflows related to derivative instruments of €4.8 million for the three months ended March 31, 2011 were entirely related to the periodic settlements of the interest rate components of our derivative instruments and are classified as operating activities in our condensed consolidated statement of cash flows.

UNITYMEDIA GMBH
Notes to Condensed Consolidated Financial Statements - (Continued)
March 31, 2012
(unaudited)

Cross-currency Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at March 31, 2012 are as follows:

<u>Final maturity date (a)</u>		<u>Notional amount due from counterparty</u>	<u>Notional amount due to counterparty</u>	<u>Interest rate due from counterparty</u>	<u>Interest rate due to counterparty</u>
		in millions			
December 2017	\$	623.2	€ 419.9	8.13%	8.49%
November 2017	\$	221.8	€ 149.5	8.13%	8.51%

- (a) The notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis.

(5) Fair Value Measurements

Our derivative instruments are the only financial instruments that were accounted for at fair value as of March 31, 2012. The reported fair values of our derivative assets as of March 31, 2012 likely will not represent the value that will be realized upon their ultimate settlement or disposition. In this regard, we expect that the values generally realized will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

We disclose fair value measurements according to 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 our derivative instruments in or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During the three months ended March 31, 2012, no such transfers were made.

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

As further described in note 4, we have entered into derivative instruments to manage our foreign currency exchange risk. The fair value measurements of these derivative instruments are determined using discounted cash flow models. All but one of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes applicable interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative instruments, we have determined that these valuations fall under Level 2 of the fair

UNITYMEDIA GMBH
Notes to Condensed Consolidated Financial Statements - (Continued)
March 31, 2012
(unaudited)

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.

We do not have any financial instruments that fall under Level 1 or Level 3 of the fair value hierarchy.

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 our company, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of our company (our only cash-generating unit) is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital 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 our company to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We did not perform significant nonrecurring fair value measurements during the three months ended March 31, 2012 and 2011.

The fair values of financial assets and liabilities, together with the carrying amounts shown in our condensed consolidated balance sheets, are as follows:

		March 31, 2012		December 31, 2011	
	Category (a)	Carrying amount	Fair value	Carrying amount	Fair value
in millions					
Assets carried at fair value - derivative financial instruments					
	I	€ 61.0	€ 61.0	€ 80.0	€ 80.0
Assets carried at cost or amortized cost:					
Trade receivables and unbilled revenue.....	II	€ 66.2	€ 66.2	€ 45.6	€ 45.6
Restricted cash	II	1.8	€ 1.8	1.9	€ 1.9
Loan receivable - related-party	II	76.0	(b)	54.0	(b)
Other current and noncurrent financial assets.....	II	16.5	€ 16.5	13.7	€ 13.7
Cash and cash equivalents.....	II	13.4	€ 13.4	20.1	€ 20.1
Total assets carried at cost or amortized cost.....		€ 173.9		€ 135.3	
Liabilities carried at cost or amortized cost:					
Debt obligation.....	III	€ 2,702.5	€ 3,014.7	€ 2,740.0	€ 2,955.9
Loans payable – related-party	III	155.0	(b)	193.1	(b)
Accrued liabilities (including related-party accrued liabilities).....	III	138.9	€ 138.9	119.2	€ 119.2
Accounts payable and other (including related-party accounts payable)	III	43.0	€ 43.0	40.2	€ 40.2
Finance lease obligations	V	4.3	€ 4.3	5.1	€ 5.1
Total liabilities carried at cost or amortized cost.....		€ 3,043.7		€ 3,097.6	

UNITYMEDIA GMBH
Notes to Condensed Consolidated Financial Statements - (Continued)
March 31, 2012
(unaudited)

- (a) Pursuant to IAS 39, category I refers to financial assets and liabilities held for trading, category II refers to loans and receivables, category III refers to financial liabilities measured at amortized cost and category IV refers to derivatives designated as hedging instruments. Category V refers to finance leases outside the scope of IAS 39.
- (b) Due to the related-party nature of these amounts, the fair value is not subject to reasonable estimation.

