Annual Report
for Year Ended
December 31, 2012

UNITYMEDIA KABELBW GMBH
Aachener Strasse 746-750
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Germany

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FORWARD-LOOKING STATEMENTS

Certain statements in this annual report constitute forward-looking statements. To the extent that statements in this annual report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Business* (including, but not limited to, *Competition, Regulatory, Intellectual Property* and *Legal Proceedings*), *Material Contracts* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* contain forward-looking statements, including statements regarding our future projected contractual commitments, our expectations with respect to our growth prospects and our strategic initiatives over the next few years, our expectations regarding our percentage of revenue represented by our property, equipment and intangible asset additions in 2013, our business, product, acquisition, disposition and finance strategies, our capital expenditures, subscriber growth and retention rates, competitive, regulatory and economic factors, the maturity of our markets, anticipated cost increases, liquidity, credit risks, foreign currency risks and target leverage levels. In some cases, you can identify these statements by terminology such as ''aim,'' ''anticipate,'' ''believe,'' ''continue,'' ''could,'' ''estimate,'' ''expect,'' ''intend,'' ''may,'' ''plan,'' ''potential,'' ''predict,'' ''project,'' ''should,'' and ''will'' and similar words used in this annual report.

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

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

- economic and business conditions and industry trends in the 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 (EU) 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, telephony and mobile service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- our ability to manage rapid technological changes;
- our ability to renew on equivalent terms existing contracts with housing associations and Professional Operators (as defined in this annual report), especially in light of the conditions imposed on us as a result of the LGI/KBW Transaction (as defined in this annual report);
- our ability to maintain or increase the number of subscriptions to our digital video, broadband internet, telephony and mobile service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in the markets in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that impairs our competitive position, including any intervention that would impact our contractual relationships with housing associations and Professional Operators or would open our broadband distribution networks to competitors;

- our 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 the conditions imposed in connection with the LGI/KBW Transaction on our operations;
- 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 quality 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;
- our ability to adequately forecast and plan future network requirements;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- our ability to successfully integrate and realize anticipated efficiencies from the businesses we or Liberty Global (as defined in this annual report) acquire, including the Kabel BW Group (as defined in this annual report);
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- our ability 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 (as defined in this annual report) 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 this annual report are subject to a significant degree of risk. These forward-looking statements and the above-described risks, uncertainties and other factors speak only as of the date of this annual report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

BUSINESS

In this annual report, unless the context otherwise requires, the terms "we," "our," "our company," "us" and "Unitymedia KabelBW" refer, as the context requires, to Unitymedia KabelBW, or collectively to Unitymedia KabelBW and its subsidiaries. Unless otherwise indicated, operational and statistical data, including subscriber statistics and product offerings, are as of December 31, 2012.

Introduction

We are a subsidiary of Liberty Global, Inc. (Liberty Global) that provides digital and analog cable television and broadband internet and telephony services over our broadband communications network and mobile services as a mobile virtual network operator (MVNO). We are the second largest cable operator in Germany and the largest cable operator in the German states of North Rhine-Westphalia and Hesse (collectively, the "Unitymedia" footprint) and Baden-Württemberg (the "KabelBW" footprint) in terms of video subscribers. As of December 31, 2012, the three federal states have a population and combined number of households of 34.7 million and 16.7 million, respectively, and include the major cities of Cologne, Dortmund, Düsseldorf, Essen, Frankfurt, Karlsruhe, Mannheim, Stuttgart and Wiesbaden.

Liberty Global is a leading international cable company, with operations in 13 countries. Liberty Global connects people to the digital world and enables them to discover and experience its endless possibilities. Liberty Global´s market-leading television, broadband internet and telephony services are provided through next-generation networks and innovative technology platforms that connect 19.8 million customers who subscribe to 34.8 million services as of December 31, 2012.

We classify our customers based on our main subscription-based business activities. The following table shows our operating statistics as of December 31, 2012 and 2011. Unless otherwise indicated, the December 31, 2012 and 2011 operating information set forth in the table below and elsewhere in this section represents the aggregation of both the Unitymedia and KabelBW footprints.

	December 31,	
	2012	**2011**
Footprint		
Homes Passed [1]	12,567,900	12,445,300
Two-way Homes Passed [2]	12,162,400	12,034,500
Subscribers (RGUs) [3]		
Digital Cable [4]	2,185,900	1,983,800
Analog Cable [5]	4,503,600	4,768,600
Total Video	6,689,500	6,752,400
Internet [6][10]	2,219,200	1,799,500
Telephony [7][10]	2,232,000	1,831,700
Total RGUs	11,140,700	10,383,600
Penetration		
Digital Cable as % of Total Video Subs [8]	32.7%	29.4%
Internet as % of Two-way Homes Passed [9]	18.2%	15.0%
Telephony as % of Two-way Homes Passed [9]	18.4%	15.2%
Customer relationships [10]		
Customer Relationships [11]	7,049,100	6,932,300
RGUs per Customer Relationship	1.58	1.50
Customer bundling		
Single-Play	67.9%	73.3%
Double-Play	6.2%	3.6%
Triple-Play	25.9%	23.1%

(1) Homes Passed are homes, residential multiple dwelling units or commercial 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 (RGU) is separately an Analog Cable Subscriber, Digital Cable Subscriber, Internet Subscriber or Telephony Subscriber. A home, residential multiple dwelling unit or commercial unit may contain one or more RGUs. For example, if a residential customer 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. We do not include subscriptions to mobile services in our externally reported RGU counts. In this regard, our December 31, 2012 RGU count excludes 132,400 postpaid subscriber identification module (SIM) cards in service.

(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. As discussed in further detail in note 5 below, Basic Digital Cable Subscribers are not included in our Digital Cable Subscriber count.

(5) Analog Cable Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our analog cable service over our broadband network. The Analog Cable Subscriber count also includes subscribers who may use a purchased set-top box or other non-verifiable means to receive our 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”). Our Basic Digital Cable Subscribers are attributable to the fact that our basic digital cable channels are not encrypted in our KabelBW footprint. Effective January 1, 2013, our basic digital cable channels are also unencrypted in our Unitymedia footprint.

(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. In our Unitymedia footprint, we offer a 128 Kbps wholesale internet service to housing associations on a bulk basis. As of December 31, 2012, our Internet Subscribers include approximately 6,500 subscribers within such housing associations who have requested and received a modem that enables the receipt of this 128 Kbps wholesale internet service.

(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.

(8) Digital cable penetration is calculated by dividing the number of digital cable RGUs by the total number of digital and analog cable RGUs.

(9) Internet and telephony penetration is calculated by dividing the number of internet and telephony RGUs by the number of two-way homes passed.

(10) Our business-to-business (B2B) revenue primarily is derived from small or home office (SOHO) subscribers that pay a premium price to receive enhanced service levels along with internet and telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. Effective January 1, 2012, we began including the SOHO subscribers in our RGU and Customer Relationship counts. With the exception of our B2B SOHO subscribers, we generally do not count customers of B2B services as customers or RGUs for external reporting purposes.

(11) Customer Relationships are the number of customers who receive at least one of our video, internet or telephony 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 generally will count as two Customer Relationships. We exclude mobile customers from 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 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 (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 in the merger. With effect from August 8, 2012 we changed our name to Unitymedia KabelBW GmbH (Unitymedia KabelBW).

On December 15, 2011, UPC Germany HoldCo 2 GmbH (UPC Germany HC2), a wholly-owned subsidiary of UPC Germany Holding B.V. (UPC Germany, Unitymedia KabelBW's immediate parent company), completed the LGI/KBW Transaction pursuant to which it acquired all of the outstanding shares of Kabel BW Musketeer GmbH (KBW Musketeer), the indirect parent company of Kabel BW GmbH (KBW), from Oskar Rakso S.àr.l. The acquisition was completed 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. The German Federal Cartel Office (FCO) conditioned its approval of the LGI/KBW Transaction upon the agreement of our company and KBW with several conditions primarily concerning certain agreements and relationships our company and KBW have 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.*"

As part of the 2012 Reorganization that was effected through a series of mergers and consolidations, KBW Musketeer and its immediate subsidiary, Kabel BW Erste Beteiligungs GmbH (Kabel BW), 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. In May 2012, the KBW Fold-in was completed, which resulted in the immediate parent company of UPC Germany HC1, UPC Germany Holdings GmbH (UPC Germany Holdings), becoming a direct subsidiary of Unitymedia Hessen GmbH & Co. KG (Unitymedia Hessen). As part of our continuing internal reorganization following the LGI/KBW Transaction and the subsequent KBW Fold-in, on August 24, 2012 Unitymedia Hessen sold its shares in UPC Germany Holdings to a newly formed subsidiary, UPC Germany NewCo GmbH (UPC Germany NewCo). In addition, each of the following mergers was registered in the commercial register (*Handelregister*) between August 29 and August 31, 2012: (i) UPC Germany Holdings was merged into UPC Germany NewCo; (ii) UPC Germany HC1 was merged into KBW; and (iii) Kabel Baden-Württemberg Verwaltungs-GmbH was merged into KBW.

We are registered with the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Cologne under number HRB 68501. Our principal business address is Aachener Strasse 746-750, 50933 Cologne, Germany. A copy of this annual report, our quarterly reports and our other releases are available on Unitymedia KabelBW's (www.umkbw.de) and Liberty Global's (www.lgi.com) websites. None of the information posted on either of these websites is incorporated into this annual report.

Products and Services

We currently provide digital and analog cable television and radio services, including premium digital cable services, to customers in the three federal states of North Rhine-Westphalia, Hesse and Baden-Württemberg, Germany. In addition, in the upgraded portion of our network coverage area (which covers 97% of our total network coverage area), we offer our customers access to triple-play services under the brands "Unitymedia" and "KabelBW" consisting of digital cable video, broadband internet and telephony. We also 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 offer our customers mobile voice and data services. Our goal is to further harmonize the product portfolios in our Unitymedia and KabelBW footprints in 2013.

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 (MDUs), 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, telephony and mobile services they purchase from us. Generally, the owner of a MDU 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 typically 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 our consolidated statements of operations and cash flows.

Video Business

We market our video services under the integrated "Unitymedia" brand in our Unitymedia footprint and under the integrated "Kabel BW" brand in our KabelBW footprint, 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 receivers, both including an electronic programming guide, and access to video-on-demand (VoD). In some circumstances, a subscriber may use a common interface plus (CI+) module in combination with a smart card to access our encrypted digital services. A CI+ module is a small device that allows customers with a 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. No set-top box, CI+ module or smart card is, however, required to receive basic digital services in our KabelBW footprint and, beginning in January 2013, in the Unitymedia footprint because our basic digital services are unencrypted in these regions. Our network passes 12.6 million homes or 75% of all households in North Rhine-Westphalia, Hesse and Baden-Württemberg.

There are 2.2 million RGUs that subscribe to our digital products and 4.5 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, 2012, the percentage of our overall video subscribers that subscribed to our digital products was 32.7%, compared to 29.4% as of December 31, 2011. Prior to January 1, 2013, our basic digital television channels were unencrypted in our KabelBW footprint and, effective January 1, 2013, are also unencrypted in our Unitymedia footprint. Subscribers with the necessary equipment and who pay the monthly subscription fee for our analog package are able to watch our basic digital television channels. As of December 31, 2012, 16.4% of our video base subscribed to premium digital cable services.

Due to the expected impacts of, among other matters: (i) the ongoing negotiations related to the special termination right granted with respect to certain of our access agreements with our largest housing associations and (ii) the scheduled expiration of contracts for certain of our residential subscribers and housing associations, our analog cable RGU losses during 2013 and over the next few years have the potential to be higher than current levels. For information concerning the special termination right, see "*Regulatory — LGI/KBW Transaction Imposed Conditions.*"

Basic and Digital Cable Services

In September 2012, we aligned the basic video pricing for our analog and digital cable services in single dwelling units throughout the Unitymedia and KabelBW footprints. Our basic digital cable product in the Unitymedia footprint, "Digital TV BASIC," offers an entry level digital cable product with over 70 digital channels, including the analog simulcast, and over 70 radio channels. Our basic analog package in the Unitymedia footprint consists of up to 34 television channels and up to 33 radio channels. Digital TV BASIC also provides access to VoD and HD content from public broadcasters. Three public HD channels are currently included in our Digital TV BASIC product. Our basic cable product in the KabelBW footprint offers over 100 digital channels (including five HD channels), up to 41 analog channels, over 90 digital radio channels and more than 36 analog radio channels. We regularly update our basic cable program offerings to reflect changes in viewer interest.

Premium Digital Cable Services

Unitymedia Footprint. Our premium digital cable services include premium HD channel offerings, VoD, 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 (currently 13 channels from private broadcasters including key channels from ProSiebenSat.1 Media AG (ProSiebenSAT.1) and Mediengruppe RTL Deutschland (RTL) and 3 HD channels from public broadcasters) that our digital video customers can subscribe to for an additional monthly fee if they have a suitable HD capable device. We also offer our interactive HD DVR, which customers can either purchase or rent for an additional monthly fee or as part of a triple-play bundle at a discount. In addition, to further fuel the digital conversion, we offer a HD interactive set-top box without DVR functionality and a CI+ module and smartcard that allows those video households with an enabled HD television set to watch digital or HD content without a separate set-top box. Both can be purchased or rented for an additional monthly subscription fee and a one-time activation fee. Our HD DVR and HD interactive receivers provide access to our VoD offering that we launched during the second quarter of 2012 and includes over 4,000 titles of on-demand content that can be watched on a per-view basis.

We offer two premium content packages, which can be ordered individually or bundled at discounted rates within our triple-play offerings. Digital TV HIGHLIGHTS offers 17 film, series, documentary, children and music channels. Digital TV ALLSTARS contains 54 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, bringing the number of HD channels for these subscribers to 25 and 37, respectively. Our video customers may also subscribe to premium standard definition (SD) and HD content offered by Sky Deutschland AG (Sky Deutschland) through a smart card on our network. In total, we currently offer 48 HD channels (including 16 Sky Deutschland HD channels) in our Unitymedia footprint, including free-to-air and premium channels by public and commercial broadcasters. For more details regarding our arrangement with Sky Deutschland, see "— *Material Contracts — Other Significant Supply Agreements — Sky Deutschland*."

We also offer digital foreign language packages under the name "Digital TV INTERNATIONAL." 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) with over 50 channels.

KabelBW Footprint. Our premium digital cable services include HD channel offerings, DVR functionality, VoD, which currently offers over 2,500 titles, and premium subscription programming that we assemble into packages. In February 2012, we launched a CI+ module that allows those video households in our KabelBW footprint with an enabled HD television set to watch premium digital or HD content without a separate set-top box. We rent or sell to our basic cable subscribers HD DVR set-top boxes, HD interactive set-top boxes and CI+ modules so they can access these premium digital cable services.

During 2012, certain of KabelBW's premium subscription packages were harmonized with the packages we offer in the Unitymedia footprint. KabelBW's Digital TV HIGHLIGHTS offers 14 film, series, documentary, children and music channels. KabelBW's 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 the HD option for an additional monthly fee, bringing the number of HD channels for these subscribers to 22 and 31, respectively. Our video customers may also subscribe to premium SD and HD content offered by Sky Deutschland through a smart card on our network. In total, we currently offer 46 HD channels (including 17 Sky Deutschland HD channels) in our KabelBW footprint, including free-to-air and premium channels by public and commercial broadcasters. 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 "DigitalTV INTERNATIONAL." DigitalTV 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. Further to the combined bundle with Sky Deutschland, it is also possible to order "CleverFlat Entertainment + Sky" in combination with either DigitalTV ALLSTARS, DigitalTV HIGHLIGHTS plus HD-Option or DigitalTV INTERNATIONAL. Similar extended bundled offers with Sky Deutschland are planned for our Unitymedia footprint in 2013.

Horizon TV. We plan to introduce a next generation set-top box platform, which we refer to as "Horizon TV," during 2013. Horizon TV, which was launched by Liberty Global in its Dutch and Swiss operations in September 2012 and January 2013, respectively, is a family of media products that allows customers to view and share content across the television, computer, tablet and smartphone. Horizon TV is powered by a user interface that provides customers a seamless intuitive way to access linear, time-shifted, on-demand and web-based content on the television. It also features an advanced set-top box that delivers not only video, but also internet and voice connections along with a wireless network for the home. For our Horizon TV customers, we also plan to offer applications for various services.

Our Customers. We divide our basic cable subscribers into two specific market segments: residential subscribers in single-dwelling units (SDUs) and subscribers in 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, video subscription fees are paid by housing or condominium associations, administrators, landlords and 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. Nearly two-thirds of our video RGUs 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 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 typically 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 other providers or 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, we agreed to grant early termination rights on certain agreements that we have with the largest housing associations and which had a remaining term of more than three years as of December 15, 2011. For additional information concerning the commitments we made to regulators in connection with the LGI/KBW Transaction, see "*Matters—LGI/KBW Transaction Imposed Conditions*" below.

The FCO is investigating customary practices regarding the duration of contracts with MDUs for analog television services. The FCO had previously identified one such contract between our company and a landlord as potentially being subject to amendment by order. The FCO indicated that the contract term of 10 years may be an infringement of European and German antitrust laws and that it is inclined to open a test case that could set a precedent for all (or almost all) market participants. If the FCO does issue an order requiring amendment, it could have application beyond one contract or could have broader application in the industry, or it could be limited to the single contract.

Cable Service and Subscription Fees. Subscribers in SDUs to either our analog or basic digital access products are charged a monthly subscription 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 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. We also charge one-time activation fees for premium boxes, such as our HD DVR.

Broadband Internet

We provide broadband internet services on a retail and a wholesale basis to 2.2 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 homes passed.

We market our broadband internet services through a product portfolio under the brand name "Unitymedia" in the Unitymedia footprint and under the brand name "Kabel BW" in the KabelBW footprint, with particular focus on our bundled double-play and triple-play offerings. We currently provide broadband internet services to our customers at a download speed of up to 150 Mbps in our Unitymedia footprint and up to 100 Mbps in our KabelBW footprint, in each case, without any time or data volume restrictions. Customers can choose between different packages, each of which includes our broadband internet access. Our current core products in both footprints offer a speed of 50 Mbps. We offer broadband internet services on a standalone basis, a double-play option that bundles our broadband internet services with telephony access with a flat rate to national landlines, and a triple-play option that bundles our broadband internet services with telephony access with flat rate national landline and certain digital video products, including certain premium subscriptions. We provide wholesale internet access services in the Unitymedia footprint 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 in addition to our video offering 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 use our cable modems 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 also market and sell broadband internet and/or telephony services separately from our video products. In addition to monthly subscription fees, subscribers pay an activation fee as well as an installation fee upon subscribing to one of these products. In certain cases, these one-time charges are waived for promotional reasons. Currently, we also offer certain promotional campaigns for new subscribers to our bundled broadband offerings, granting either certain free months of service (in the Unitymedia footprint) or a one-time credit (in the KabelBW footprint). We may prolong or extend these promotional services.

We also offer additional services included with our broadband internet bundled packages, including an internet security package consisting of anti-virus, anti-spyware, firewall, spam protection and a child-proof lock, and other value-added services, such as a download booster, 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 2.2 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 3play 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 add additional options 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 (in our Unitymedia footprint) and 75 (in our KabelBW footprint) countries for a monthly subscription fee. We further provide an incremental option for our telephony subscribers, which includes 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 certain large 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 video subscribers. We also carry the HD free-to-air channels from the commercial broadcaster groups ProSiebenSAT.1 and RTL on our network as well as certain premium HD content from national and international commercial broadcasters, and our digital cable customers that have a suitable HD DVR, HD set-top box or CI+ module can watch the respective content in HD when subscribing to any of these premium HD packages. We invoice the carriage fees directly to all broadcasters. Certain of the incremental fees for our free-to-air HD content as part of our HD option received from our subscribers are shared with the commercial broadcasters. Prior to January 1, 2013, we also maintained feed-in arrangements with the two German public broadcasters (Arbeitsgemeinschaft der Öffentlich-Rechtlichen Rundfunkanstalten der Bundesrepublik Deutschland (ARD) and Zweites Deutsches Fernsehen (ZDF)). During 2012, ARD and ZDF sent us notices purporting to terminate the feed-in agreements at the end of 2012 and announced that they do not intend to pay any feed-in fees after January 1, 2013. For more information about a claim we filed against ARD and ZDF, see "*-Material Contracts-Other Significant Supply Agreements-Feed-in Agreements*." Our carriage fee revenue is subject to these purportedly terminated contracts and to contracts that expire or are otherwise terminable by either party at various dates ranging from 2013 through 2017. The aggregate amount of our carriage fee revenue represents approximately 6% of our total revenue during the three months ended December 31, 2012. Furthermore, approximately 20% of our carriage fee revenue during the three months ended December 31, 2012 relates to the ARD and ZDF contracts for which we received termination notices effective December 31, 2012. No assurance can be given that any of our carriage fee contracts will be renewed or extended on financially equivalent terms, or at all. In addition, our ability to increase the aggregate carriage fees that we receive for each channel is limited by certain commitments we made to regulators in connection with the LGI/KBW Transaction. For more information regarding our feed-in agreements, see "*—Material Contracts—Other Significant Supply Agreements—Feed-in Agreements.*"

Business Services

Beginning in early 2011, we started offering broadband internet and telephony services for B2B customers, targeting the SOHO and, to a lesser extent, medium-sized business segments in the market. These products are similar to our broadband residential offerings, but include 32 Mbps to 128 Mbps high-speed internet connection and fixed-line telephony services in our Unitymedia footprint and 25 Mbps to 100 Mbps in our KabelBW footprint. Our product offerings to B2B customers are characterized by additional features, such as static IP addresses, higher upload speeds, more extensive customer service and a premium pricing structure. In addition, in certain cases we offer individual B2B solutions via direct fiber with ultra-high broadband speeds of up to 10 Gpbs. In 2013, we introduced mobile data and voice services for B2B customers.

Mobile

We launched mobile telephony services in our KabelBW footprint in November 2010 and in our Unitymedia footprint in December 2011. In each footprint, the mobile service is provided over the wireless network of mobile phone operator Telefónica Germany. Mobile services are presently offered in both our footprints as an option to our customers who subscribe to a double-play or triple-play bundle. These services are also offered, to a lesser extent, on a standalone basis to customers that live in our network footprint. Each household in our footprint can order up to five SIM cards. In November 2012, the mobile data and voice services were harmonized in the Unitymedia and KabelBW footprints.

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 for certain unlimited calls and, in certain subscription packages, include limited (or capped) mobile internet surfing with a smart phone and/or flat-rate voice calls to all German mobile and fixed networks. We also typically charge a one-time activation fee to our customers for each SIM card. 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 believe consumer awareness underpins our sales to direct subscribers.

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, Hesse and Baden Württemberg.

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. In addition, we have over 160 exclusive Unitymedia stores and partner shops in several cities in our Unitymedia footprint and nearly 100 exclusive KabelBW stores and partner shops in our KabelBW footprint, both 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 have cooperation arrangements in place with certain mega-retailers as well as Mobilcom-debitel GmbH, a German telecom reseller belonging to Freenet AG, offering our products in their shops in North Rhine-Westphalia, Hesse and Baden-Württemberg, increasing our total German retail presence to over 2,000 point of sales. We also develop partnerships with construction companies and municipalities 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, Heidelberg, Kerpen, Marburg and Villingen-Schwenningen with over 640 customer service agents, supplemented by outsourced call-center capacity of several hundred full-time equivalents. We have entered into an agreement to transfer our Marburg customer service center to an external provider as part of the outsourcing of certain of our call center capacity. For further information see "*— Material Contracts — Call Centers and Customer Services*" below. Our customer service agents are skilled in multiple areas, including marketing campaigns and customer care for a variety of products and technical service. 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.

Our Network

Our network passes 12.6 million homes, or 75% of the households, in the German federal states of North Rhine-Westphalia, Hesse and Baden-Württemberg. Our network utilizes the hybrid fiber coaxial cable and consists of approximately 215,000 kilometers of coaxial cable and approximately 6,000 kilometers of fiber cable. Average annual network availability of our network and product platforms is high, at over 99.9% for both 2012 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. Of our homes passed, 97% are served by a two-way upgraded network with full bi-directional capability, based on EuroDOCSIS 3.0 technology, over a 862 MHz band. 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.

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. 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 (86%) or housed in cable ducts (14%). 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 109,000 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, Vattenfall Europe AG (Vattenfall) and MVV Energie AG. 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. During 2012, certain energy supplies for outdoor amplifiers served by Deutsche Telekom were moved to Vattenfall. For a description of our agreements with Deutsche Telekom, see "—*Material Contracts—Material Supply Contracts.*"

Competition

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 are focused on continuing to convert analog cable subscribers to digital and on selling such customers our premium digital cable services, such as premium channels, premium HD channels, DVR and VoD, as well as broadband internet and telephony services, which generate significantly higher recurring revenue than our basic cable video services. We believe that the provision of premium and advanced services, either on a standalone basis or together in our product bundles, is a key driver of revenue growth and strengthens customer loyalty. Through our partnership with Telefónica Germany we also offer mobile services.

Video Business Market

The German television market is the largest in Europe, with approximately 38.0 million television homes as of June 30, 2012, and a combined cable, satellite and terrestrial penetration rate of approximately 94% based on approximately 40.4 million households. (Source: German Digitization Report and Federal Statistical Office of Germany, 2012). 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. However, as discussed above under "—*Products and Services—Carriage Fees*," during 2012, public broadcasters have sought to terminate existing carriage fee arrangements and indicated that they expect that their signals will continue to be distributed beyond 2012 over cable operators' networks based on existing must carry regulations. 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 North Rhine-Westphalia, Hesse and Baden-Württemberg. Our video cable service competes directly with a wide range of providers, including:

- traditional over-the-air broadcast television services;
- direct-to-home satellite (DTH) 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 the German Digitization Report, as of June 30, 2012: 48% of German television homes used cable as their primary means for receiving television signals; satellite was used by 46% of German television homes; terrestrial transmission systems were used in 13% 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.

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 premium 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 very high bit rate digital subscriber lines (VDSL) or fiber-based bandwidth wireline capacity is not available with its existing network to broadcast linear content via IPTV. 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 for consumers, 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 (DVB-T). Another television delivery medium is DVB-T, which is available primarily in metropolitan areas. Currently, the number of television channels that are transmitted via DVB-T in most areas in our footprint is limited to up to 24 (12 channels 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 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 ARD and 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. RTL has announced that it intends to cease its DVB-T distribution in Germany by the end of 2014. 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 and also offers a VoD service. Deutsche Telekom has reported 2.0 million video subscribers as of December 31, 2012, and has announced plans to target a total of 5 million customers with its IPTV services by 2015. Vodafone D2 GmbH (Vodafone) is the second largest IPTV provider in Germany reporting 150,000 subscribers as of December 31, 2012 according to a press interview, followed by Telefónica Germany, with 57,000 reported subscribers as of December 31, 2012. 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 and is rolling out or plans to roll-out FTTH in 29 smaller cities. We believe this will allow Deutsche Telekom to offer IPTV services (including HD channels) to 48% of the homes passed by our network. This penetration compares to the 36% VDSL coverage in Germany that Deutsche Telekom reported as of September 30, 2012. We believe that Deutsche Telekom will focus more on IPTV in the next few years and we expect that it may double its VDSL footprint by the end of 2015. We also believe that Deutsche Telekom could distribute IPTV to another estimated 25% of our homes passed via asymmetric digital subscriber line 2+ (ADSL2+), 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 Sky Deutschland's Sky Anytime, 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.

Cable. Cable television is the most commonly used transmission medium for television services in Germany, with a penetration rate of approximately 48% of households as of June 2012 (Source: German Digitization Report, 2012). Approximately 70% of German households are passed by cable networks as of December 31, 2012. 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 face competition for housing association contracts from housing associations, municipal carriers, telecommunication operators 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, including certain of our video subscribers. In addition, in August 2012 Deutsche Telekom agreed with a Professional Operator to provide its services to approximately 33,000 units in Hannover and surroundings (not in our footprint) beginning in April 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 strengthen our competitive position, we have enhanced our digital service with DVR functionality and HD services and we offer CI+ modules as an alternative to set-top boxes when used with a smart card. In 2012, we increased the number of HD channels available to up to 46 channels and realigned pricing for our bundled options. In addition, we expanded our VoD services (including catch-up television). Mobile voice and data service is also available. The bundle options allow subscribers to select various combinations of services to meet their needs. Promotional discounts are typically available to new subscribers. Also, we plan to launch Horizon TV during 2013.

Broadband Internet Market

Germany is the largest internet market in Europe with an estimated 27.7 million fixed-line broadband internet subscribers as of September 2012; compared to 23.5 million in France and 21.7 million in the UK (Source: Analysys Mason). Access lines with speeds higher than 1 Mbps 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. 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 12.4 million broadband internet subscribers as of December 31, 2012. We estimate that Deutsche Telekom is able to offer its high-speed product with up to 50 Mbps internet speed to 48% of the homes passed by our network, but is expected to increase this level over time, in particular with respect to its VDSL footprint. On December 21, 2012, Deutsche Telekom filed an application with the Federal Network Agency aiming to obtain a release from general access regulation to the unbundled local loop in order to introduce vectoring technology to increase its broadband speeds to up to 100 Mbps for download and 40 Mbps for upload. In the event that Deutsche Telekom is successful and is able to introduce vectoring technology, the competitiveness of Deutsche Telekom and other competitors using this vectoring technology (via bit stream access agreements) will increase. 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 (LTE) network rollouts in 2012 which are expected to continue during 2013 and beyond. Alternative technologies for internet access may develop and become competitive alternatives, as well. Vodafone, for example, seems to focus more on LTE-based product offerings than fixed-line triple-play offerings. Accordingly, we will continue to face additional competition and 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 at least 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 and online back-up solutions.

Telephony Market

Fixed-line Phone. Deutsche Telekom dominates the fixed-line phone market with 22.4 million subscribers as of December 31, 2012. 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 telephony 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 is 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. 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 MVNOs 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 mobilcom-debitel currently being the largest service provider. Discounters and large retailers have also entered the market in cooperation with mobile operators and offer mobile voice and data services under their own brands. 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 2011, we began to actively offer specific products to meet the broadband internet and fixed-line phone needs of SOHO and medium-sized enterprises. In our view, our main competitors in this business area include Deutsche Telekom, Vodafone, BT (Germany) GmbH & Co. OHG, Verizon Deutschland GmbH, Colt Telecom GmbH, Telefónica Germany, QSC AG, Versatel AG and NetCologne. In addition to our residential offerings, these product offerings include premium customer care hotline services and several value-added services such as higher upload speeds and static internet protocol services.

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 has a year-to-year term, subject to termination by either party at the end of such year. 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), subject to certain minimum commitments. Our agreements with VG Media and RTL require us to pay an annual fee equal to 1.0% in the aggregate (0.64% for VG Media and 0.36% for RTL) of our basic cable service revenue (as defined in the agreements with VG Media and RTL and similar to the definition in the GEMA agreement), subject to minimum annual commitments. The VG Media agreement expires in 2014 and the RTL agreement expires in 2015.

In addition, GEMA may demand fees under the German Act on Copyright and Related Rights regarding the distribution of our premium subscription service. 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 current 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 had 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 and that the FCO is inclined to open a test case that could set a precedent for all market participants. 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 or a potential test case 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 and financial condition.

Deutsche Telekom Litigation. On December 28, 2012, we filed a lawsuit against Telekom Deutschland GmbH, an operating subsidiary of Deutsche Telekom, in which we assert that we pay excessive prices for the co-use of Deutsche Telekom's cable ducts in our footprint. The Federal Network Agency approved rates for the co-use of certain ducts of Telekom Deutschland GmbH in March 2011. Based in part on these approved rates, we are seeking a reduction of the annual lease fee (approximately €76 million for 2012) by approximately two-thirds and the return of similarly calculated overpayments from 2009 through the ultimate settlement date, plus accrued interest. The resolution of this matter may take several years and no assurance can be given that our claims will be successful.

Rovi Corporation. In December 2009, Kabel BW received a cease and desist letter from Rovi Corporation (Rovi), a United States company, claiming that the electronic program guide (EPG) Kabel BW provides to its customers infringes on patents held by Gemstar TV Guide International, Inc., an affiliate of Rovi. Rovi demanded that Kabel BW disable the EPGs and claimed that NDS Technologies France SAS, Kabel BW's 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 Kabel BW that asserted that Rovi holds a number of patents registered in Europe with respect to certain functions of the EPG. On December 18, 2012, Rovi and UPC Broadband Holding B.V., an affiliate of Kabel BW, entered into an amendment agreement to settle all potential claims of Rovi against Kabel BW and to regulate our future license arrangements with Rovi.

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 our company by a Professional Operator in our KabelBW footprint. 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 in our KabelBW footprint. While we believe these allegations to be false and intend to defend our company and our business practices vigorously, we can provide no assurances regarding the findings of the Ministry of Economy. If they find certain of these 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 the amount accrued.

MATERIAL CONTRACTS

The agreements described below are of material importance to us or one of our operating subsidiaries as of December 31, 2012. Agreements entered into in the ordinary course of business are not described. For a description of our material financing agreements, see "*Description of 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 this annual report.

Material Supply Contracts

Unitymedia's 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 GmbH (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. 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 EU-IFRS, we treat these leases as operating rather than finance leases.

The Kabel BW Group's Agreements with Deutsche Telekom. In July 2003, Kabel BW 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 Kabel BW's cable network as well as for fiber optic transmission capacity, tower and facility space and for other services. In addition, Kabel BW purchases a portion of the electricity required for the operation of its 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 Kabel BW's 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 Kabel BW's cables without replacing the ducts, it may terminate Kabel BW's 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, Kabel BW 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 information on a legal action that we commenced against Deutsche Telekom in December 2012 regarding these agreements, see "—*Legal Proceedings.*"

Other Significant Supply Agreements

Sky Deutschland. On April 10, 2012, we entered into a new agreement with Sky Deutschland concerning the feed-in and marketing of Sky Deutschland's services, including its premium packages, VoD and pay-per-view services ("Sky Anytime"). This new distribution agreement replaced the previous agreements our company had with Sky Deutschland. The agreement has a term until December 31, 2015. We agreed to market Sky Deutschland's packages on a standalone basis or in bundled offers together with our services, based on a shared customer relationship. We have also agreed that we can market Sky Deutschland's premium packages such as the Bundesliga (German premier soccer league) in a bundle with our pay-TV packages. 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. As compensation for our services rendered to Sky Deutschland (including feed-in and distribution), we receive both fixed service fees per subscriber and a share of the revenue Sky Deutschland receives from the customers. In September 2012, we started to bundle Sky Deutschland's premium content with our own pay-TV packages and actively offer those bundles to existing and new subscribers in our Unitymedia footprint.