Pre-tax amounts recognized in our condensed consolidated statements of operations for the three months ended March 31, 2012 and 2011 related to our financial instruments are as follows:

	Interest income	Interest expense	Other statement of operations effects (a)	Impact on earnings before income taxes
	in millions			
Three months ended March 31, 2012:				
Derivative assets carried at fair value through our condensed consolidated statement of operations.....	€ —	€ —	€ (18.9)	€ (18.9)
Assets carried at cost or amortized cost - Trade receivables (b).....	0.1	—	(1.3)	(1.2)
Liabilities carried at cost or amortized cost	—	(65.6)	18.6	(47.0)
	<u>€ 0.1</u>	<u>€ (65.6)</u>	<u>€ (1.6)</u>	<u>€ (67.1)</u>
Three months ended March 31, 2011:				
Derivative assets carried at fair value through our condensed consolidated statement of operations.....	€ —	€ —	€ (29.0)	€ (29.0)
Assets carried at cost or amortized cost - Trade receivables (b).....	0.1	—	(1.1)	(1.0)
Derivative liabilities carried at fair value through our condensed consolidated statement of operations.....	—	—	(0.1)	(0.1)
Liabilities carried at cost or amortized cost	—	(86.9)	37.2	(49.7)
	<u>€ 0.1</u>	<u>€ (86.9)</u>	<u>€ 7.0</u>	<u>€ (79.8)</u>

- (a) Except as noted in (b) below, amounts are included in net financial expense in our condensed consolidated statements of operations.
- (b) The “Other statement of operations effects” amounts represent provisions for impairment of trade receivables and are included in OpEx in our condensed consolidated statements of operations.

UNITYMEDIA GMBH
Notes to Condensed Consolidated Financial Statements - (Continued)
March 31, 2012
(unaudited)

(6) Long-lived Assets

Property and Equipment, Net

Changes during the three months ended March 31, 2012 in the carrying amounts of our property and equipment, net, are set forth below:

	Cable distribution systems	Support equipment, buildings and land	Total
		in millions	
Cost:			
January 1, 2012.....	€ 2,342.6	€ 132.2	€ 2,474.8
Additions.....	68.6	6.4	75.0
Retirements and disposals.....	(3.7)	(2.4)	(6.1)
March 31, 2012.....	<u>€ 2,407.5</u>	<u>€ 136.2</u>	<u>€ 2,543.7</u>
Accumulated depreciation:			
January 1, 2012.....	€ 405.8	€ 27.8	€ 433.6
Depreciation.....	56.1	3.3	59.4
Retirements and disposals.....	(3.6)	(2.2)	(5.8)
March 31, 2012.....	<u>€ 458.3</u>	<u>€ 28.9</u>	<u>€ 487.2</u>
Property and equipment, net:			
March 31, 2012.....	<u>€ 1,949.2</u>	<u>€ 107.3</u>	<u>€ 2,056.5</u>

During the three months ended March 31, 2012, no borrowing costs were capitalized.

For information concerning purchase obligations for property and equipment, see note 11.

UNITYMEDIA GMBH
Notes to Condensed Consolidated Financial Statements - (Continued)
March 31, 2012
(unaudited)

Intangible Assets Subject to Amortization, net

Changes during the three months ended March 31, 2012 in the carrying amounts of our finite-lived intangible assets are set forth below:

	Customer relationships	Subscriber acquisition costs	Trade name	Other (a)	Total
	in millions				
Cost:					
January 1, 2012	€ 700.0	€ 53.1	€ 9.0	€ 33.3	€ 795.4
Additions	—	14.3	—	0.1	14.4
Retirements and disposals	—	(11.0)	—	—	(11.0)
March 31, 2012	<u>€ 700.0</u>	<u>€ 56.4</u>	<u>€ 9.0</u>	<u>€ 33.4</u>	<u>€ 798.8</u>
Accumulated amortization:					
January 1, 2012	€ 184.5	€ 26.4	€ 3.5	€ 18.7	€ 233.1
Amortization	24.0	12.9	0.5	1.9	39.3
Retirements and disposals	0.1	(10.9)	0.1	—	(10.7)
March 31, 2012	<u>€ 208.6</u>	<u>€ 28.4</u>	<u>€ 4.1</u>	<u>€ 20.6</u>	<u>€ 261.7</u>
Intangible assets subject to amortization, net:					
March 31, 2012	<u>€ 491.4</u>	<u>€ 28.0</u>	<u>€ 4.9</u>	<u>€ 12.8</u>	<u>€ 537.1</u>

(a) Primarily includes computer software costs.

UNITYMEDIA GMBH
Notes to Condensed Consolidated Financial Statements - (Continued)
March 31, 2012
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(7) Debt and Finance Lease Obligations

As of March 31, 2012, our consolidated debt included (i) €1,430.0 million principal amount of 8.125% senior secured notes due 2017 (the UM Euro Senior Secured Notes), (ii) \$845.0 million (€633.8 million) principal amount of 8.125% senior secured notes due 2017 (the UM Dollar Senior Secured Notes and, together with the UM Euro Senior Secured Notes, the UM Senior Secured Notes), (iii) €665.0 million principal amount of 9.625% senior notes due 2019 (the UM Senior Notes and, together with the UM Senior Secured Notes, the Unitymedia Notes), (iv) an €80.0 million secured credit facility due 2014 (the Unitymedia Revolving Credit Facility) and (v) related-party loans payable to UPC Germany Holding.