Feed-in Agreements. We have entered into numerous feed-in agreements with public and commercial broadcasters for the analog and/or digital nonpay and pay carriage of their signals. The most important feed-in agreements are with RTL and ProSiebenSat.1, and, prior to December 31, 2012, the public broadcasters (ARD and ZDF). The feed-in agreements with the commercial broadcasters have terms ranging from 2013 to 2017 and include distribution of HD channels and, to a certain extent, cooperation arrangements with respect to premium channels and VoD services. Revenue from feed-in agreements accounted for approximately 6% of our revenue during the three months ended December 31, 2012. During 2012, ARD and ZDF sent our company notices purporting to terminate the feed-in agreements at the end of 2012. ARD and ZDF also announced that they do not intend to pay any feed-in fees after January 1, 2013 and that they expect that their signals will continue to be distributed over our networks based on existing must carry regulations, which apply to the majority of their TV and radio channels. We have rejected the termination notices and are seeking to negotiate with ARD and ZDF to find an amicable solution. In December 2012, we filed a claim against ARD and ZDF and intend to vigorously defend our existing business model regarding the feed-in of content and related use of capacity in our network. In addition, some private broadcasters are seeking to change the distribution model to eliminate the payment of carriage fees and instead require that cable operators pay license fees to broadcasters.

Bulk Agreements. Nearly two-thirds of our basic cable video RGUs reside in MDUs that are subject to bulk agreements with landlords, housing associations or with Professional Operators, and the top 20 bulk agreements accounted for approximately 6% of our total revenue (including estimated amounts billed directly by our company to the building occupants for premium digital cable, broadband internet and telephony services) during the three months ended December 31, 2012. For these customers, our contractual relationship is with a landlord, local housing association or Professional Operator, many of which own or represent multiple buildings that house a large number of customers. In some cases, the bulk agreements allow us to sell digital video (including our premium digital cable services), broadband internet and telephony services directly to individual tenants. Our bulk agreements are, to a significant extent, medium and long-term contracts, although certain of these agreements are scheduled to expire as early as 2013. In addition, in connection with the LGI/KBW Transaction, we agreed to grant early termination rights on certain agreements that our company has with the largest housing associations and which have a remaining term of more than three years. For additional information concerning the commitments our company 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 B.V. (UPC Holding). These related-party transactions are reflected in operating expenses, allocated stock-based compensation expense, fees and allocations, net, interest expense, interest income and other income (expense), net in the Unitymedia KabelBW Consolidated Financial Statements. For additional information, see note 16 to our consolidated financial statements included in Part II of this report.

Operating Expenses

Related-party operating expenses represent certain charges from other Liberty Global subsidiaries, including charges that originate with 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. We recorded related-party operating expenses of €12.1 million during the year ended December 31, 2012.

Allocated Stock-Based Compensation

Liberty Global allocates stock-based compensation to us associated with the Liberty Global stock incentive awards held by certain employees of our subsidiaries. We recorded allocated stock-based compensation of €1.1 million during the year ended December 31, 2012.

Fees and Allocations

Related-party fees and allocations 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. We recorded fees and allocations, net, of €53.7 million during the year ended December 31, 2012.

In addition, in December 2012, UPC Operations B.V., a subsidiary of UPC Holding, entered into a sub-license license agreement with UPC Germany and UPC Germany, in turn, entered into a sub-license agreement with Unitymedia KabelBW for the use the UPC trademark through April 2, 2017. The sub-license agreement between UPC Germany and Unitymedia KabelBW was effective April 2, 2012 (the date of initial commercial use by Unitymedia KabelBW) and provides for an annual fee for the use of the UPC trademark equal to 0.5% of Unitymedia KabelBW's revenue (as defined in the sub-license agreement). A fee of €5.0 million for the period from April 2, 2012 through December 31, 2012 was recorded during 2012. Sub-license fees are payable quarterly and are to be loan settled unless otherwise determined by UPC Germany.

Interest Expense

Related-party interest expense relates to: (i) our 2010 Shareholder Loans and 2012 Shareholder Loan to UPC Germany and (ii) our loan with Unitymedia International GmbH (UMI). Accrued interest is transferred to the respective loan balance annually on January 1 for the 2010 Shareholder Loans and the 2012 Shareholder Loan. For the loan with UMI, accrued interest may be, at the option of UMI, (a) transferred to the loan balance annually on January 1 or (b) repaid on the last day of each month and on the date of principal repayments. For additional information, see note 13 to our consolidated financial statements included in Part II of this annual report. We recorded related-party interest expense of €98.1 million during the year ended December 31, 2012.

Share of Associate Gain

Share of associate gain relates to the gain received from the investment in UMI, as discussed below. We recorded share of associated gain of €3.3 million during the year ended December 31, 2012.

Interest Income

Related-party interest income relates to the UPC Germany Loan Receivable, as discussed below. We recorded related-party interest income of €1.7 million during the year ended December 31, 2012.

Property and Equipment Additions

Related-party property and equipment additions represent our additions of customer premises and network-related equipment acquired from other Liberty Global subsidiaries, including UPC Holding. We recorded €22.1 million of these property and equipment additions during the year ended December 31, 2012.

UPC Germany Loan Receivable

We have a loan receivable with UPC Germany in the amount of €168.7 million. We can require the repayment of all or part of the amount outstanding pursuant to this loan agreement within five-days of providing notice to UPC Germany. Amounts loaned to UPC Germany pursuant to this agreement are subject to certain restrictions contained in the instruments governing Unitymedia KabelBW's indebtedness. The interest rate on this loan, which is subject to adjustment, was 2.22% as of December 31, 2012. The net increase in the UPC Germany Loan Receivable during 2012 includes (i) cash loaned of €1,248.8 million, (ii) cash received of €1,074.7 million, (iii) a €60.1 million non-cash decrease related to the settlement of amounts due under the 2010 Shareholder Loans, (iv) €1.3 million of accrued interest on the loan receivable and (v) individually insignificant net non-cash decreases of €0.6 million.

Investment in Associate

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, all of the revenue of UMI is derived from 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 to UPC Germany

We have various shareholder loans to UPC Germany: (i) the 2010 Shareholder Loans and (ii) the 2012 Shareholder Loan.

2010 Shareholder Loans. The 2010 Shareholder Loans resulted 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 and accrued interest (collectively €75.7 million at December 31, 2012) outstanding under these loans is due and payable on January 1, 2030. The amounts outstanding under these loans bear interest at a weighted-average rate of 8.125% per annum. Accrued interest is transferred to the loan balances annually on January 1. The net increase in the principal amount of these loans during 2012 includes: (a) cash borrowings of €856.8 million, (b) cash payments of €838.4 million, (c) the conversion of €92.6 million to equity, (d) a €60.1 million non-cash decrease related to settlements against amounts outstanding pursuant to the UPC Germany Loan Receivable (as defined and described in note 16), (e) the transfer of €13.9 million in non-cash accrued interest to the loan balance and (f) a non-cash increase of €11.6 million related to the settlement of related-party payables.

2012 Shareholder Loan. The 2012 Shareholder Loan resulted from a loan issued to UPC Germany in consideration for all outstanding shares of UPC Germany Holdings transferred in connection with the KBW Fold-in. All principal and accrued interest (collectively €1,309.7 million at December 31, 2012) outstanding under this loan is due and payable on December 31, 2025. Interest accrues on the principal balance at 9.625% per annum, is subject to adjustment annually and will be transferred to the loan balance on January 1 of each year. Amounts outstanding may be converted to equity at the option of UPC Germany.

Loan Payable to UMI

We have a subordinated loan payable to UMI, an entity that is consolidated by UPC Holding, as further described above. All principal (€11.4 million at December 31, 2012) outstanding under this loan is due and payable on December 31, 2025. The principal amount outstanding under this loan bears interest at an agreed upon rate that is subject to adjustment (10.000% per annum at December 31, 2012). Accrued interest (€1.0 million at December 31, 2012) may be, at the option of UMI, (i) transferred to the loan balance annually on January 1 or (ii) repaid on the last day of each month and on the date of principal repayments. The fair value of this loan is not subject to reasonable estimation due to the related-party nature of the loan.

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 "*Business — Intellectual Property*."

Call Centers and Customer Services

On December 31, 2012, we transferred our Marburg customer service center to an external service provider as part of the outsourcing of our call center capacity. In conjunction with the transfer, we entered into long-term agreements with this external service provider to provide certain of our call center and customer service capacity. To a certain extent, we will rely on these services with respect to customer care following the sale of our Marburg call center.

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 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. Implementation of these revisions were carried out in May 2012. Generally, the changes to the Regulatory Framework are limited. 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. There are also 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.

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 European 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. Pursuant to the regulatory practice of the Federal Network Agency, fees we charge in this market were so far subject to ex-post regulation. In addition, certain transparency and nondiscrimination requirements applied. On July 6, 2012, the Federal Network Agency informed us that they initiated a procedure against us to introduce ex-ante price regulation for the termination of inbound calls, but, on September 12, 2012, we received written notice from the Federal Network Agency informing us that they will no longer pursue a preliminary ex-ante price regulation. We do, however, expect the Federal Network Agency to issue a comprehensive regulatory order in the middle of 2013, under which our tariffs for call termination on our network will likely become subject to an ex-ante approval requirement.

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. 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 Telecommunications Act which entered into force in May 2012, the legislature refrained from imposing any detailed net neutrality regulation. However, pursuant to a new section of the German Telecommunications 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

The LGI/KBW Transaction was subject to the approval of the FCO in Germany, which approval was received in December 2011, upon final agreement of certain commitments we made to address the competition concerns of the FCO, as outlined below:

- We committed to the distribution of basic digital television channels (as opposed to channels marketed in premium subscription packages) on our entire network in unencrypted form commencing January 1, 2013. This commitment generally covers free-to-air television channels in SD and HD and is consistent with the practice that had been adopted by KBW prior to the LGI/KBW Transaction. 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, we made a commitment that, through December 31, 2016, the annual carriage fees we receive 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 our applicable rate card systems as of January 1, 2012;
- Effective January 1, 2012, we waived exclusivity rights in access agreements with housing associations with respect to the usage of infrastructures other than our in-building distribution networks 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, we will transfer the ownership rights to the in-building distribution network to the building owner or other party granting access. In addition, we waived the rights to remove in-building distribution networks; and
- A special early termination right was granted with respect to certain of our existing access agreements (the Remedy HA 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 Remedy HA Agreements was approximately 340,000 as of December 15, 2011. 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 for unamortized investments in modernizing the in-building network based on an agreed formula. To the extent we are successful in obtaining renewals of the Remedy HA Agreements, we expect that these renewed contracts will contain pricing and other provisions that are somewhat less favorable to our company than those in previous agreements. At December 31, 2012, approximately 40% of the dwelling units covered by the Remedy HA Agreements remain subject to the special termination right.

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 we 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.

The FCO is investigating customary practices regarding the duration of contracts with MDUs for analog television services, including with respect to one such contract that the FCO had previously identified between our company and a landlord as potentially being subject to amendment by order. The FCO indicated that the contract term of 10 years may be an infringement of European and German antitrust laws and that it is inclined to open a test case that could set a precedent for all (or almost all) market participants. We cannot predict the outcome of these FCO proceedings, however, any FCO decision that would limit the duration of our contracts with MDUs could have a material adverse impact on the financial condition and results of operations of our company.

DESCRIPTION OF INDEBTEDNESS

Set forth below is a summary of our outstanding indebtedness as of December 31, 2012, and of the material terms of the agreements and arrangements governing such indebtedness as of such date. For information concerning a financing transaction completed subsequent to December 31, 2012, see note 19 to our consolidated financial statements included in Part II of this report. The capitalized terms used but not defined below have been defined in the notes to our consolidated financial statements included in Part II of this annual report.

Introduction

Unitymedia KabelBW Notes and KBW Notes

Unitymedia KabelBW Exchange, Special Optional Redemptions, and KBW Fold-in. In March 2011, certain members of the Kabel BW Group issued the KBW Notes, the net proceeds from which were primarily used to repay the Kabel BW Group's then existing debt and to settle the interest rate swap contracts associated with the bank loans (the March 2011 Kabel BW Refinancing). The KBW Notes consisted of (i) UPC Germany HC1's €680.0 million principal amount of 9.5% senior notes due 2021 (the KBW Senior Notes) and (ii) KBW's (a) €800.0 million principal amount of 7.5% senior secured notes due 2019 (the KBW Euro Senior Secured Notes), (b) $500.0 million (€378.9 million) principal amount of 7.5% senior secured notes due 2019 (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 due 2018 (the KBW Senior Secured Floating Rate Notes and together with the KBW Senior Secured Fixed Rate Notes, the KBW Senior Secured Notes).

In May 2012, we completed (i) the exchange (the Unitymedia KabelBW Exchange) of (a) 90.9% of the outstanding principal amount of the KBW Senior Notes for an equal amount of UM Senior Exchange Notes (as defined and described below) and (b) 92.5% of the outstanding principal amount of the KBW Senior Secured Notes for an equal amount of UM Senior Secured Exchange Notes (as defined and described below), (ii) the redemption (the Special Optional Redemptions) of the remaining KBW Notes that were not exchanged pursuant to the Unitymedia KabelBW Exchange and (iii) 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 initially funded with borrowings under the Unitymedia KabelBW Revolving Credit Facility and the New Unitymedia KabelBW Revolving Credit Facility, each as defined and described below. In connection with these transactions, we recognized a loss of €1.1 million representing the difference between the carrying value and redemption price of the debt redeemed pursuant to the Special Optional Redemptions and portions of the notional amounts of the derivative instruments that were originally entered into by the Kabel BW Group in connection with the March 2011 Kabel BW Refinancing were transferred to Unitymedia Hessen and the remaining notional amounts were canceled.

The details of (i) the Unitymedia KabelBW Exchange and (ii) the Special Optional Redemptions are as follows:

	Outstanding principal amount prior to the Unitymedia KabelBW Exchange		Principal amount exchanged pursuant to the Unitymedia KabelBW Exchange		Principal amount redeemed pursuant to the Special Optional Redemptions	
KBW Notes	**Borrowing currency**	**Euro equivalent (a)**	**Borrowing currency**	**Euro equivalent (a)**	**Borrowing currency**	**Euro equivalent (a)**
			in millions			
KBW Senior Notes (b)	€ 680.0	€ 680.0	€ 618.0	€ 618.0	€ 62.0	€ 62.0
KBW Euro Senior Secured Notes (c)	€ 800.0	800.0	€ 735.1	735.1	€ 64.9	64.9
KBW Dollar Senior Secured Notes (d)	$ 500.0	382.0	$ 459.3	350.9	$ 40.7	31.1
KBW Senior Secured Floating Rate Notes (e)	€ 420.0	420.0	€ 395.9	395.9	€ 24.1	24.1
		€ 2,282.0		€ 2,099.9		€ 182.1

(a) Translations are calculated as of the May 4, 2012 transaction date.

(b) The KBW Senior Notes tendered for exchange were exchanged for an equal principal amount of 9.5% senior notes issued by Unitymedia KabelBW due March 15, 2021 (the UM Senior Exchange Notes). Interest is payable semi-annually on March 15 and September 15.

(c) 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 UM Senior Secured Notes Issuers) due March 15, 2019 (the UM Euro Senior Secured Exchange Notes). Interest is payable semi-annually on March 15 and September 15.

(d) 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 UM 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). Interest is payable semi-annually on March 15 and September 15.

(e) 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 UM 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 UM Senior Secured Exchange Notes). The UM Senior Secured Floating Rate Exchange Notes bear interest at a rate of EURIBOR plus 4.25% and interest is payable quarterly on March 15, June 15, September 15 and December 15. We refer to the UM Senior Exchange Notes and the UM Senior Secured Exchange Notes collectively as the "UM Exchange Notes."

September 2012 UM Senior Secured Notes. On September 19, 2012, the UM Senior Secured Notes Issuers issued €650.0 million principal amount of 5.5% senior secured notes due September 15, 2022 (the September 2012 UM Senior Secured Notes). The net proceeds from the issuance of the September 2012 UM Senior Secured Notes were used to redeem in full the UM Senior Secured Floating Rate Exchange Notes at a redemption price of 101%, with the remaining €241.8 million available for general corporate purposes. During the third quarter of 2012, we recognized losses on debt extinguishment of €8.6 million representing the difference between the carrying value and redemption price of the debt redeemed.

December 2012 UM Senior Secured Notes. On December 14, 2012, the UM Senior Secured Notes Issuers issued $1.0 billion (€757.7 million) principal amount of 5.5% senior secured notes due January 15, 2023 (the December 2012 UM Dollar Senior Secured Notes) and €500.0 million principal amount of 5.75% senior secured notes due January 15, 2023 (the December 2012 UM Euro Senior Secured Notes, and together with the December 2012 UM Dollar Senior Secured Notes, the December 2012 UM Senior Secured Notes), each at par. The net proceeds from the issuance of the December 2012 UM Senior Secured Notes were used to purchase and redeem (i) all of the 2009 UM Dollar Senior Secured Notes (as defined and described below) and (ii) €524.0 million of the 2009 UM Euro Senior Secured Notes (as defined and described below). During the fourth quarter of 2012, we recognized losses on debt extinguishment of €133.7 million including a loss of (a) €95.9 million representing the difference between the principal amount and redemption price of the debt redeemed and (b) €37.8 million associated with the write-off of deferred financing costs and an unamortized discount.