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

	March 31, 2012				Estimated fair value (c)		Carrying value (d)		
	Interest rate (a)	Borrowing currency	Euro equivalent	Unused borrowing capacity (b)	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	
in millions									
Parent:									
Shareholder loans payable (e)	8.580%	€	151.8	€ 151.8	€ —	(e)	€ 151.8	€ 179.2	
UM Senior Notes	9.625%	€	665.0	665.0	€ 729.2	€ 686.6	651.8	651.5	
Subsidiaries:									
UM Euro Senior Secured Notes	8.125%	€	1,430.0	1,430.0	€ 1,519.5	€ 1,485.2	1,406.2	1,405.4	
UM Dollar Senior Secured Notes	8.125%	\$	845.0	633.8	€ 687.7	€ 686.2	623.4	641.3	
Unitymedia Revolving Credit Facility (f)	4.178%	€	80.0	80.0	€ —	€ 77.2	—	80.0	
Total debt before transaction costs and accrued interest (g)	8.367%		€ 2,960.6	€ 80.0			2,833.2	2,957.4	
Transaction costs							(57.2)	(58.9)	
Accrued interest:									
Related-party							3.2	13.9	
Third-party							78.3	20.7	
Finance lease obligations							4.3	5.1	
Total debt and finance lease obligations							2,861.8	2,938.2	
Current portion							(79.1)	(22.7)	
Noncurrent portion							€ 2,782.7	€ 2,915.5	

- (a) Represents the stated interest rate of the debt instrument as of March 31, 2012 and does not include the impact of our interest rate derivative agreements, deferred financing costs, discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, discounts and commitment fees, but excluding the impact of financing costs, our estimated weighted average interest rate on our aggregate third-party indebtedness was approximately 9.0% at March 31, 2012. Interest payments for the Unitymedia Notes commenced on June 1, 2010 and are made semi-annually on June 1 and December 1. The interest rate shown for the Unitymedia Revolving Credit Facility is based on the stated rate of EURIBOR plus a margin of 3.75%. For information concerning our derivative instruments, see note 4.
- (b) Unused borrowing capacity represents the maximum availability under the applicable facility at March 31, 2012 without regard to covenant compliance calculations. At March 31, 2012, the full amount of the €80.0 million borrowing capacity under the Unitymedia Revolving Credit Facility was available to be borrowed.

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- (c) The estimated fair values of our debt instruments were determined using the average of the applicable bid and ask prices (mostly Level 1 of the fair value hierarchy) or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models (mostly Level 2 of the fair value hierarchy). The discount rates used in the cash flow models are based on the market interest rates, estimated credit spreads, to the extent available, and other relevant factors. For additional information concerning the fair value hierarchies, see note 5.
- (d) Amounts include the impact of discounts, where applicable.
- (e) Represents loans payable to our shareholder, UPC Germany Holding. All principal (€151.8 million at March 31, 2012) and accrued interest (€3.2 million at March 31, 2012) outstanding under these loans is due and payable on January 1, 2030. The amounts outstanding under these loans bear interest at 8.58% per annum. Accrued interest is transferred to the loan balance annually on January 1. The net decrease in the principal amount of the loans payable during the three months ended March 31, 2012 includes (i) cash borrowings of €117.4 million, (ii) cash payments of €98.5 million, (iii) a €60.2 million non-cash decrease related to settlements of amounts outstanding pursuant to the UPC Germany Holding Loan Receivable (as defined and described in note 10) and (iv) the transfer of €13.9 million in non-cash accrued interest to the loan balance. The fair value of these loans is not subject to reasonable estimation due to the related-party nature of the loans.
- (f) A commitment fee of 1.25% per annum is payable on available but undrawn amounts under the Unitymedia Revolving Credit Facility.
- (g) The interest rate shown in this line item represents the weighted average stated interest rate of all of our outstanding debt instruments as of March 31, 2012.

Maturities of Debt

Maturities of our debt as of March 31, 2012 are presented below. The principal amounts presented below represent euro equivalents based on March 31, 2012 exchange rates:

	Third-party debt	Related- party loans payable	Total
		in millions	
Year ended December 31:			
2012 (remainder of year)	€ —	€ —	€ —
2013	—	—	—
2014	—	—	—
2015	—	—	—
2016	—	—	—
2017	2,063.8	—	2,063.8
Thereafter	665.0	151.8	816.8
Total maturities	2,728.8	151.8	2,880.6
Unamortized discount	(47.4)	—	(47.4)
Total debt before transaction costs and accrued interest	2,681.4	151.8	2,833.2
Accrued interest, transaction costs and finance lease obligations, net	25.4	3.2	28.6
Total debt and finance lease obligations	€ 2,706.8	€ 155.0	€ 2,861.8

Subsequent Events

For information concerning certain financing transactions completed subsequent to March 31, 2012, see note 12.

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(8) Income Taxes

The income tax benefit (expense) attributable to our loss before income taxes differs from the income tax benefit computed by applying the German income tax rate of 31.88% for the 2012 period and 31.58% for the 2011 period as a result of the following:

	Three months ended March 31,	
	2012	2011
	in millions	
Computed expected income tax benefit	€ 6.2	€ 10.9
Recognized (unrecognized) net operating losses and interest carryforwards, net (a)	11.0	(9.9)
Non-deductible or non-taxable interest and other items (b)	(3.1)	(3.7)
Other, net	(0.4)	(2.0)
Total	<u>€ 13.7</u>	<u>€ (4.7)</u>

- (a) The 2012 amount includes deferred net tax benefit of €14.9 million related to reallocation of prior year interest expense within different fiscal entities.
- (b) The 2012 amount includes current tax benefit of €3.4 million and net deferred tax expense of €3.2 million related to reallocation of prior year interest expense within different fiscal entities.

(9) Shareholder's Equity (Deficit)

One of our indirect parent companies, Liberty Global Europe Holding B.V. (Liberty Global Europe), granted a financing commitment dated September 30, 2010 to our company in the amount of €75.0 million, of which €58.0 million was unused at March 31, 2012. The terms of any amounts loaned under this parental guarantee are the same as those for our shareholder loans payable to UPC Germany Holding, as described in note 7. This financing commitment expires on December 31, 2012 if not otherwise extended.

(10) Related-Party Transactions

Our related-party transactions consist of the following:

	Three months ended March 31,	
	2012	2011
	in millions	
OpEx	€ 1.2	€ 1.8
Allocated stock-based compensation expense	0.3	—
Fees and allocations	9.6	7.5
Included in EBIT	11.1	9.3
Interest expense	3.8	25.3
Included in net loss	<u>€ 14.9</u>	<u>€ 34.6</u>
Capital expenditures	<u>€ 1.5</u>	<u>€ 0.1</u>

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OpEx. These amounts represent certain cash settled charges from other Liberty Global subsidiaries, including charges that originate with UPC Holding B.V. (UPC Holding), to our company primarily for (i) technology-related costs based on the global contract of another Liberty Global subsidiary for encryption services and (ii) certain backbone costs.

Allocated stock-based compensation expense. These amounts are allocated to our company by Liberty Global and represent the stock-based compensation associated with the Liberty Global stock incentive awards held by certain employees of our subsidiaries. Awards consist of (i) stock appreciation rights, (ii) restricted shares and restricted share units and (iii) performance-based restricted share units (PSUs). PSUs represent the right to receive one share of Liberty Global Series A common stock or Liberty Global Series C common stock, as applicable, subject to performance and vesting as determined by the compensation committee of Liberty Global's board of directors. Stock-based compensation expense is reflected as an increase to shareholder's equity and is included in SG&A in our condensed consolidated statements of operations.

Fees and allocations. These amounts represent charges that originate with UPC Holding and include charges for management, finance, legal, technology, marketing and other services that support our company's broadband communications operations. The amounts charged generally are based on our company's estimated share of the applicable costs (including personnel-related and other costs associated with the services provided) incurred by the other Liberty Global subsidiaries, plus a mark-up. The monthly amounts charged are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified. Charges that originate with UPC Holding may be cash or loan settled. With respect to the amounts settled during the three months ended March 31, 2012 and 2011, all amounts were loan settled with the exception of €4.8 million that was cash settled during the first three months of 2012.

Interest expense. Related-party interest expense relates to our loans payable to UPC Germany Holding. Accrued interest is transferred to the loan balance annually on January 1. For additional information, see note 7.

Depending on the nature of our intercompany transactions, the amount of the charges or allocations may be based on (i) estimated or allocated costs, (ii) estimated or allocated costs plus a mark-up or (iii) commercially negotiated rates. Although we believe that the intercompany fees and allocations described above 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.