2009 UM Notes and the Unitymedia Debt Pushdown. In November 2009, Unitymedia KabelBW issued (i) €1,430.0 million principal amount of 8.125% senior secured notes (the 2009 UM Euro Senior Secured Notes) at an issue price of 97.844%, (ii) $845.0 million (€640.3 million) principal amount of 8.125% senior secured notes (the 2009 UM Dollar Senior Secured Notes and together with the 2009 UM Euro Senior Secured Notes, the 2009 UM Senior Secured Notes) at an issue price of 97.844% and (iii) €665.0 million principal amount of 9.625% senior notes (the 2009 UM Senior Notes and together with the 2009 UM Senior Secured Notes, the 2009 UM Notes) at an issue price of 97.652%. Interest payments for the 2009 UM Notes are made semi-annually on June 1 and December 1. The net proceeds from the sale of the 2009 UM Notes (€2,541.0 million at the transaction date in 2009) 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 to our consolidated financial statements included in Part II of this annual report). On March 2, 2010, (a) the remaining balances in the escrow accounts were released in connection with the repayment of Old Unitymedia's then-existing indebtedness (the Old Indebtedness), (b) the obligations under the 2009 UM Euro Senior Secured Notes and the 2009 UM Dollar Senior Secured Notes were assumed by Unitymedia Hessen and Unitymedia NRW and (c) the obligations under the 2009 UM Senior Notes were assumed by Old Unitymedia (collectively, the Unitymedia Debt Pushdown). Additionally, Old Unitymedia's existing undrawn €130.0 million revolving credit facility was canceled. 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 repaid by utilizing the escrow cash from the 2009 UM Notes debt offering. Old Unitymedia was merged into Unitymedia KabelBW in September 2010.

We refer to the 2009 UM Notes, the UM Exchange Notes, the September 2012 UM Senior Secured Notes and the December 2012 UM Senior Secured Notes, collectively as the "Unitymedia KabelBW Notes."

The 2009 UM Senior Notes and the UM Senior Exchange Notes are senior obligations of Unitymedia KabelBW that rank equally with all of the existing and future senior debt of Unitymedia KabelBW and are senior to all existing and future subordinated debt of Unitymedia KabelBW. The 2009 UM Senior Notes and the UM Senior Exchange Notes are secured by a first-ranking pledge over the shares of Unitymedia KabelBW and junior-priority share pledges and other asset security of certain subsidiaries of Unitymedia KabelBW.

The 2009 UM Senior Secured Notes, the UM Senior Secured Exchange Notes, the September 2012 UM Senior Secured Notes and the December 2012 UM Senior Secured Notes are (i) senior obligations of the UM Senior Secured Notes Issuers that rank equally with all of the existing and future senior debt of each UM Senior Secured Notes Issuer and are senior to all existing and future subordinated debt of each of the UM Senior Secured Notes Issuers and (ii) are secured by a first-ranking pledge over the shares of Unitymedia KabelBW and the UM Senior Secured Notes Issuers and certain other share and/or asset security of Unitymedia KabelBW and certain of its subsidiaries.

The Unitymedia KabelBW Notes contain customary incurrence-based covenants. For example, the ability to raise certain additional debt and make certain distributions or loans to other subsidiaries of Liberty Global is subject to a Consolidated Leverage Ratio test, as defined in the applicable indenture. The Unitymedia KabelBW 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 Unitymedia KabelBW or a UM Senior Secured Notes Issuer or any of the Restricted Subsidiaries (as defined in the applicable indenture) is an event of default under the Unitymedia KabelBW Notes.

Subject to the circumstances described below, the 2009 UM Senior Notes are non-callable until December 1, 2014, the UM Senior Exchange Notes are non-callable until March 15, 2016, the UM Senior Secured Fixed Rate Exchange Notes are non-callable until March 15, 2015, the September 2012 UM Senior Secured Notes are non-callable until September 15, 2017 and the December 2012 UM Senior Secured Notes are non-callable until January 15, 2018.

At any time prior to December 1, 2014 in the case of the 2009 UM Senior Notes, March 15, 2016, in the case of the UM Senior Exchange Notes, March 15, 2015, in the case of the UM Senior Secured Fixed Rate Exchange Notes, September 15, 2017, in the case of the September 2012 UM Senior Secured Notes and January 15, 2018, in the case of the December 2012 UM Senior Secured Notes, Unitymedia KabelBW and the UM Senior Secured Notes Issuers (as applicable) may redeem some or all of the UM Senior Exchange Notes, the UM Senior Secured Fixed Rate Exchange Notes, the September 2012 UM Senior Secured Notes or the December 2012 UM Senior Secured Notes (as applicable) by paying a "make-whole" premium, which is the present value of all remaining scheduled interest payments to the redemption date using the discount rate (as specified in the applicable indenture) as of the redemption date plus 50 basis points.

Unitymedia KabelBW and the UM Senior Secured Notes Issuers (as applicable) may redeem some or all of the Unitymedia KabelBW Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts (as defined in the applicable indenture), if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on December 1, in the case of the 2009 UM Senior Notes and the 2009 UM Senior Secured Notes, March 15, in the case of the UM Senior Exchange Notes and the UM Senior Secured Fixed Rate Exchange Notes, September 15, in the case of the September 2012 UM Senior Secured Notes, or January 15, in the case of the December 2012 UM Senior Secured Notes of the years set forth below:

	Redemption Price						
Year	**2009 UM Senior Notes**	**2009 UM Senior Secured Notes**	**UM Senior Exchange Notes**	**UM Senior Secured Fixed Rate Exchange Notes**	**September 2012 UM Senior Secured Notes**	**December 2012 UM Dollar Senior Secured Notes**	**December 2012 UM Euro Senior Secured Notes**
2013	N.A.	104.063%	N.A.	N.A.	N.A.	N.A.	N.A.
2014	104.813%	102.031%	N.A.	N.A.	N.A.	N.A.	N.A.
2015	103.208%	100.000%	N.A.	103.750%	N.A.	N.A.	N.A.
2016	101.604%	100.000%	104.750%	101.875%	N.A.	N.A.	N.A.
2017	100.000%	100.000%	103.167%	100.000%	102.750%	N.A.	N.A.
2018	100.000%	N.A.	101.583%	100.000%	101.833%	102.750%	102.875%
2019	100.000%	N.A.	100.000%	100.000%	100.917%	101.833%	101.917%
2020	N.A.	N.A.	100.000%	N.A.	100.000%	100.917%	100.958%
2021 and thereafter	N.A.	N.A.	100.000%	N.A.	100.000%	100.000%	100.000%

In addition, at any time prior to September 15, 2015 in the case of the September 2012 UM Senior Secured Notes or January 15, 2016 in the case of the December 2012 UM Senior Secured Notes, the UM Senior Secured Notes Issuers may redeem up to 40% of the September 2012 UM Senior Secured Notes or the December 2012 UM Senior Secured Notes (at redemption prices of 105.500% in the case of the September 2012 UM Senior Secured Notes and the December 2012 UM Dollar Senior Secured Notes and 105.750% in the case of the December 2012 UM Euro Senior Secured Notes) with the net proceeds from one or more specified equity offerings.

KBW and its immediate parent (collectively, the New UM Guarantors) have granted, in addition to guarantees provided by Unitymedia KabelBW and/or certain of its subsidiaries, as applicable, of the 2009 UM Senior Notes and the 2009 UM Senior Secured Notes, a senior guarantee of the 2009 UM Senior Secured Notes and a senior subordinated guarantee of the 2009 UM Senior Notes. The New UM Guarantors have also granted a senior subordinated guarantee of the UM Senior Exchange Notes and a senior guarantee of the UM Senior Secured Exchange Notes, the September 2012 UM Senior Secured Notes and the December 2012 UM Senior Secured Notes. In addition, the New UM Guarantors have provided certain share and asset security in favor of the 2009 UM Senior Secured Notes, the UM Senior Secured Exchange Notes, the September 2012 UM Senior Secured Notes and the December 2012 UM Senior Secured Notes.

Unitymedia KabelBW and the UM Senior Secured Notes Issuers (as applicable) may redeem all of the Unitymedia KabelBW Notes at prices equal to their respective principal amounts, plus accrued and unpaid interest, upon the occurrence of certain changes in tax law. If Unitymedia KabelBW and the UM Senior Secured Notes Issuers (as applicable) or certain of Unitymedia KabelBW's subsidiaries sell certain assets or experience specific changes in control, Unitymedia KabelBW and the UM Senior Secured Notes Issuers (as applicable) must offer to repurchase the Unitymedia KabelBW Notes at a redemption price of 101%.

Unitymedia KabelBW 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 KabelBW Revolving Credit Facility). On August 28, 2012, the New Unitymedia KabelBW Revolving Credit Facility was increased to €337.5 million. The interest rate for the New Unitymedia KabelBW Revolving Credit Facility is EURIBOR plus a margin of 3.25%. Borrowings under the New Unitymedia KabelBW Revolving Credit Facility mature on June 30, 2017. The New Unitymedia KabelBW Revolving Credit Facility provides for an annual commitment fee of 1.25% on the unused portion. Also, on May 1, 2012, Unitymedia KabelBW's existing €80.0 million secured revolving credit facility agreement with certain lenders (the Unitymedia KabelBW Revolving Credit Facility and together with the New Unitymedia KabelBW Revolving Credit Facility, the Unitymedia KabelBW Revolving Credit Facilities) 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 KabelBW Revolving Credit Facility is senior to (i) the 2009 UM Notes, (ii) the UM Exchange Notes, (iii) the September 2012 UM Senior Secured Notes, (iv) the December 2012 UM Senior Secured Notes and (v) the New Unitymedia KabelBW Revolving Credit Facility. The Unitymedia KabelBW Revolving Credit Facility provides for an annual commitment fee of 1.00% on the unused portion. In connection with the Special Optional Redemptions (i) the Unitymedia KabelBW Revolving Credit Facility was drawn in full and (ii) borrowings of €105.0 million were drawn against the New Unitymedia KabelBW Revolving Credit Facility. Such borrowings were repaid during the second quarter of 2012. The Unitymedia KabelBW Revolving Credit Facilities may be used for general corporate and working capital purposes.

In addition to customary restrictive covenants and events of default, the Unitymedia KabelBW Revolving Credit Facilities require compliance with a Consolidated Leverage Ratio, as defined in the applicable facility. The Unitymedia KabelBW Revolving Credit Facilities are secured by a pledge over the shares of the borrower and certain other asset security of certain subsidiaries of Unitymedia KabelBW.

MANAGEMENT

The ultimate authority within Unitymedia KabelBW vests with UPC Germany, as our sole shareholder. UPC Germany is, in turn, indirectly controlled by Liberty Global. All fundamental decisions regarding Unitymedia KabelBW are reserved for the decision of the shareholders' meeting, including, but not limited to, 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 KabelBW 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. After the KBW Fold-in, the Unitymedia KabelBW entities employ more than 2,000 employees. Consequently, the German Co-Determination Act (*Mitbestimmungsgesetz*) applies and requires the implementation of a supervisory board for the German holding company of the Unitymedia KabelBW entities 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. The implementation process is currently ongoing.

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 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.

As of December 31, 2012, we had five Managing Directors as set forth below. Effective January 31, 2013, Uwe Bärmann resigned as a Managing Director.

Name	Age	Position	Year First Appointed
Lutz Schüler	45	Managing Director	2011
Dr. Herbert Leifker	59	Managing Director	2005
Jens Müller	41	Managing Director	2010
Jon Garrison	37	Managing Director	2010
Uwe Bärmann	51	Managing Director	2012

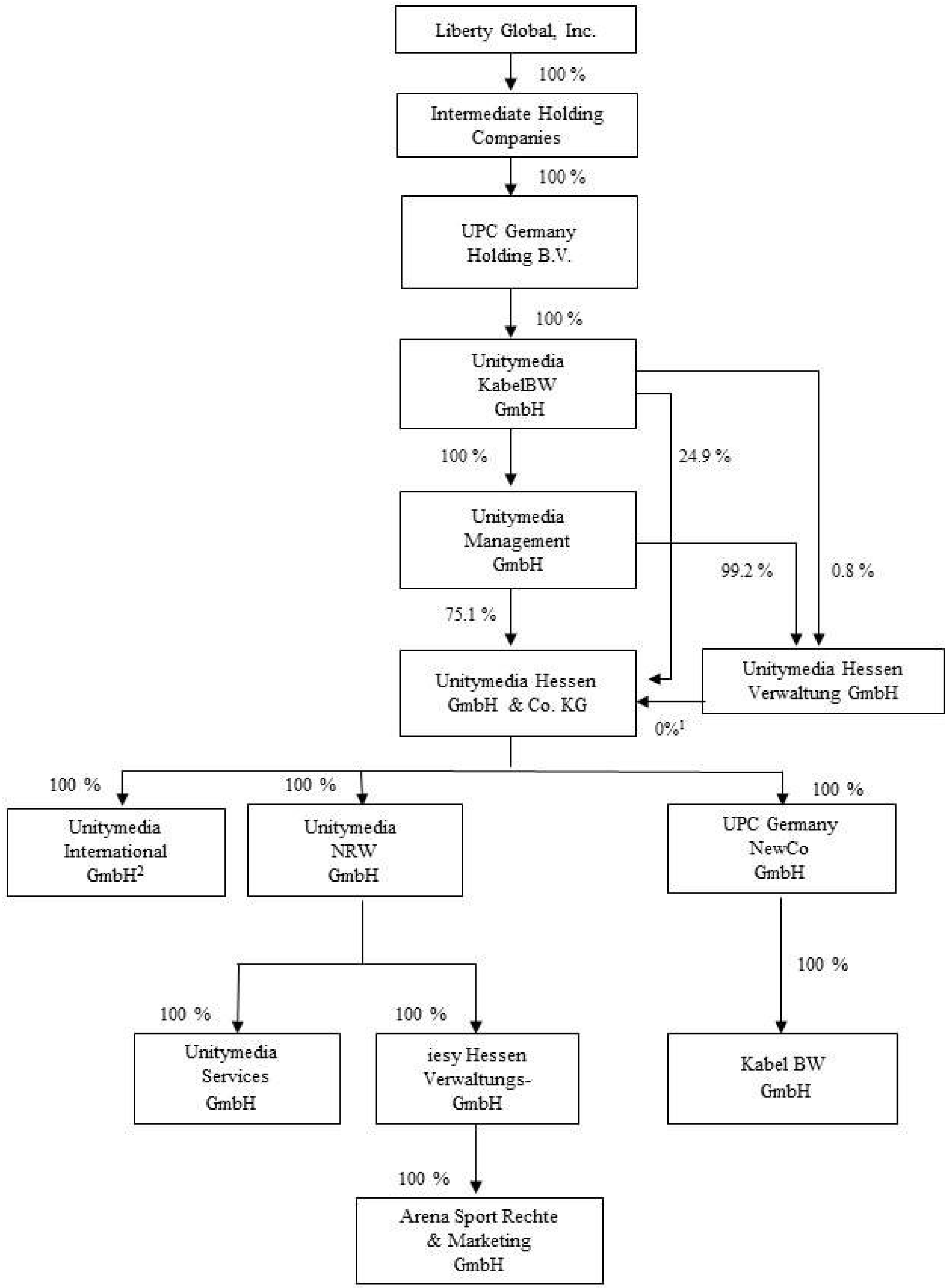
- ***Lutz Schüler*** was appointed our Chief Executive Officer in January 2011. Mr. Schüler has significant experience in the German telecommunications market, with many years of strategic and operational experience and extensive experience in marketing, sales and operations across a wide range of products. He has served in several senior management roles with Telefónica Germany since 1998, lastly leading the integration of Hansenet Telekommunication 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 Tele Columbus acquisition. With over 20 years' cable experience in Germany, Dr. Leifker has a deep understanding of the industry and strong long-term relationships with the housing industry. This has allowed Unitymedia KabelBW to pioneer new co-operation models such as the "Multimedia-Anschluss" that have now become standard in the housing industry. He was previously Managing Director and CEO of Tele Columbus, which he led for 15 years, growing it from a start-up to Germany's largest operator of in-home networks. He began his career with an auditing company and in the banking industry, where he held responsibility as a divisional manager of a savings bank. Dr. Leifker studied Law and Business Studies in Münster and Hamburg and holds a doctorate in Law.
- ***Jens Müller*** has been our Senior Vice President Finance Operations and Co-CFO since July 2010. He is responsible for our finance operations, including controlling, billing, collection and procurement. Before his current role as Senior 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*** has been our Senior Vice President Accounting and Co-CFO since August 2010. He is responsible for our accounting, tax, treasury, investor relations, corporate development and compliance operations. Before his current role as Senior Vice President Accounting and Co-CFO, Mr. Garrison was Vice President of Technical Accounting for Liberty Global Europe Holding B.V. In this role, Mr. Garrison was responsible for accounting policy throughout Europe and he assisted regularly in due diligence, transaction structuring, and financial integration of acquisitions. Prior to joining Liberty Global 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.
- ***Uwe Bärmann*** was our Chief Technology Officer from July 2012 through January 2013. He was a member of the Kabel BW Management Board from 2007, where he held the position of Chief Technology Officer from 2003. Previously he was Service Assurance Manager for Colt Telecom GmbH and Senior Project Manager for Colt Telecom Logistics. He started his career as Development Engineer for ANT Nachrichtentechnik. Mr. Bärmann studied Electrical and Telecommunication Engineering at the University of Applied Sciences in Düsseldorf and holds a masters degree in engineering.

The business address of all the Managing Directors named above is Aachener Str. 746-750, 50933 Cologne, Germany.

CORPORATE GROUP STRUCTURE AND OTHER

The following diagram sets forth a simplified summary of our corporate structure as of December 31, 2012.



[1] Unitymedia Hessen Verwaltung GmbH is the general partner of Unitymedia Hessen GmbH & Co. KG.

[2] Not consolidated.

Employees

As of December 31, 2012, Unitymedia KabelBW, including its consolidated subsidiaries, had an aggregate of approximately 2,400 full time equivalent employees. We also use contract and temporary employees, which are not included in this number, for various projects. We believe that our relations with employees, works councils and unions are good.

UNITYMEDIA KABELBW GMBH

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012

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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 KabelBW GmbH as of and for the fiscal year ended December 31, 2012 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 KabelBW GmbH (until August 8, 2012, 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, 2012 to December 31, 2012. 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 Auditors 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 KabelBW GmbH (until August 8, 2012, 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 20, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Original German version signed by:

Wallraf	Nölgen
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	German Public Auditor

UNITYMEDIA KABELBW GMBH

CONSOLIDATED BALANCE SHEETS

	December 31, 2012	December 31, 2011 (a)
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 20.2	€ 48.1
Trade receivables and unbilled revenue, net (note 9)	107.7	74.5
Loan receivable - related-party (note 16)	168.7	54.0
Other current assets (note 6)	13.7	19.7
Total current assets	310.3	196.3
Property and equipment, net (note 8)	3,480.4	3,460.7
Goodwill (note 8)	2,841.7	2,843.0
Intangible assets subject to amortization, net (note 8)	1,100.4	1,254.3
Investment in associate (note 16)	64.3	61.0
Other noncurrent assets (notes 6, 9 and 10)	86.7	122.7
Total noncurrent assets	7,573.5	7,741.7
Total assets	€ 7,883.8	€ 7,938.0

(a) As retrospectively revised - see note 5.

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

UNITYMEDIA KABELBW GMBH

CONSOLIDATED BALANCE SHEETS - (Continued)

	December 31, 2012	December 31, 2011 (a)
	in millions	
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	€ 83.2	€ 67.1
Accrued liabilities (note 11)	193.9	140.7
Accounts payable and accrued liabilities – related-party (note 16)	44.4	13.7
Corporate income taxes payable	21.0	26.6
Current provisions (note 12)	17.9	23.0
Deferred revenue and advance payments from subscribers and others	100.3	100.7
Current portion of debt and finance lease obligations (note 13):		
Third-party	88.6	69.1
Related-party	1.1	—
Other current liabilities (note 6)	22.2	21.3
Total current liabilities	572.6	462.2
Noncurrent debt and finance lease obligations (note 13):		
Third-party	5,114.3	5,017.7
Related-party	1,396.7	193.1
Deferred tax liabilities (note 14)	459.0	536.8
Noncurrent provisions (note 12)	19.4	17.8
Other noncurrent liabilities (note 6)	15.4	15.1
Total noncurrent liabilities	7,004.8	5,780.5
Total liabilities	7,577.4	6,242.7
Commitments and contingencies (note 17)		
Shareholder's equity (note 15):		
Share capital	—	—
Additional paid-in capital	941.4	2,071.0
Accumulated deficit	(635.0)	(375.7)
Total shareholder's equity	306.4	1,695.3
Total liabilities and shareholder's equity	€ 7,883.8	€ 7,938.0

(a) As retrospectively revised - see note 5.

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

UNITYMEDIA KABELBW GMBH

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2012	2011 (a)	2010
		in millions	
Revenue (note 3)	€ 1,801.6	€ 1,053.0	€ 866.9
Operating costs and expenses:			
Operating (other than depreciation and amortization) (OpEx) (note 16)	500.8	281.1	251.4
Selling, general and administrative expenses (other than depreciation and amortization) (including stock-based compensation) (SG&A) (note 16)	236.2	144.7	130.4
Impairment, restructuring and other operating items, net (note 5)	29.7	0.6	26.7
Related-party fees and allocations (note 16)	53.7	35.8	23.8
	820.4	462.2	432.3
Earnings before interest, taxes, depreciation and amortization (EBITDA)	981.2	590.8	434.6
Depreciation and amortization	638.9	400.9	324.5
Earnings before interest and taxes (EBIT)	342.3	189.9	110.1
Financial and other expense:			
Interest expense:			
Third-party	(424.0)	(252.2)	(257.0)
Related-party (note 16)	(98.1)	(99.9)	(85.8)
Foreign currency transaction gains (losses), net	20.1	(21.6)	(16.1)
Realized and unrealized gains (losses) on derivative instruments, net (note 6)	(43.1)	25.5	38.8
Losses on debt modification and extinguishment, net (note 13)	(143.6)	—	—
Other income (expense), net (note 16)	6.8	(1.2)	1.4
Net financial and other expense	(681.9)	(349.4)	(318.7)
Loss from continuing operations before income taxes	(339.6)	(159.5)	(208.6)
Income tax benefit (note 14)	80.3	18.2	35.5
Loss from continuing operations, net of taxes	(259.3)	(141.3)	(173.1)
Earnings from discontinued operation (note 5)	—	—	1.2
Net loss / comprehensive loss (b)	€ (259.3)	€ (141.3)	€ (171.9)
Further details of OpEx and SG&A:			
Direct costs (programming and copyright, interconnect and other)	€ 179.5	€ 90.6	€ 79.3
Staff-related costs (excluding restructuring charges)	149.9	99.0	85.4
Network operating costs	144.4	87.3	83.6
Sales and marketing costs	101.7	66.7	70.0
Other indirect costs	161.5	82.2	63.5
	€ 737.0	€ 425.8	€ 381.8
Further details of impairment, restructuring and other operating items:			
Restructuring charges (credits)	€ 30.8	€ (0.2)	€ 4.3
Loss (gain) on disposal of assets	(2.7)	0.1	(1.0)
Asset impairments	1.6	0.6	—
Direct acquisition costs and other	—	0.1	23.4
	€ 29.7	€ 0.6	€ 26.7

(a) As retrospectively revised - see note 5.

(b) 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 consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (DEFICIT)

	Additional paid-in capital	Accumulated deficit	Total shareholder's equity (deficit)
		in millions	
Balance at January 1, 2010	€ —	€ (62.5)	€ (62.5)
Net loss	—	(171.9)	(171.9)
Equity contribution (note 15)	17.0	—	17.0
Balance at December 31, 2010	17.0	(234.4)	(217.4)
Net loss (a)	—	(141.3)	(141.3)
Conversion of related-party loans and related accrued interest to equity (notes 13 and 15)	1,100.0	—	1,100.0
Contribution of cash in connection with the LGI/KBW Transaction (note 5)	892.5	—	892.5
Equity contribution (note 15)	61.0	—	61.0
Stock-based compensation (note 16)	0.5	—	0.5
Balance at December 31, 2011 (a)	2,071.0	(375.7)	1,695.3
Net loss	—	(259.3)	(259.3)
Consideration issued in connection with the KBW Fold-in (note 5)	(1,230.0)	—	(1,230.0)
Conversion of related-party loan and related accrued interest to equity (notes 13 and 15)	100.4	—	100.4
Excess of consideration paid over carrying value of property and equipment transferred from entity under common control (note 15)	(1.1)	—	(1.1)
Stock-based compensation (note 16)	1.1	—	1.1
Balance at December 31, 2012	€ 941.4	€ (635.0)	€ 306.4

(a) As retrospectively revised - see note 5.

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

UNITYMEDIA KABELBW GMBH

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2012	2011 (a)	2010
		in millions	
Cash flows from operating activities:			
Net loss	€ (259.3)	€ (141.3)	€ (171.9)
Earnings from discontinued operation	—	—	(1.2)
Loss from continuing operations	(259.3)	(141.3)	(173.1)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:			
Stock-based compensation expense	1.1	0.5	—
Impairment, restructuring and other operating items	29.7	0.6	26.7
Related-party fees and allocations	53.7	35.8	23.8
Depreciation and amortization	638.9	400.9	324.5
Amortization of deferred financing costs and non-cash interest accretion	12.9	12.1	10.9
Non-cash related-party interest expense	98.1	99.9	85.8
Foreign currency transaction losses (gains), net	(20.1)	21.6	16.1
Realized and unrealized losses (gains) on derivative instruments, net	43.1	(25.5)	(38.8)
Losses on debt modification and extinguishment, net	143.6	—	—
Deferred tax benefit	(77.3)	(28.7)	(36.2)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	(30.2)	(33.0)	(14.0)
Net cash used by discontinued operation	—	(2.9)	(9.9)
Net cash provided by operating activities	634.2	340.0	215.8
Cash flows from investing activities:			
Capital expenditures	(464.9)	(307.4)	(243.3)
Advances to parent	(174.1)	(54.0)	—
Cash paid in connection with acquisitions, net of cash acquired	—	(882.7)	(1,880.1)
Investment in associate	—	(61.0)	—
Other investing activities	1.2	0.3	0.2
Net cash used by investing activities	(637.8)	(1,304.8)	(2,123.2)
Cash flows from financing activities:			
Repayments of third-party debt and finance lease obligations	(2,051.6)	(160.7)	(1,770.6)
Borrowings of third-party debt	2,139.2	160.0	165.0
Payment of financing costs and debt premiums	(129.3)	—	(27.0)
Net related-party borrowings	29.8	—	1,050.9
Net cash paid related to derivative instruments	(12.3)	—	(66.6)
Contributions from parent	—	953.5	17.0
Decrease in cash collateral	—	—	2,593.6
Other financing activities	(0.1)	1.4	3.8
Net cash provided (used) by financing activities	(24.3)	954.2	1,966.1
Net increase (decrease) in cash and cash equivalents	(27.9)	(10.6)	58.7
Cash and cash equivalents:			
Beginning of period	48.1	58.7	—
End of period	€ 20.2	€ 48.1	€ 58.7
The following amounts are included in net cash provided by operating activities:			
Cash paid for interest (excluding payments related to derivative instruments)	€ 410.6	€ 232.3	€ 265.3
Net cash paid for taxes:			
Continuing operations	€ 0.1	€ 3.6	€ 12.8
Discontinued operation	—	—	4.3
	€ 0.1	€ 3.6	€ 17.1

(a) As retrospectively revised - see note 5.

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

(1) Basis of Presentation

Unitymedia KabelBW GmbH (formerly known as Unitymedia GmbH until August 8, 2012) (Unitymedia KabelBW) is a wholly-owned subsidiary of UPC Germany Holding B.V. (UPC Germany), which in turn is an indirect subsidiary of Liberty Global, Inc. (Liberty Global). Unitymedia KabelBW 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 KabelBW's then potential acquisition of the entity (Old Unitymedia) that owned the largest cable operator in the German federal states of North Rhine-Westphalia and Hesse. In the following text, the terms "Unitymedia KabelBW," "we," "our," "our company," and "us" may refer, as the context requires, to Unitymedia KabelBW, or collectively to Unitymedia KabelBW and its subsidiaries.

Unitymedia KabelBW, which operates in the German federal states of North Rhine-Westphalia, Hesse and Baden-Württemberg, provides video, broadband internet, telephony and mobile services to its customers.

Through a series of transactions that were completed during the second quarter of 2012 in conjunction with the Unitymedia KabelBW Exchange, as defined and described in note 13, UPC Germany, our immediate parent company, transferred UPC Germany Holdings GmbH (UPC Germany Holdings), an indirect parent company of Kabel BW GmbH (KBW), then the largest cable operator in Baden-Württemberg, to Unitymedia Hessen GmbH & Co. KG (Unitymedia Hessen), one of our wholly-owned subsidiaries (the KBW Fold-in). We have accounted for the KBW Fold-in as a reorganization of entities under common control. Accordingly, we have recorded the transfer of UPC Germany Holdings and its subsidiaries (collectively, the Kabel BW Group) at carryover basis and the applicable prior period information has been retrospectively revised to give effect to the resulting change in reporting entities for all periods in which we and the Kabel BW Group were under the common control of Liberty Global (namely all periods beginning on or after the December 15, 2011 acquisition of a then indirect parent of KBW by a then indirect subsidiary of UPC Germany Holdings). For additional information, see note 5. Additionally, in the third quarter of 2012, Unitymedia Hessen sold its shares of UPC Germany Holdings to UPC Germany NewCo GmbH (UPC Germany NewCo) and UPC Germany Holdings was merged into UPC Germany NewCo.

In addition to our core business, Unitymedia KabelBW'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 KabelBW's arena segment as a discontinued operation in our consolidated statements of operations and cash flows. As such, all statements of operations and cash flow 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 KabelBW and Unitymedia KabelBW became the surviving entity (the Unitymedia Merger). The Unitymedia Merger, along with the new basis of accounting that resulted from Unitymedia KabelBW'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 § 315 a (3) German Commercial Code (HGB).

The 2009 UM Euro Senior Secured Notes, the UM Senior Secured Exchange Notes, the September 2012 UM Senior Secured Notes, the December 2012 UM Senior Secured Notes, the 2009 UM Senior Notes and the UM Senior Exchange Notes, each 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, 2012.

These consolidated financial statements were approved for publication by the Managing Directors on March 20, 2013.

(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
International Accounting Standard (IAS) 12 (amendments)	Deferred tax: recovery of underlying assets	January 1, 2012	December 11, 2012
IFRS 1 (amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters	July 1, 2011	December 11, 2012
IFRS 7 (amendments)	Amendments to IFRS 7 financial instruments: Disclosures - Transfers of Financial Assets	July 1, 2011	November 22, 2011

New Accounting Standards, Not Yet Effective

The following accounting standards were either issued by the International Accounting Standards Board or endorsed by the European Union (EU) but are not yet effective for the reporting period. We have not early adopted these accounting standards.

Standard/ Interpretation	Title	Applicable for fiscal years beginning on or after	Date of endorsement by the EU
IAS 1 (amendments)	Presentation of items of other comprehensive income	July 1, 2012	June 5, 2012
IAS 19 (amendments)	Amendments to IAS 19 employee benefits	January 1, 2013	June 5, 2012
IAS 27 (amendments)	Separate financial statements	January 1, 2014	December 11, 2012
IAS 28 (amendments)	Investments in associates and joint ventures	January 1, 2014	December 11, 2012
IAS 32 (amendments)	Offsetting Financial Assets and Financial Liabilities	January 1, 2014	December 13, 2012
IFRS 7 (amendments)	Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013	December 13, 2012
IFRS 9 / IFRS 7 (amendments)	Mandatory Effective Date and Transition Disclosures	January 1, 2015	Not yet endorsed
Improvements to IFRSs	Collection of amendments to several standards made in response to six issues addressed during the 2009 - 2011 project cycle	January 1, 2013	Not yet endorsed
IFRS 9	Financial instruments	January 1, 2015	Not yet endorsed
IFRS 10	Consolidated financial statements	January 1, 2014	December 11, 2012
IFRS 10/ IFRS 11/ IFRS 12 (amendments)	Transition guidance	January 1, 2014	Not yet endorsed
IFRS 10/ IFRS 12/ IAS 27 (amendments)	Investment Entities	January 1, 2014	Not yet endorsed
IFRS 11	Joint arrangements	January 1, 2014	December 11, 2012
IFRS 12	Disclosure of interests in other entities	January 1, 2014	December 11, 2012
IFRS 13	Fair value measurement	January 1, 2013	December 11, 2012

Effective January 1, 2013, we intend to adopt the revised IAS 19 Employee Benefits, which will require retrospective application to our 2012 financial statements. The revised IAS 19 requires the recognition of service cost and net interest on the net defined benefit liability in income or loss and the recognition of remeasurements of the net defined benefit liability, in particular actuarial gains and losses, in other comprehensive income or loss. Currently, we recognize actuarial gains and losses deferred under the corridor approach in profit or loss. The adoption of the revised IAS 19 is not expected to have a material impact on our financial condition or results of operations.

We have not fully evaluated the impact of applying the other new, but not yet effective accounting standards on our consolidated financial statements.

(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 within OpEx and SG&A of (i) costs from other indirect costs to sales and marketing costs and (ii) costs from network operating costs to other indirect costs.

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.

The following subsidiaries of Unitymedia KabelBW are included in our consolidated financial statements at December 31, 2012:

Name of subsidiary (a)	Headquarters location	Share of equity %
Unitymedia Management GmbH (b)	Cologne, Germany	100.0
Unitymedia Hessen Verwaltung GmbH	Cologne, Germany	100.0
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
UPC Germany NewCo	Hamburg, Germany	100.0
KBW	Heidelberg, Germany	100.0

(a) Unitymedia International GmbH (UMI), an entity in which Unitymedia KabelBW owns a 100% equity interest, is excluded from our list of subsidiaries as UMI is a special purpose entity that is consolidated by UPC Holding B.V. (UPC Holding), another Liberty Global subsidiary. For additional information regarding our accounting for UMI, see note 16. 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.

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 35 years. Support equipment and buildings (including leasehold improvements) have estimated useful lives ranging from 3 to 15 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 impairment, restructuring and other operating items, 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. 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 ranging from 5 to 10 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.

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 range from 3 to 5 years. Where no internal-use intangible asset can be recognized, development expenditures are expensed as 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 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, net 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.

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), net.

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 our digital and analog cable television products and services, broadband internet services, telephony products and services (including subscription and usage fees), mobile services 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.

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 as of 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

We operate in one geographical area, the country of Germany. 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 revenue by major product category is as follows:

	Year ended December 31,		
	2012	2011 (a)	2010
		in millions	
Subscription revenue (b):			
Video	€ 948.6	€ 638.4	€ 571.7
Broadband internet	283.8	130.9	83.0
Telephony	346.4	156.0	109.4
Total subscription revenue	1,578.8	925.3	764.1
Non-subscription revenue (c)	222.8	127.7	102.8
Total revenue	€ 1,801.6	€ 1,053.0	€ 866.9

(a) As retrospectively revised - see note 5.

(b) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile services revenue. 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.

(c) Non-subscription revenue includes carriage fee, interconnect, installation and mobile services revenue.

(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, and concentration of risk with, the respective counterparties. Most of our cash currently is invested in overnight deposits with banks having a minimum credit rating of A by Standard & Poor's or an equivalent rating by Moody's Investor Service. 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 our counterparties 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 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. For information concerning these carrying amounts, see note 6. In light of the related-party nature of our current loan receivable from UPC Germany (the UPC Germany Loan Receivable as described in note 16), 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 KabelBW) 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 KabelBW 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) amounts due under the UPC Germany Loan Receivable, (iii) funding from UPC Germany (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, KBW or other subsidiaries. At December 31, 2012, substantially all of our consolidated cash and cash equivalents were held by our subsidiaries.