Capital expenditures. These amounts represent cash settled purchases of network-related equipment from UPC Holding.

UPC Germany Holding Loan Receivable. Pursuant to our loan agreement with UPC Germany Holding, we can require the repayment of all or part of this outstanding loan receivable within five-days of providing notice to UPC Germany Holding. Amounts loaned to UPC Germany Holding pursuant to this agreement are subject to certain restrictions contained in the instruments governing Unitymedia's indebtedness. The interest rate on this loan, which is subject to adjustment, was 2.56% as of March 31, 2012. Interest income on this loan through March 31, 2012 was not significant. The net increase in the loan receivable - related-party during the three months ended March 31, 2012 includes (i) cash loaned of €123.4 million, (ii) a €60.2 million non-cash decrease related to amounts settled through our shareholder loans, (iii) cash received of €41.5 million and (iv) individually insignificant net non-cash increases of €0.3 million.

Investment in associate. We have an investment in Unitymedia International GmbH (UMI). UMI was formed for the purpose of effecting certain asset purchase and related leasing transactions involving certain of UPC Holding's subsidiaries, including certain purchase and leaseback transactions that were initiated in December 2011. UMI is considered a special purpose entity and is consolidated by UPC Holding. Although UPC Holding has no equity or voting interest in UMI, UPC Holding has the substantive ability to direct the major activities of UMI, and all of the activities of UMI are conducted directly on behalf of UPC Holding. As such, UPC Holding is required by the provisions of EU-IFRS to consolidate UMI. As a result, we use the equity method to account for our investment in UMI.

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Accounts payable and accrued liabilities - related-party. At March 31, 2012 and 2011, our accounts payable and accrued liabilities - related-party balances represented amounts owed to UPC Holding and other Liberty Global subsidiaries outside of Unitymedia for various intercompany charges, fees and allocations, as further described above. These amounts may be cash or loan settled.

Shareholder loans. For information regarding our shareholder loans payable to UPC Germany Holding, see note 7.

Parent guarantee. As described in note 9, Liberty Global Europe has granted a financing commitment to us and our wholly-owned subsidiaries through December 31, 2012.

(11) Commitments and Contingencies

Commitments

In the ordinary course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancelable operating leases, programming contracts, purchases of customer premises equipment and other items. These include several long-term term agreements with Deutsche Telekom AG (Deutsche Telekom) and its affiliates with respect to usage and access for underground cable duct space, the use of fiber optic transmission systems, tower and facility space. In general, these agreements primarily impose fixed prices for a limited period of time, which may then be raised to reflect services requested additionally and increased costs, subject to index-linked limitations. Some agreements impose prices based on the cost to Deutsche Telekom of services that are passed through to us. In accordance with EU-IFRS, we treat these agreements as operating rather than finance leases or as other commitments, as applicable. We expect that in the ordinary course of business, operating leases that expire generally will be renewed or replaced by similar leases.

Guarantees and Other Credit Enhancements

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

Other

FCO Commitments. On December 15, 2011, UPC Germany HoldCo 2 GmbH (UPC Germany HC2), then one of Liberty Global's indirect subsidiaries, acquired all of the outstanding shares of Kabel BW Musketeer GmbH (formerly known as Musketeer GmbH) (KBW Musketeer) pursuant to a sale and purchase agreement dated March 21, 2011 with Oskar Rakso S.à.r.l as the seller (the KBW Acquisition). KBW Musketeer was the indirect parent company of Kabel BW GmbH (KBW), Germany's third largest cable television operator in terms of number of subscribers. Liberty Global acquired KBW in order to achieve certain financial, operational and strategic benefits through the integration of KBW with our company and, to a lesser extent, with Liberty Global's other broadband communications operations in Europe. As part of a reorganization that was effected through a series of mergers and consolidations, KBW Musketeer and its immediate subsidiary, Kabel BW Erste Beteiligungs GmbH, were merged into UPC Germany HC2 and UPC Germany HC2 was subsequently merged into KBW. As a result of these transactions, which were effective upon registration in March 2012, UPC Germany HoldCo 1 GmbH (UPC Germany HC1) became the immediate parent company of KBW and the issuer of the KBW Senior Notes (as defined and described in note 12). In May 2012, Liberty Global and our company completed certain reorganization, debt exchange and debt redemption transactions that resulted in the immediate parent company of UPC Germany HC1 becoming part of our consolidated borrowing group. For additional information, see note 12.