In addition to cash and cash equivalents, the primary sources of liquidity of Unitymedia Hessen, Unitymedia NRW, KBW 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 KabelBW Revolving Credit Facilities, as defined and described in note 13. At December 31, 2012, we had combined borrowing capacity of €417.5 million under the Unitymedia KabelBW Revolving Credit Facilities.

The ongoing cash needs of Unitymedia KabelBW include (i) corporate general and administrative expenses and (ii) interest payments on outstanding debt. From time to time, Unitymedia KabelBW may also require cash in connection with (a) the repayment of outstanding debt, (b) the satisfaction of contingent liabilities, (c) acquisitions or (d) other investment opportunities. No assurance can be given that funding from UPC Germany (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, KBW 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 KabelBW (and ultimately to Liberty Global or other Liberty Global subsidiaries). 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 and other factors, many of which are beyond our control. We believe that our cash and cash equivalents, the UPC Germany Loan Receivable, the cash provided from the operations of our subsidiaries, and any available borrowings under the Unitymedia KabelBW Revolving Credit Facilities, will be sufficient to fund our currently anticipated working capital needs, capital expenditures and debt service requirements through December 31, 2013, 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 KabelBW Revolving Credit Facilities 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 items and related-party fees and allocations.

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, 2012:

	Payments due during:						
	2013	2014	2015	2016	2017	Thereafter	Total
				in millions			
Debt principal:							
Third-party	€ 19.8	€ —	€ —	€ —	€ 906.0	€ 4,273.9	€ 5,199.7
Related-party	—	—	—	—	—	1,311.8	1,311.8
Debt interest (a):							
Third-party	354.4	383.7	383.7	383.7	383.7	1,021.6	2,910.8
Related-party	125.2	125.2	125.2	125.2	125.2	1,025.1	1,651.1
Finance lease obligations:							
Principal	0.6	0.3	0.3	0.2	0.3	4.5	6.2
Interest	0.6	0.5	0.5	0.4	0.4	3.1	5.5
Accrued liabilities (including related-party accrued liabilities)	214.4	—	—	—	—	—	214.4
Accounts payable (including related-party accounts payable)	107.1	—	—	—	—	—	107.1
Total	€ 822.1	€ 509.7	€ 509.7	€ 509.5	€ 1,415.6	€ 7,640.0	€ 11,406.6

(a) Amounts are based on interest rates, interest payment dates and contractual maturities in effect as of December 31, 2012. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. In addition, the amounts presented do not include the impact of our interest rate derivative agreements, deferred financing costs, premiums and discounts or commitment fees, all of which affect our overall cost of borrowing.

For information concerning a financing transaction completed subsequent to December 31, 2012, see note 19.

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.

Interest rate risk

Our exposure to market risk for changes in interest rates relates primarily to the Unitymedia KabelBW Revolving Credit Facilities.

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 KabelBW Revolving Credit Facilities 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, 2012, holding all other variables constant. This sensitivity analysis assumes that this hypothetical rate was in effect, and that all of the available borrowings under the Unitymedia KabelBW Revolving Credit Facilities 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 annual impacts of these hypothetical changes in interest rates are as follows:

	Increase of 0.50%	Decrease of 0.50%
	in millions	
Increase (decrease) in interest expense	€ 2.1	€ (2.1)
Increase (decrease) in loss from continuing operations before income taxes	€ 2.1	€ (2.1)

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 Exchange Notes and the December 2012 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 cross-currency swaps to synthetically convert the interest and principal payments due under the UM Dollar Senior Secured Exchange Notes and the December 2012 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 Exchange Notes and the December 2012 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, 2012, holding all other variables constant. This sensitivity analysis assumes that the UM Dollar Senior Secured Exchange Notes and the December 2012 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 isolation and are likely to be interdependent. The annual impacts of these hypothetical changes in foreign exchange rates are as follows:

	Value of euro relative to U.S dollar	
	10% increase	10% decrease
	in millions	
Increase (decrease) in foreign currency transaction gains	€ 110.6	€ (110.6)
Decrease (increase) in loss associated with change in fair value of cross-currency swaps	(142.9)	142.9
Decrease (increase) in loss from continuing operations before income taxes	€ (32.3)	€ 32.3

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) Common Control Transfer, Acquisitions and Discontinued Operation

In May 2012, in conjunction with the Unitymedia KabelBW Exchange, as defined and described in note 13, UPC Germany completed the KBW Fold-in by transferring its 100% ownership interest in UPC Germany Holdings to Unitymedia Hessen. We have accounted for this common control transfer at carryover basis and the applicable prior period information has been retrospectively revised to give effect to the change in reporting entities for all periods during which we and the Kabel BW Group were under the common control of Liberty Global (namely all periods beginning on or after the December 15, 2011 acquisition of a then indirect parent of KBW by a then indirect subsidiary of UPC Germany Holdings). Prior to December 15, 2011, UPC Germany Holdings had no operating results, cash flows or capital transactions.

Consideration for the transfer of all outstanding shares of UPC Germany Holdings to Unitymedia Hessen in the amount of €1,230.0 million was based upon a valuation of UPC Germany Holdings as of the date of transfer. This amount, which was settled in the form of the 2012 Shareholder Loan to UPC Germany, was recorded as a capital transaction during the second quarter of 2012. For additional information regarding the 2012 Shareholder Loan, see note 13.

The following table sets forth the retrospective effects of this common control transfer on our December 31, 2011 consolidated balance sheet:

	As previously reported	Common control adjustments	As retrospectively revised
		in millions	
Current assets	€ 132.6	€ 63.7	€ 196.3
Property and equipment, net	€ 2,041.2	€ 1,419.5	€ 3,460.7
Goodwill	€ 1,436.1	€ 1,406.9	€ 2,843.0
Intangible assets subject to amortization, net	€ 562.3	€ 692.0	€ 1,254.3
Total assets	€ 4,329.5	€ 3,608.5	€ 7,938.0
Current liabilities	€ 279.6	€ 182.6	€ 462.2
Noncurrent debt and finance lease obligations	€ 2,915.5	€ 2,295.3	€ 5,210.8
Total liabilities	€ 3,519.1	€ 2,723.6	€ 6,242.7
Additional paid-in capital	€ 1,178.5	€ 892.5	€ 2,071.0
Accumulated deficit	€ (368.1)	€ (7.6)	€ (375.7)
Shareholder's equity	€ 810.4	€ 884.9	€ 1,695.3
Total liabilities and shareholder's equity	€ 4,329.5	€ 3,608.5	€ 7,938.0

The following table sets forth the retrospective effects of this common control transfer on our operating results for the year ended December 31, 2011:

	As previously reported	Common control adjustments	As retrospectively revised
		in millions	
Revenue	€ 1,025.2	€ 27.8	€ 1,053.0
OpEx	€ 271.9	€ 9.2	€ 281.1
SG&A	€ 140.6	€ 4.1	€ 144.7
Depreciation and amortization	€ 388.3	€ 12.6	€ 400.9
Net financial and other expense	€ (337.9)	€ (11.5)	€ (349.4)
Income tax benefit	€ 16.1	€ 2.1	€ 18.2
Net loss	€ (133.7)	€ (7.6)	€ (141.3)

The following table sets forth the retrospective effects of this common control transfer on our operating results for the three months ended March 31, 2012, which are included in the amounts reported in our consolidated statement of operations for the year ended December 31, 2012:

	As previously reported	Common control adjustments	As retrospectively revised
		in millions	
Revenue	€ 270.9	€ 159.7	€ 430.6
OpEx	€ (76.0)	€ (48.7)	€ (124.7)
SG&A	€ (39.5)	€ (17.4)	€ (56.9)
Depreciation and amortization	€ (98.7)	€ (55.2)	€ (153.9)
Net financial and other expense	€ (67.3)	€ (49.2)	€ (116.5)
Income tax benefit	€ 13.7	€ 2.3	€ 16.0
Net loss	€ (5.7)	€ (12.6)	€ (18.3)

Acquisition of KBW

On December 15, 2011, UPC Germany HoldCo 2 GmbH (UPC Germany HC2), a then wholly-owned subsidiary of UPC Germany Holdings, acquired all of the outstanding shares of Kabel BW Musketeer GmbH (KBW Musketeer) pursuant to a sale and purchase agreement dated March 21, 2011 with Oskar Rakso S.àr.l (Oskar Rakso) as the seller (the LGI/KBW Transaction). KBW Musketeer was the indirect parent company of KBW. UPC Germany HC2's cost to acquire KBW Musketeer has been reflected in these consolidated financial statements as of the December 15, 2011 acquisition date. 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). UPC Germany provided an €892.5 million capital contribution and a €169.9 million intercompany loan to UPC Germany HC2 to fund the KBW Purchase Price. The KBW Purchase Price, together with KBW's consolidated net debt at December 15, 2011 (aggregate fair value of debt and finance lease obligations outstanding less cash and cash equivalents) of €2,153.4 million, resulted in total consideration of €3,215.8 million. The acquisition was completed 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 HoldCo1 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 13). As a result of the May 2012 completion of the KBW Fold-in, as described in note 1, the immediate parent of UPC Germany HC1 became part of our consolidated borrowing group. For additional information, see note 13. Additionally, UPC Germany HC1 and Kabel Baden-Württemberg Verwaltungs-GmbH were merged into KBW in August 2012.

The LGI/KBW Transaction was subject to the approval of the Federal Cartel Office (FCO) in Germany, which approval was received in December 2011 upon final agreement of certain commitments we made to address the competition concerns of the FCO, as outlined below:

(a) We committed to the distribution of basic digital television channels (as opposed to channels marketed in premium subscription packages) on our entire network in unencrypted form commencing January 1, 2013. This commitment generally covers free-to-air television channels in standard definition and high definition (HD) and is consistent with the practice that had been adopted by KBW prior to the LGI/KBW Transaction. 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, we made a commitment that, through December 31, 2016, the annual carriage fees we receive 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 our applicable rate card systems as of January 1, 2012;

(b) Effective January 1, 2012, we waived exclusivity rights in access agreements with housing associations with respect to the usage of infrastructures other than our in-building distribution networks 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, we will transfer the ownership rights to the in-building distribution network to the building owner or other party granting access. In addition, we waived the rights to remove in-building distribution networks; and

(d) A special early termination right was granted with respect to certain of our existing access agreements (the Remedy HA 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 Remedy HA Agreements was approximately 340,000 as of December 15, 2011. 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 for unamortized investments in modernizing the in-building network based on an agreed formula. To the extent we are successful in obtaining renewals of the Remedy HA Agreements, we expect that these renewed contracts will contain pricing and other provisions that are somewhat less favorable to our company than those in previous agreements. At December 31, 2012, approximately 40% of the dwelling units covered by the Remedy HA Agreements remain subject to the special termination right.

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 we 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.

The FCO is investigating customary practices regarding the duration of contracts with multiple dwelling units for analog television services, including with respect to one such contract that the FCO had previously identified between our company and a landlord as potentially being subject to amendment by order. The FCO indicated that the contract term of 10 years may be an infringement of European and German antitrust laws and that it is inclined to open a test case that could set a precedent for all (or almost all) market participants. We cannot predict the outcome of these FCO proceedings, however, any FCO decision that would limit the duration of our contracts with multiple dwelling units could have a material adverse impact on the financial condition and results of operations of our company.

We have accounted for the LGI/KBW 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.

A summary of the KBW Purchase Price and the opening balance sheet of KBW Musketeer as of the December 15, 2011 acquisition date is presented in the following table. The opening balance sheet presented below reflects our final purchase price allocation (in millions).

Cash and cash equivalents	€ 179.7
Other current assets (a)	46.3
Property and equipment, net	1,421.9
Goodwill (b)	1,405.6
Intangible assets subject to amortization (c)	694.5
Other noncurrent assets	27.0
Current portion of debt and finance lease obligations	(39.3)
Other current liabilities	(131.8)
Noncurrent debt and finance lease obligations	(2,293.8)
Other noncurrent liabilities	(247.7)
KBW Purchase Price	€ 1,062.4

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(a) Includes trade accounts receivables of €18.9 million, net of an allowance for impairment of €4.9 million, and other current receivables of €2.4 million.

(b) The goodwill recognized is primarily attributable to (i) the ability to take advantage of the existing advanced broadband communications networks of KBW to gain immediate access to potential customers and (ii) substantial synergies that are expected to be achieved through the integration of KBW with our other broadband communications operations in Germany. We expect that €294.2 million of the goodwill recognized as of December 15, 2011 will be deductible for tax purposes.

(c) Amounts primarily include intangible assets related to customer relationships. At December 15, 2011, the weighted average useful life of KBW's intangible assets was approximately 10 years.

The following pro forma consolidated operating results for the year ended December 31, 2011 give effect to (i) the LGI/KBW Transaction, (ii) the March 2011 Kabel BW Refinancing, as defined and described in note 13, and (iii) the change in the reporting entities associated with the KBW Fold-in as if such transactions had been completed as of January 1, 2011. As discussed above and further described in note 13, we issued the 2012 Shareholder Loan to UPC Germany in connection with the KBW Fold-in. No interest expense on the 2012 Shareholder Loan is reflected in the following pro forma results prior to the May 2012 issuance date. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on such date. The pro forma adjustments are based on certain assumptions that we believe are reasonable.

		Year ended December 31, 2011
		in millions
Revenue:		
Subscription revenue:		
Video	€	924.0
Broadband internet		220.8
Telephony		292.5
Total subscription revenue		1,437.3
Non-subscription revenue		193.1
		1,630.4
Operating costs and expenses:		
OpEx		460.5
SG&A		206.2
Impairment, restructuring and other operating items, net		3.9
Related-party fees and allocations		35.8
		706.4
EBITDA		924.0
Depreciation and amortization		618.2
EBIT		305.8
Financial and other expense:		
Interest expense:		
Third-party		(425.2)
Related-party		(99.9)
Foreign currency transaction losses, net		(50.6)
Realized and unrealized gains on derivative instruments, net		18.0
Other income, net		0.8
Net financial and other expense		(556.9)
Loss before income taxes		(251.1)
Income tax benefit		40.7
Net loss	€	(210.4)
Further details of OpEx and SG&A:		
Direct costs (programming and copyright, interconnect and other)	€	161.5
Staff-related costs (excluding restructuring charges)		149.7
Network operating costs		136.4
Sales and marketing costs		90.3
Other indirect costs		128.8
	€	666.7
Further details of impairment, restructuring and other operating items, net:		
Restructuring credits	€	(0.2)
Gain on disposal of assets		(1.3)
Asset impairments		5.2
Direct acquisition costs and other		0.2
	€	3.9

Acquisition of Old Unitymedia

On January 28, 2010, Unitymedia KabelBW completed the LGI/Unitymedia Transaction, whereby Unitymedia KabelBW 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 Old Unitymedia Purchase Price, we acquired Old Unitymedia's net debt (aggregate principal amount of debt and finance 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 impairment, restructuring and other operating items in our consolidated statement 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 the escrow accounts associated with the 2009 UM Notes, as defined and described in note 13, and (ii) loans payable to UPC Germany, 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 KabelBW (after giving retrospective effect to the Unitymedia Merger) as of January 28, 2010 is presented in the following table. The opening balance sheet presented below reflects our final 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 noncurrent assets, net	23.4
Current portion of debt and finance lease obligations	(0.7)
Other current liabilities	(437.6)
Noncurrent debt and finance lease obligations	(1,711.5)
Other noncurrent liabilities	(407.5)
Old Unitymedia Purchase Price	€ 2,006.0

(a) The goodwill recognized in connection with the LGI/Unitymedia Transaction is primarily attributable to (i) the ability to take advantage of 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 broadband communications operations in Europe.

(b) Amount primarily includes intangible assets related to customer relationships, which had a useful life of approximately seven years at the acquisition date.

The following pro forma statement of operations data of Unitymedia KabelBW for the year ended December 31, 2010 gives effect to (i) the Unitymedia Merger, (ii) the LGI/Unitymedia Transaction and (iii) the March 2, 2010 Unitymedia Debt Pushdown, as defined and described in note 13, 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 date. The pro forma adjustments are based on certain assumptions that we believe are reasonable.

	Year ended December 31, 2010 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
	935.2
Operating costs and expenses:	
OpEx	273.6
SG&A	140.7
Impairment, restructuring and other operating items, net	26.7
Related-party fees and allocations	23.8
	464.8
EBITDA	470.4
Depreciation and amortization	351.8
EBIT	118.6
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	(319.6)
Loss before income taxes	(201.0)
Income tax benefit	33.1
Loss from continuing operations	€ (167.9)
Further details of OpEx and SG&A:	
Direct costs (programming and copyright, interconnect and other)	€ 86.5
Staff-related costs	92.2
Network operating costs	90.5
Sales and marketing costs	74.6
Other indirect costs	70.5
	€ 414.3
Further details of impairment, restructuring and other operating items, net:	
Restructuring charges	€ 3.4
Direct acquisition costs	23.3
	€ 26.7

Discontinued Operation

Effective September 30, 2010, we closed down the DTH operations of our arena segment. The operating results of our arena segment during 2010 are classified as a discontinued operation 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 operation	€	1.2

(6) Derivative Instruments

We have entered into certain derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the U.S. dollar. Portions of the notional amounts of the derivative instruments that were originally entered into by the Kabel BW Group in March 2011 in order to manage the U.S. dollar currency risks and the variable interest rate risks associated with the KBW Notes (as defined in note 13) were transferred to Unitymedia Hessen in connection with the KBW Fold-in and the remaining notional amounts were canceled. For additional information regarding the KBW Fold-in, see notes 5 and 13. Hedge accounting is not applied to our interest rate and cross-currency swaps.