As part of the regulatory approval process for Liberty Global's acquisition of KBW Musketeer (the LGI/KBW Transaction), our company and KBW made certain commitments to address the competition concerns of the German Federal Cartel Office (the FCO), as outlined below:

- (a) The digital free-to-air television channels (as opposed to channels marketed in premium subscription packages) distributed on the networks of our company and KBW will be distributed in unencrypted form commencing January 1,

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2013. This commitment is consistent with KBW's current practice and generally covers free-to-air television channels in standard definition and high definition (HD). If, however, free-to-air television broadcasters request their HD content to be distributed in an encrypted HD package, the encryption of free-to-air HD channels is still possible. In addition, our company and KBW made a commitment that, through December 15, 2016, the annual carriage fees received by our company and KBW for each such free-to-air television channel distributed in digital or simulcast in digital and analog would not exceed a specified annual amount, determined by applying the respective current rate card systems of our company and KBW as of January 1, 2012;

- (b) Effective January 1, 2012, our company and KBW waived exclusivity rights in access agreements with housing associations with respect to the usage of infrastructures other than the in-building distribution networks of our company and KBW to provide television, broadband internet or telephony services within the building;
- (c) Effective January 1, 2012, upon expiration of the minimum term of an access agreement with a housing association, our company or KBW, as applicable, will transfer the ownership rights to the in-building distribution network to the building owner or other party granting access. In addition, our company and KBW each waived the rights to remove in-building distribution networks; and
- (d) A special early termination right was granted with respect to certain of our company's and KBW's existing access agreements with the largest housing associations that cover more than 800 dwelling units and which had a remaining term of more than three years as of December 15, 2011. The total number of dwelling units covered by the affected agreements was approximately 340,000 as of December 15, 2011, of which approximately 230,000 and 110,000 were located in the footprints of our company and KBW, respectively. The special termination right may be exercised on or before September 30 of each calendar year up to the expiration of the current contract term, with termination effective as of January 1 or July 1 of the following year. If the special termination right is exercised, compensation will be paid to partially reimburse our company or KBW, as applicable, for unamortized investments in modernizing the in-building network based on an agreed formula.

In January 2012, two of our competitors, including the incumbent telecommunications operator, each filed an appeal against the FCO regarding its decision to approve the LGI/KBW Transaction. We believe that the FCO's decision will ultimately be upheld and currently intend to support the FCO in defending the decision. In addition, we do not expect that the filing of these appeals will have any impact on the ongoing integration and development of our and KBW's operations. The ultimate resolution of this matter is expected to take up to four years, including the appeals process.

Other. We have contingent liabilities related to legal proceedings and other matters arising in the ordinary course of business. We expect that the amounts, if any, which may be required to satisfy these contingencies will not be material in relation to our financial position or results of operations.

(12) Subsequent Events

Unitymedia Exchange, Special Optional Redemptions and KBW Fold-in

At March 31, 2012, the KBW Notes consisted of (i) €680.0 million principal amount of 9.5% Senior Notes (the KBW Senior Notes) of UPC Germany HC1 and (ii) (a) €800.0 million principal amount of 7.5% Senior Secured Notes (the KBW Euro Senior Secured Notes), (b) \$500.0 million (€375.0 million) principal amount of 7.5% Senior Secured Notes (the KBW Dollar Senior Secured Notes and together with the KBW Euro Senior Secured Notes, the KBW Senior Secured Fixed Rate Notes) and (c) €420.0 million principal amount of Senior Secured Floating Rate Notes (the KBW Senior Secured Floating Rate Notes and together with the KBW Senior Secured Fixed Rate Notes, the KBW Senior Secured Notes) of KBW.

In May 2012, we completed (i) the exchange (the Unitymedia Exchange) of (a) 90.9% of the outstanding principal amount of the KBW Senior Notes for an equal amount of Unitymedia Senior Exchange Notes (as defined below) and (b) 92.5% of the outstanding principal amount of the KBW Senior Secured Notes for an equal amount of Unitymedia Senior Secured Exchange Notes (as defined below), (ii) the redemption (the Special Optional Redemptions) of the remaining KBW Notes that were not

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exchanged pursuant to the Unitymedia Exchange and (iii) a series of mergers and consolidations, pursuant to which an indirect parent company of KBW became a subsidiary of Unitymedia Hessen (the KBW Fold-in). The redemption price with respect to the Special Optional Redemptions was 101% of the applicable principal amount thereof, and such redemptions were funded with borrowings under the Unitymedia Revolving Credit Facility and the New Unitymedia Revolving Credit Facility, as defined and described below. Additionally, in connection with the transactions described above, the KBW Revolving Credit Facility was canceled and all associated interest rate and cross-currency derivative instruments of KBW were transferred to Unitymedia Hessen.

The details of (i) the Unitymedia Exchange and (ii) the Special Optional Redemptions are as follows:

KBW Notes	Outstanding principal amount prior to the Unitymedia Exchange		Principal amount exchanged pursuant to the Unitymedia Exchange		Principal amount redeemed pursuant to the Special Optional Redemptions	
	Borrowing currency	Euro equivalent	Borrowing currency	Euro equivalent	Borrowing currency	Euro equivalent
	in millions					
KBW Senior Notes (a)	€ 680.0	€ 680.0	€ 618.0	€ 618.0	€ 62.0	€ 62.0
KBW Euro Senior Secured Notes (b)	€ 800.0	800.0	€ 735.1	735.1	€ 64.9	64.9
KBW Dollar Senior Secured Notes (c)	\$ 500.0	375.0	\$ 459.3	344.5	\$ 40.7	30.5
KBW Senior Secured Floating Rate Notes (d) ...	€ 420.0	420.0	€ 395.9	395.9	€ 24.1	24.1
		<u>€ 2,275.0</u>		<u>€ 2,093.5</u>		<u>€ 181.5</u>

- (a) The KBW Senior Notes tendered for exchange were exchanged for an equal principal amount of 9.5% senior notes issued by Unitymedia due March 15, 2021 (the Unitymedia Senior Exchange Notes).
- (b) The KBW Euro Senior Secured Notes tendered for exchange were exchanged for an equal principal amount of 7.5% senior secured notes issued by Unitymedia Hessen and Unitymedia NRW (together, the Unitymedia Senior Secured Notes Issuers) due March 15, 2019 (the UM Euro Senior Secured Exchange Notes).
- (c) The KBW Dollar Senior Secured Notes tendered for exchange were exchanged for an equal principal amount of 7.5% senior secured notes issued by the Unitymedia Senior Secured Notes Issuers due March 15, 2019 (the UM Dollar Senior Secured Exchange Notes and, together with the UM Euro Senior Secured Exchange Notes, the UM Senior Secured Fixed Rate Exchange Notes).
- (d) The KBW Senior Secured Floating Rate Notes tendered for exchange were exchanged for an equal principal amount of senior secured floating rate notes issued by the Unitymedia Senior Secured Notes Issuers due March 15, 2018 (the UM Senior Secured Floating Rate Exchange Notes and, together with the UM Senior Secured Fixed Rate Exchange Notes, the Unitymedia Senior Secured Exchange Notes).

The Unitymedia Senior Exchange Notes are senior obligations of Unitymedia that rank equally with all of the existing and future senior debt of Unitymedia and are senior to all existing and future subordinated debt of Unitymedia. The Unitymedia Senior Secured Exchange Notes are senior obligations of the Unitymedia Senior Secured Notes Issuers that rank equally with all of the existing and future senior debt of each Unitymedia Senior Secured Note Issuer and are senior to all existing and future subordinated debt of each of the Unitymedia Senior Secured Note Issuers.

The Unitymedia Senior Exchange Notes (i) are secured by the same collateral that secures the UM Senior Notes, (ii) are guaranteed on a senior subordinated basis by the same guarantors of the UM Senior Notes, (iii) include substantially similar covenants and events of default as the UM Senior Notes and (iv) include substantially similar redemption and mandatory offer provisions as the UM Senior Notes except with respect to the redemption price and date on which the Unitymedia Senior Exchange Notes become callable, as specified below.

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The Unitymedia Senior Secured Exchange Notes (i) are secured by the same collateral that secures the UM Senior Secured Notes, (ii) are guaranteed on a senior basis by the same guarantors of the UM Senior Secured Notes, (iii) include substantially similar covenants and events of default as the UM Senior Secured Notes and (iv) include substantially similar redemption and mandatory offer provisions as the UM Senior Secured Notes except with respect to the redemption price and date on which the Unitymedia Senior Secured Exchange Notes become callable, as specified below.

The Unitymedia Senior Exchange Notes are non-callable until March 15, 2016 and the UM Senior Secured Fixed Rate Exchange Notes are non-callable until March 15, 2015. At any time prior to March 15, 2016, in the case of the Unitymedia Senior Exchange Notes and March 15, 2015, in the case of the UM Senior Secured Fixed Rate Exchange Notes, Unitymedia and the Unitymedia Senior Secured Notes Issuers (as applicable) may redeem some or all of the Unitymedia Senior Exchange Notes or the UM Senior Secured Fixed Rate Exchange Notes (as applicable) by paying a “make-whole” premium, which is the present value of all remaining scheduled interest payments using the discount rate (as specified in the applicable indenture) as of the redemption date plus 50 basis points.