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

	December 31, 2012			December 31, 2011 (a)		
	Current (b)	Noncurrent (b)	Total	Current (b)	Noncurrent (b)	Total
	in millions					
Assets:						
Cross-currency derivative contracts (c)	€ 2.0	€ 56.9	€ 58.9	€ 4.9	€ 93.7	€ 98.6
Liabilities:						
Cross-currency and interest rate derivative contracts (c)	€ —	€ 5.7	€ 5.7	€ 6.3	€ 7.3	€ 13.6

(a) As retrospectively revised - see note 5.

(b) Our current derivative assets and liabilities are included in other current assets and other current liabilities, respectively, and our noncurrent derivative assets and liabilities are included in other noncurrent assets and other noncurrent liabilities, respectively, in our consolidated balance sheets.

(c) We consider credit risk in our fair value assessments. As of December 31, 2012 and 2011, (i) the fair values of our cross-currency derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €4.5 million and €10.0 million, respectively, and (ii) the fair values of our cross-currency and interest rate derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating €1.7 million and €0.5 million, respectively. The adjustments to our derivative assets relate to 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 net gains (losses) of €6.7 million, (€7.4 million) and (€7.4 million) during 2012, 2011 and 2010, 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.

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

	Year ended December 31,		
	2012	2011 (a)	2010
		in millions	
Cross-currency derivative contracts	€ (37.5)	€ 26.3	€ 41.4
Interest rate derivative contracts (b)	(5.6)	(0.8)	(2.6)
Total	€ (43.1)	€ 25.5	€ 38.8

(a) As retrospectively revised - see note 5.

(b) During the third quarter of 2012, our interest rate derivative contracts were terminated.

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 cross-currency or interest rate derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity. The classifications of our derivative cash flows are as follows:

	Year ended December 31,		
	2012	2011 (a)	2010
		in millions	
Operating activities	€ 0.8	€ (8.1)	€ (19.6)
Financing activities	(12.3)	—	(66.6)
Total	€ (11.5)	€ (8.1)	€ (86.2)

(a) As retrospectively revised - see note 5.

The terms of our outstanding cross-currency swap contracts at December 31, 2012 are as follows:

Final maturity date (a)	Notional amount due from counterparty	Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
	in millions			
January 2021	$ 1,000.0	€ 688.2	5.50%	5.58%
March 2019	$ 459.3	€ 326.5	7.50%	7.98%

(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.

(7) Fair Value Measurements

Our derivative instruments are the only financial instruments that were accounted for at fair value as of December 31, 2012. The reported fair values of our derivative instruments as of December 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 realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

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 2012, no such transfers were made.

We do not have any financial instruments that fall under Level 1 or Level 3 of the fair value hierarchy.

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 various derivative instruments to manage our interest rate and foreign currency exchange risk. The recurring fair value measurements of these derivative instruments are determined using discounted cash flow models. 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 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.

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 and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges, and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of 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 performed nonrecurring fair value measurements in connection with our October 1, 2012 impairment test and the LGI/KBW Transaction. The discount rate used to value the customer relationships acquired in the LGI/KBW Transaction was 10%. See notes 5 and 8.

The fair values of financial assets and liabilities, together with the carrying amounts shown in our consolidated balance sheets, are as follows:

	Category (b)	December 31, 2012 Carrying amount	December 31, 2012 Fair value	December 31, 2011 (a) Carrying amount	December 31, 2011 (a) Fair value
		in millions			
Assets carried at fair value - derivative financial instruments	I	€ 58.9	€ 58.9	€ 98.6	€ 98.6
Assets carried at cost or amortized cost:					
Trade receivables and unbilled revenue	II	€ 111.2	€ 111.2	€ 76.5	€ 76.5
Restricted cash	II	1.8	€ 1.8	1.9	€ 1.9
Loan receivable – related-party	II	168.7	(c)	54.0	(c)
Other current and noncurrent financial assets	II	8.0	€ 8.0	10.2	€ 10.2
Cash and cash equivalents	II	20.2	€ 20.2	48.1	€ 48.1
Total assets carried at cost or amortized cost		€ 309.9		€ 190.7	
Liabilities carried at fair value - derivative financial instruments	I	€ 5.7	€ 5.7	€ 13.6	€ 13.6
Liabilities carried at cost or amortized cost:					
Debt obligations	III	€ 5,196.7	€ 5,707.8	€ 5,080.5	€ 5,325.0
Loans payable – related-party	III	1,397.8	(c)	193.1	(c)
Accrued liabilities (including related-party accrued liabilities)	III	214.4	€ 214.4	147.9	€ 147.9
Accounts payable and other (including related-party accounts payable)	III	109.5	€ 109.5	74.7	€ 74.7
Finance lease obligations	V	6.2	€ 6.2	6.3	€ 6.3
Total liabilities carried at cost or amortized cost		€ 6,924.6		€ 5,502.5	

(a) As retrospectively revised - see note 5.

(b) 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.

(c) Due to the related-party nature of these loans, the fair value is not subject to reasonable estimation.

Pre-tax amounts recognized in our consolidated statements of operations for 2012, 2011 and 2010 related to our financial assets and liabilities are as follows:

	Interest income	Interest expense	Other statement of operations effects (a)	Impact on loss before income taxes
		in millions		
Year ended December 31, 2012:				
Derivative assets carried at fair value through our consolidated statement of operations	€ —	€ —	€ (31.8)	€ (31.8)
Assets carried at cost or amortized cost:				
Trade receivables (b)	—	—	(8.9)	(8.9)
Loan receivable - related-party	2.7	—	—	2.7
Derivative liabilities carried at fair value through our consolidated statement of operations	—	—	(11.3)	(11.3)
Liabilities carried at cost or amortized cost	—	(522.1)	(123.5)	(645.6)
	€ 2.7	€ (522.1)	€ (175.5)	€ (694.9)
Year ended December 31, 2011 (c):				
Derivative assets carried at fair value through our consolidated statement of operations	€ —	€ —	€ 26.4	€ 26.4
Assets carried at cost or amortized cost:				
Trade receivables (b)	—	—	(5.1)	(5.1)
Loan receivable - related-party	0.5	—	—	0.5
Derivative liabilities carried at fair value through our consolidated statement of operations	—	—	(0.9)	(0.9)
Liabilities carried at cost or amortized cost	—	(352.1)	(21.6)	(373.7)
	€ 0.5	€ (352.1)	€ (1.2)	€ (352.8)
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)
	€ 0.3	€ (342.8)	€ 14.3	€ (328.2)

(a) Except as noted in (b) below, amounts are included in net financial and other 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.

(c) As retrospectively revised - see note 5.

(8) Long-lived Assets

Property and Equipment, Net

Changes during 2012 and 2011 in the carrying amounts of our property and equipment, net, are set forth below:

	Cable distribution systems	Customer premises equipment	Support equipment, buildings and land	Total
	in millions			
Cost:				
January 1, 2012	€ 3,502.6	€ 247.8	€ 150.4	€ 3,900.8
Additions	259.2	126.7	37.5	423.4
Retirements and disposals	(12.6)	(6.4)	(2.5)	(21.5)
December 31, 2012	€ 3,749.2	€ 368.1	€ 185.4	€ 4,302.7
Accumulated depreciation:				
January 1, 2012	€ 340.4	€ 71.7	€ 28.0	€ 440.1
Depreciation	309.2	68.9	23.3	401.4
Retirements and disposals	(10.6)	(4.7)	(3.9)	(19.2)
December 31, 2012	€ 639.0	€ 135.9	€ 47.4	€ 822.3
Property and equipment, net:				
December 31, 2012	€ 3,110.2	€ 232.2	€ 138.0	€ 3,480.4

	Cable distribution systems	Customer premises equipment	Support equipment, buildings and land	Total
	in millions			
Cost:				
January 1, 2011	€ 1,978.5	€ 150.8	€ 106.3	€ 2,235.6
LGI/KBW Transaction (note 5)	1,366.3	37.9	17.7	1,421.9
Additions (a)	170.4	65.0	26.5	261.9
Retirements and disposals (a)	(12.6)	(5.9)	(0.1)	(18.6)
December 31, 2011 (a)	€ 3,502.6	€ 247.8	€ 150.4	€ 3,900.8
Accumulated depreciation:				
January 1, 2011	€ 161.9	€ 31.2	€ 13.3	€ 206.4
Depreciation (a)	190.2	46.3	14.8	251.3
Retirements and disposals (a)	(11.7)	(5.8)	(0.1)	(17.6)
December 31, 2011 (a)	€ 340.4	€ 71.7	€ 28.0	€ 440.1
Property and equipment, net:				
December 31, 2011 (a)	€ 3,162.2	€ 176.1	€ 122.4	€ 3,460.7

(a) As retrospectively revised - see note 5.

For information concerning purchase obligations for property and equipment, see note 17. For information concerning pledged assets, see note 13.

Goodwill

We performed our annual review for impairment as of October 1, 2012 and we concluded that the full amount of our goodwill was recoverable. The key assumptions for the value in use calculations used to determine the recoverable amount are those regarding weighted average cost of capital (WACC) and discount rates and expected changes to selling prices/product offerings and direct costs during the period. These key assumptions were primarily derived from internal sources and external market data and are based on past experience including estimates on the development of revenue and direct cost, customer acquisition and retention costs, churn rates, capital expenditures, market share and growth rates. The calculation uses cash flow projections based on financial budgets approved by management, and projections or extrapolations of our Long Range Plan through 2022. A WACC of 10.2% 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 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 of our goodwill to exceed its recoverable amount.

Changes during 2012 and 2011 in the carrying amount of our goodwill are set forth below (in millions):

January 1, 2011	€ 1,436.1
LGI/KBW Transaction (note 5)	1,406.9
December 31, 2011 (a)	2,843.0
Adjustments (b)	(1.3)
December 31, 2012	€ 2,841.7

(a) As retrospectively revised - see note 5.

(b) Represents the net effect of adjustments recorded to the preliminary acquisition accounting with respect to the LGI/KBW Transaction. For additional information, see note 5.

Intangible Assets Subject to Amortization, Net

Changes during 2012 and 2011 in the carrying amounts of our finite-lived intangible assets are set forth below:

	Customer relationships	Subscriber acquisition costs	Other (a)	Total
	in millions			
Cost:				
January 1, 2012	€ 1,358.6	€ 53.7	€ 81.1	€ 1,493.4
Additions	—	73.0	10.6	83.6
Retirements and disposals	—	(53.9)	(1.6)	(55.5)
December 31, 2012	€ 1,358.6	€ 72.8	€ 90.1	€ 1,521.5
Accumulated amortization:				
January 1, 2012	€ 189.0	€ 26.6	€ 23.5	€ 239.1
Amortization	160.1	56.4	21.0	237.5
Retirements and disposals	—	(53.9)	(1.6)	(55.5)
December 31, 2012	€ 349.1	€ 29.1	€ 42.9	€ 421.1
Intangible assets subject to amortization, net:				
December 31, 2012	€ 1,009.5	€ 43.7	€ 47.2	€ 1,100.4

(a) Primarily includes computer software costs and trade names.

	Customer relationships	Subscriber acquisition costs	Other (a)	Total
	in millions			
Cost:				
January 1, 2011	€ 700.0	€ 31.6	€ 39.7	€ 771.3
LGI/KBW Transaction (note 5)	658.6	—	35.9	694.5
Additions (b)	—	47.1	5.5	52.6
Retirements and disposals (b)	—	(25.0)	—	(25.0)
December 31, 2011 (b)	€ 1,358.6	€ 53.7	€ 81.1	€ 1,493.4
Accumulated amortization:				
January 1, 2011	€ 88.6	€ 13.1	€ 12.8	€ 114.5
Amortization (b)	100.4	38.5	10.7	149.6
Retirements and disposals (b)	—	(25.0)	—	(25.0)
December 31, 2011 (b)	€ 189.0	€ 26.6	€ 23.5	€ 239.1
Intangible assets subject to amortization, net:				
December 31, 2011 (b)	€ 1,169.6	€ 27.1	€ 57.6	€ 1,254.3

(a) Primarily includes computer software costs and trade names.

(b) As retrospectively revised - see note 5.

(9) Trade Receivables and Unbilled Revenue, Net

The details of our trade receivables and unbilled revenue are set forth below:

	December 31, 2012	December 31, 2011 (a)
	in millions	
Trade receivables, gross	€ 56.5	€ 48.2
Allowance for impairment of trade receivables	(9.9)	(17.0)
Trade receivables, net	46.6	31.2
Unbilled revenue	64.6	45.3
Trade receivables and unbilled revenue, net	€ 111.2	€ 76.5
Noncurrent unbilled revenue (b)	€ 3.5	€ 2.0
Current trade receivables and unbilled revenue, net	€ 107.7	€ 74.5

(a) As retrospectively revised - see note 5.

(b) Noncurrent unbilled revenue, which primarily results from revenue accrued for free and discounted services and other customer incentives during promotional periods, is included in other noncurrent assets in our consolidated balance sheets.

The detailed aging of current trade receivables and related impairment amounts as of December 31, 2012 and 2011 is set forth below:

	December 31, 2012		December 31, 2011 (a)	
	Gross trade receivables	Allowance for impairment	Gross trade receivables	Allowance for impairment
	in millions			
Days past due:				
Current	€ 16.1	€ —	€ 15.8	€ —
1 - 30	16.7	0.3	8.8	0.6
31 - 60	5.5	0.6	4.9	2.1
61 - 90	3.8	0.8	3.0	1.4
Over 90	14.4	8.2	15.7	12.9
Total	€ 56.5	€ 9.9	€ 48.2	€ 17.0

(a) As retrospectively revised - see note 5.

At December 31, 2012 and 2011, a total of €30.5 million and €15.4 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.

The following table shows the development of the allowance for impairment of trade receivables:

	December 31, 2012	December 31, 2011 (a)
	in millions	
Allowance at January 1	€ 17.0	€ 15.7
Provisions for impairment of receivables	8.9	5.1
Write-offs of receivables	(16.0)	(8.7)
LGI/KBW Transaction (note 5)	—	4.9
Allowance at December 31	€ 9.9	€ 17.0

(a) As retrospectively revised - see note 5.

When a trade receivable is uncollectible, it is written off against the allowance account. The provision for impairment of trade receivables is included in OPEX in our consolidated statements 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, 2012	December 31, 2011 (a)
	in millions	
Derivative instruments	€ 56.9	€ 93.7
Prepaid fiber leases	15.9	19.7
Unbilled revenue	3.5	2.0
Restricted cash	1.8	1.9
Other	8.6	5.4
Total other noncurrent assets	€ 86.7	€ 122.7

(a) As retrospectively revised - see note 5.

(11) Accrued Liabilities, Third-Party

The details of our accrued liabilities, third-party are set forth as follows:

	December 31, 2012	December 31, 2011 (a)
	in millions	
Accrued expenses (other than payroll related accruals)	€ 138.5	€ 87.8
Accrued capital expenditures	32.4	26.4
Accrued payroll related compensation and benefits	23.0	26.5
Total accrued liabilities, third-party	€ 193.9	€ 140.7

(a) As retrospectively revised - see note 5.

(12) Provisions

The details of our provisions are set forth as follows:

	December 31, 2012	December 31, 2011 (a)
	in millions	
Net pension liability	€ 17.5	€ 16.3
Other	19.8	24.5
Total provisions	€ 37.3	€ 40.8
Current portion	€ 17.9	€ 23.0
Noncurrent portion	€ 19.4	€ 17.8

(a) As retrospectively revised - see note 5.

The following table shows the development of provisions:

	Net pension liability	Other	Total
		in millions	
January 1, 2012	€ 16.3	€ 24.5	€ 40.8
Additions	1.5	5.8	7.3
Releases	(0.2)	(7.6)	(7.8)
Cash payments	(0.1)	(2.9)	(3.0)
December 31, 2012	€ 17.5	€ 19.8	€ 37.3
January 1, 2011	€ 8.4	€ 24.3	€ 32.7
LGI/KBW Transaction (note 5)	7.1	6.3	13.4
Additions (a)	0.8	5.8	6.6
Releases (a)	—	(6.3)	(6.3)
Cash payments (a)	—	(5.6)	(5.6)
December 31, 2011 (a)	€ 16.3	€ 24.5	€ 40.8

(a) As retrospectively revised - see note 5.

Our expenses related to (i) our contributions to the German statutory pension system, (ii) our defined contribution plan, (iii) our defined benefit pension plan and (iv) our direct insurance aggregated €16.1 million, €10.0 million and €8.9 million during 2012, 2011 and 2010, respectively.