Unitymedia and the Unitymedia Senior Secured Notes Issuers (as applicable) may redeem some or all of the Unitymedia Senior Exchange Notes or the UM Senior Secured Fixed Rate Exchange Notes at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on March 15 of the years set out below. In addition, the Unitymedia Senior Secured Notes Issuers may redeem some or all of the UM Senior Secured Floating Rate Exchange Notes at a redemption price of (i) 101% if such redemption occurs on or prior to March 14, 2013 or (ii) 100% if such redemption occurs on March 15, 2013 or thereafter.

<u>Year</u>	<u>Redemption price</u>	
	<u>Unitymedia Senior Exchange Notes</u>	<u>UM Senior Secured Fixed Rate Exchange Notes</u>
2015	N.A.	103.750%
2016	104.750%	101.875%
2017	103.167%	100.000%
2018	101.583%	100.000%
2019 and thereafter	100.000%	100.000%

At any time prior to November 20, 2012, Unitymedia and the Unitymedia Senior Secured Notes Issuers, as applicable, have the option, following completion of a UPC/Unitymedia Exchange Transaction (as defined below), to redeem all, but not less than all, of the Unitymedia Senior Exchange Notes and the Unitymedia Senior Secured Exchange Notes, respectively. The redemption price in such case (expressed as a percentage of the principal amount thereof) would be 102%. A UPC/Unitymedia Exchange Transaction means an exchange offer by UPC Broadband Holding BV (a subsidiary of UPC Holding) or UPC Holding, as applicable, pursuant to which one or more series of senior secured notes issued by UPC Broadband Holding BV or senior notes issued by UPC Holding, as applicable, are, subject to certain terms and conditions (including consent by holders of a majority in aggregate principal amount of Unitymedia Senior Exchange Notes and Unitymedia Senior Secured Exchange Notes, as applicable, to participate in the exchange offer), offered in exchange for Unitymedia Senior Exchange Notes and Unitymedia Senior Secured Exchange Notes, as applicable.

On May 4, 2012, KBW and certain of its subsidiary and parent companies (collectively, the New UM Guarantors) granted, in addition to the existing guarantees provided by us and certain of our subsidiaries, as applicable, of the UM Senior Notes and the UM Senior Secured Notes, a senior guarantee of the UM Senior Secured Notes and a senior subordinated guarantee of the UM Senior Notes. The New UM Guarantors also granted a senior subordinated guarantee of the Unitymedia Senior Exchange Notes and a senior guarantee of the Unitymedia Senior Secured Exchange Notes. In addition, the New UM Guarantors will, within 180 days of the closing of the KBW Fold-in, provide certain share and asset security in favor of the UM Senior Secured Notes and the Unitymedia Senior Secured Exchange Notes.

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Unitymedia Revolving Credit Facilities

On May 1, 2012, Unitymedia Hessen entered into a €312.5 million secured revolving credit facility agreement with certain lenders (the New Unitymedia Revolving Credit Facility, and together with the Unitymedia Revolving Credit Facility, the Unitymedia Revolving Credit Facilities). The interest rate for the New Unitymedia Revolving Credit Facility is EURIBOR plus a margin of 3.25%. Borrowings under the New Unitymedia Revolving Credit Facility, which matures on June 30, 2017, may be used for general corporate and working capital purposes. In addition to customary restrictive covenants and events of default, the New Unitymedia Revolving Credit Facility requires compliance with a Consolidated Leverage Ratio, as defined in the New Unitymedia Revolving Credit Facility. The New Unitymedia Revolving Credit Facility is secured by a pledge over the shares of Unitymedia and certain other asset security of certain subsidiaries of Unitymedia. The New Unitymedia Revolving Credit Facility provides for an annual commitment fee of 1.25% on the unused portion. Also on May 1, 2012, the existing Unitymedia Revolving Credit Facility was amended whereby the maturity date was extended to June 30, 2017 and the interest rate was reduced to EURIBOR plus a margin of 2.50%. The Unitymedia Revolving Credit Facility, which is senior to the New Unitymedia Revolving Credit Facility, was undrawn at March 31, 2012. In connection with the Special Optional Redemptions, (i) the Unitymedia Revolving Credit Facility was drawn in full and (ii) borrowings of €105.0 million were drawn against the New Unitymedia Revolving Credit Facility.