(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, 2012			Estimated fair value (a)		Carrying value (b)	
	Interest rate (c)	Borrowing currency	Euro equivalent	December 31, 2012	December 31, 2011 (d)	December 31, 2012	December 31, 2011 (d)
				in millions			
Third-party debt:							
Parent:							
2009 UM Senior Notes	9.625%	€ 665.0	€ 665.0	€ 749.0	€ 686.6	€ 652.7	€ 651.5
UM Senior Exchange Notes	9.500%	€ 618.0	618.0	718.8	—	616.3	—
Subsidiaries:							
2009 UM Euro Senior Secured Notes	8.125%	€ 906.0	906.0	981.3	1,485.2	892.5	1,405.4
2009 UM Dollar Senior Secured Notes	—	—	—	—	686.2	—	641.3
UM Euro Senior Secured Exchange Notes	7.500%	€ 735.1	735.1	810.9	—	741.1	—
UM Dollar Senior Secured Exchange Notes	7.500%	$ 459.3	348.0	383.5	—	354.0	—
September 2012 UM Senior Secured Notes	5.500%	€ 650.0	650.0	668.7	—	650.0	—
December 2012 UM Dollar Senior Secured Notes	5.500%	$ 1,000.0	757.8	785.7	—	757.8	—
December 2012 UM Euro Senior Secured Notes	5.750%	€ 500.0	500.0	521.9	—	500.0	—
New Unitymedia KabelBW Revolving Credit Facility (e)	3.359%	€ 337.5	337.5	—	—	—	—
Unitymedia KabelBW Revolving Credit Facility (e)	2.609%	€ 80.0	80.0	—	77.2	—	80.0
Vendor financing (f)	3.550%	€ 19.8	19.8	19.8	—	19.8	—
KBW Notes (g)	—	—	—	—	2,323.0	—	2,294.4
Total third-party debt before transaction costs and accrued interest	7.394%		5,617.2	€ 5,639.6	€ 5,258.2	5,184.2	5,072.6
Transaction costs						(55.7)	(58.9)
Accrued interest - third-party						68.2	66.8
Total third-party debt						5,196.7	5,080.5
Related-party debt: (note 16)							
2010 shareholder loans payable (h)	8.125%	€ 70.4	70.4	(h)	(h)	70.4	179.2
2012 shareholder loan payable (i)	9.625%	€ 1,230.0	1,230.0	(i)	(i)	1,230.0	—
UMI Loan Payable (j)	10.000%	€ 11.4	11.4	(j)	(j)	11.4	—
Total related-party debt before accrued interest	9.548%		1,311.8			1,311.8	179.2
Accrued interest - related-party						86.0	13.9
Total related-party debt						1,397.8	193.1
Total debt	7.828%		€ 6,929.0			6,594.5	5,273.6
Finance lease obligations						6.2	6.3
Total debt and finance lease obligations						6,600.7	5,279.9
Current portion						(89.7)	(69.1)
Noncurrent portion						€ 6,511.0	€ 5,210.8

(a) The estimated fair values of our debt instruments were determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy) 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 and estimated credit spreads, to the extent available, and other relevant factors. For additional information concerning fair value hierarchies, see note 7.

(b) Amounts include the impact of premiums and discounts, where applicable.

(c) Represents the stated interest rate of the debt instrument as of December 31, 2012 and does not include the impact of our deferred financing costs, premiums or 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 weighted average interest rate on our aggregate third-party indebtedness was approximately 7.6% at December 31, 2012. For information concerning our derivative instruments, see note 6.

(d) As retrospectively revised - see note 5.

(e) Unused borrowing capacity represents the maximum availability under the applicable facility at December 31, 2012 without regard to covenant compliance calculations. At December 31, 2012, €337.5 million of the borrowing capacity under the New Unitymedia KabelBW Revolving Credit Facility (as defined below) and €80.0 million of the borrowing capacity under the Unitymedia KabelBW Revolving Credit Facility (as defined below) were available to be borrowed.

(f) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are generally due within one year. Repayments of vendor financing obligations are included in repayments of third-party debt and finance lease obligations in our consolidated cash flow statements.

(g) As further described below, during the second quarter of 2012, (i) all of the KBW Notes (as defined below) were exchanged or redeemed and (ii) KBW's €100.0 million secured revolving credit facility agreement was canceled. The weighted average interest rate on the KBW Notes as of December 31, 2011 was 7.76%.

(h) Represents amounts payable to our shareholder, UPC Germany, comprised of (i) a loan that originated on December 1, 2010 (the December 2010 Loan) and (ii) prior to its conversion to equity during the fourth quarter of 2012, a loan that originated on January 28, 2010 (the January 2010 Loan and, together with the December 2010 Loan, the 2010 Shareholder Loans). The December 2010 Loan (€70.4 million principal balance at December 31, 2012) bears interest at 8.125% per annum and the January 2010 Loan (principal balance of nil at December 31, 2012) bore interest at 8.580% per annum. Accrued interest (€5.3 million at December 31, 2012) on the December 2010 Loan is due and payable on the maturity date of January 1, 2030. Accrued interest is transferred to the loan balances annually on January 1. The net decrease in the principal amount of the 2010 Shareholder Loans during 2012 includes (i) cash borrowings of €856.8 million, (ii) cash payments of €838.4 million, (iii) the conversion of €92.6 million to equity, (iv) a €60.1 million non-cash decrease related to settlements against amounts outstanding pursuant to the UPC Germany Loan Receivable (as defined and described in note 16), (v) the transfer of €13.9 million in non-cash accrued interest to the loan balance and (vi) a non-cash increase of €11.6 million related to the settlement of related-party payables. The net decrease in the principal amount of the 2010 Shareholder Loans during 2011 includes (a) the conversion of €1,014.0 million to equity, (b) the transfer of €85.8 million in non-cash accrued interest to the loan balance, (c) cash borrowings of €82.0 million, (d) cash payments of €82.0 million and (e) a non-cash increase of €26.2 million related to the settlement of related-party payables. The net increase in the principal amount of these loans during 2010 includes (1) cash borrowings of €1,856.0 million, (2) cash payments of €805.1 million and (3) a non-cash increase of €30.3 million related to the settlement of related-party payables. The fair values of the 2010 Shareholder Loans are not subject to reasonable estimation due to the related-party nature of the loans.

(i) Represents a loan payable to our shareholder, UPC Germany, issued in May 2012 as consideration for all outstanding shares of UPC Germany Holdings transferred in connection with the KBW Fold-in. The principal amount of €1,230.0 million was based upon a valuation of UPC Germany Holdings as of the date of transfer. All principal and accrued interest (collectively €1,309.7 million at December 31, 2012) outstanding under this loan is due and payable on December 31, 2025. Interest accrues on the principal balance at 9.625% per annum, is subject to adjustment annually and will be transferred to the loan balance on January 1 of each year. Amounts outstanding may be converted to equity at the option of UPC Germany. The fair value of this loan is not subject to reasonable estimation due to the related-party nature of the loan.

(j) Represents a loan payable to UMI, an entity that is consolidated by UPC Holding, as further described in note 16. All principal (€11.4 million at December 31, 2012) outstanding under this loan is due and payable on December 31, 2025. The principal amount outstanding under this loan bears interest at an agreed upon rate that is subject to adjustment (10.000% per annum at December 31, 2012). Accrued interest (€1.0 million at December 31, 2012) may be, at the option of UMI, (i) transferred to the loan balance annually on January 1 or (ii) repaid on the last day of each month and on the date of principal repayments. The fair value of this loan is not subject to reasonable estimation due to the related-party nature of the loan.

Unitymedia KabelBW Notes and KBW Notes

Unitymedia KabelBW Exchange, Special Optional Redemptions, and KBW Fold-in. In March 2011, certain members of the Kabel BW Group issued the KBW Notes, the net proceeds from which were primarily used to repay the Kabel BW Group's then existing debt and to settle the interest rate swap contracts associated with the bank loans (the March 2011 Kabel BW Refinancing). The KBW Notes consisted of (i) UPC Germany HC1's €680.0 million principal amount of 9.5% senior notes due 2021 (the KBW Senior Notes) and (ii) KBW's (a) €800.0 million principal amount of 7.5% senior secured notes due 2019 (the KBW Euro Senior Secured Notes), (b) $500.0 million (€378.9 million) principal amount of 7.5% senior secured notes due 2019 (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 due 2018 (the KBW Senior Secured Floating Rate Notes and together with the KBW Senior Secured Fixed Rate Notes, the KBW Senior Secured Notes).

In May 2012, we completed (i) the exchange (the Unitymedia KabelBW Exchange) of (a) 90.9% of the outstanding principal amount of the KBW Senior Notes for an equal amount of UM Senior Exchange Notes (as defined and described below) and (b) 92.5% of the outstanding principal amount of the KBW Senior Secured Notes for an equal amount of UM Senior Secured Exchange Notes (as defined and described below), (ii) the redemption (the Special Optional Redemptions) of the remaining KBW Notes that were not exchanged pursuant to the Unitymedia KabelBW Exchange and (iii) 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 initially funded with borrowings under the Unitymedia KabelBW Revolving Credit Facility and the New Unitymedia KabelBW Revolving Credit Facility, each as defined and described below. In connection with these transactions, we recognized a loss of €1.1 million representing the difference between the carrying value and redemption price of the debt redeemed pursuant to the Special Optional Redemptions and portions of the notional amounts of the derivative instruments that were originally entered into by the Kabel BW Group in connection with the March 2011 Kabel BW Refinancing were transferred to Unitymedia Hessen and the remaining notional amounts were canceled.

The details of (i) the Unitymedia KabelBW Exchange and (ii) the Special Optional Redemptions are as follows:

	Outstanding principal amount prior to the Unitymedia KabelBW Exchange		Principal amount exchanged pursuant to the Unitymedia KabelBW Exchange		Principal amount redeemed pursuant to the Special Optional Redemptions	
KBW Notes	**Borrowing currency**	**Euro equivalent (a)**	**Borrowing currency**	**Euro equivalent (a)**	**Borrowing currency**	**Euro equivalent (a)**
			in millions			
KBW Senior Notes (b)	€ 680.0	€ 680.0	€ 618.0	€ 618.0	€ 62.0	€ 62.0
KBW Euro Senior Secured Notes (c)	€ 800.0	800.0	€ 735.1	735.1	€ 64.9	64.9
KBW Dollar Senior Secured Notes (d)	$ 500.0	382.0	$ 459.3	350.9	$ 40.7	31.1
KBW Senior Secured Floating Rate Notes (e)	€ 420.0	420.0	€ 395.9	395.9	€ 24.1	24.1
		€ 2,282.0		€ 2,099.9		€ 182.1

(a) Translations are calculated as of the May 4, 2012 transaction date.

(b) The KBW Senior Notes tendered for exchange were exchanged for an equal principal amount of 9.5% senior notes issued by Unitymedia KabelBW due March 15, 2021 (the UM Senior Exchange Notes). Interest is payable semi-annually on March 15 and September 15.

(c) 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 UM Senior Secured Notes Issuers) due March 15, 2019 (the UM Euro Senior Secured Exchange Notes). Interest is payable semi-annually on March 15 and September 15.

(d) 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 UM 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). Interest is payable semi-annually on March 15 and September 15.

(e) 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 UM 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 UM Senior Secured Exchange Notes). The UM Senior Secured Floating Rate Exchange Notes bear interest at a rate of EURIBOR plus 4.25% and interest is payable quarterly on March 15, June 15, September 15 and December 15. We refer to the UM Senior Exchange Notes and the UM Senior Secured Exchange Notes collectively as the "UM Exchange Notes."

September 2012 UM Senior Secured Notes. On September 19, 2012, the UM Senior Secured Notes Issuers issued €650.0 million principal amount of 5.5% senior secured notes due September 15, 2022 (the September 2012 UM Senior Secured Notes). The net proceeds from the issuance of the September 2012 UM Senior Secured Notes were used to redeem in full the UM Senior Secured Floating Rate Exchange Notes at a redemption price of 101%, with the remaining €241.8 million available for general corporate purposes. During the third quarter of 2012, we recognized losses on debt extinguishment of €8.6 million representing the difference between the carrying value and redemption price of the debt redeemed.

December 2012 UM Senior Secured Notes. On December 14, 2012, the UM Senior Secured Notes Issuers issued $1.0 billion (€757.8 million) principal amount of 5.5% senior secured notes due January 15, 2023 (the December 2012 UM Dollar Senior Secured Notes) and €500.0 million principal amount of 5.75% senior secured notes due January 15, 2023 (the December 2012 UM Euro Senior Secured Notes, and together with the December 2012 UM Dollar Senior Secured Notes, the December 2012 UM Senior Secured Notes), each at par. The net proceeds from the issuance of the December 2012 UM Senior Secured Notes were used to purchase and redeem (i) all of the 2009 UM Dollar Senior Secured Notes (as defined and described below) and (ii) €524.0 million of the 2009 UM Euro Senior Secured Notes (as defined and described below). During the fourth quarter of 2012, we recognized losses on debt extinguishment of €133.7 million including a loss of (a) €95.9 million representing the difference between the principal amount and redemption price of the debt redeemed and (b) €37.8 million associated with the write-off of deferred financing costs and an unamortized discount.

2009 UM Notes and the Unitymedia Debt Pushdown. In November 2009, Unitymedia KabelBW issued (i) €1,430.0 million principal amount of 8.125% senior secured notes (the 2009 UM Euro Senior Secured Notes) at an issue price of 97.844%, (ii) $845.0 million (€640.3 million) principal amount of 8.125% senior secured notes (the 2009 UM Dollar Senior Secured Notes and, together with the 2009 UM Euro Senior Secured Notes, the 2009 UM Senior Secured Notes) at an issue price of 97.844% and (iii) €665.0 million principal amount of 9.625% senior notes (the 2009 UM Senior Notes and together with the 2009 UM Senior Secured Notes, the 2009 UM Notes) at an issue price of 97.652%. Interest payments for the 2009 UM Notes are made semi-annually on June 1 and December 1. The net proceeds from the sale of the 2009 UM Notes (€2,541.0 million at the transaction date in 2009) 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, (a) the remaining balances in the escrow accounts were released in connection with the repayment of Old Unitymedia's then-existing indebtedness (the Old Indebtedness), (b) the obligations under the 2009 UM Euro Senior Secured Notes and the 2009 UM Dollar Senior Secured Notes were assumed by Unitymedia Hessen and Unitymedia NRW and (c) the obligations under the 2009 UM Senior Notes were assumed by Old Unitymedia (collectively, the Unitymedia Debt Pushdown). Additionally, Old Unitymedia's existing undrawn €130.0 million revolving credit facility was canceled. 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 repaid by utilizing the escrow cash from the 2009 UM Notes debt offering. Old Unitymedia was merged into Unitymedia KabelBW in September 2010.

We refer to the 2009 UM Notes, the UM Exchange Notes, the September 2012 UM Senior Secured Notes and the December 2012 UM Senior Secured Notes, collectively as the "Unitymedia KabelBW Notes."

The 2009 UM Senior Notes and the UM Senior Exchange Notes are senior obligations of Unitymedia KabelBW that rank equally with all of the existing and future senior debt of Unitymedia KabelBW and are senior to all existing and future subordinated debt of Unitymedia KabelBW. The 2009 UM Senior Notes and the UM Senior Exchange Notes are secured by a first-ranking pledge over the shares of Unitymedia KabelBW and junior-priority share pledges and other asset security of certain subsidiaries of Unitymedia KabelBW.

The 2009 UM Senior Secured Notes, the UM Senior Secured Exchange Notes, the September 2012 UM Senior Secured Notes and the December 2012 UM Senior Secured Notes are (i) senior obligations of the UM Senior Secured Notes Issuers that rank equally with all of the existing and future senior debt of each UM Senior Secured Notes Issuer and are senior to all existing and future subordinated debt of each of the UM Senior Secured Notes Issuers and (ii) are secured by a first-ranking pledge over the shares of Unitymedia KabelBW and the UM Senior Secured Notes Issuers and certain other share and/or asset security of Unitymedia KabelBW and certain of its subsidiaries.

The Unitymedia KabelBW Notes contain customary incurrence-based covenants. For example, the ability to raise certain additional debt and make certain distributions or loans to other subsidiaries of Liberty Global is subject to a Consolidated Leverage Ratio test, as defined in the applicable indenture. The Unitymedia KabelBW 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 Unitymedia KabelBW or a UM Senior Secured Notes Issuer or any of the Restricted Subsidiaries (as defined in the applicable indenture) is an event of default under the Unitymedia KabelBW Notes.

Subject to the circumstances described below, the 2009 UM Senior Notes are non-callable until December 1, 2014, the UM Senior Exchange Notes are non-callable until March 15, 2016, the UM Senior Secured Fixed Rate Exchange Notes are non-callable until March 15, 2015, the September 2012 UM Senior Secured Notes are non-callable until September 15, 2017 and the December 2012 UM Senior Secured Notes are non-callable until January 15, 2018.

At any time prior to December 1, 2014 in the case of the 2009 UM Senior Notes, March 15, 2016, in the case of the UM Senior Exchange Notes, March 15, 2015, in the case of the UM Senior Secured Fixed Rate Exchange Notes, September 15, 2017, in the case of the September 2012 UM Senior Secured Notes and January 15, 2018, in the case of the December 2012 UM Senior Secured Notes, Unitymedia KabelBW and the UM Senior Secured Notes Issuers (as applicable) may redeem some or all of the UM Senior Exchange Notes, the UM Senior Secured Fixed Rate Exchange Notes, the September 2012 UM Senior Secured Notes or the December 2012 UM Senior Secured Notes (as applicable) by paying a "make-whole" premium, which is the present value of all remaining scheduled interest payments to the redemption date using the discount rate (as specified in the applicable indenture) as of the redemption date plus 50 basis points.

Unitymedia KabelBW and the UM Senior Secured Notes Issuers (as applicable) may redeem some or all of the Unitymedia KabelBW Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts (as defined in the applicable indenture), if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on December 1, in the case of the 2009 UM Senior Notes and the 2009 UM Senior Secured Notes, March 15, in the case of the UM Senior Exchange Notes and the UM Senior Secured Fixed Rate Exchange Notes, September 15, in the case of the September 2012 UM Senior Secured Notes, or January 15, in the case of the December 2012 UM Senior Secured Notes of the years set forth below:

	Redemption Price						
Year	**2009 UM Senior Notes**	**2009 UM Senior Secured Notes**	**UM Senior Exchange Notes**	**UM Senior Secured Fixed Rate Exchange Notes**	**September 2012 UM Senior Secured Notes**	**December 2012 UM Dollar Senior Secured Notes**	**December 2012 UM Euro Senior Secured Notes**
2013	N.A.	104.063%	N.A.	N.A.	N.A.	N.A.	N.A.
2014	104.813%	102.031%	N.A.	N.A.	N.A.	N.A.	N.A.
2015	103.208%	100.000%	N.A.	103.750%	N.A.	N.A.	N.A.
2016	101.604%	100.000%	104.750%	101.875%	N.A.	N.A.	N.A.
2017	100.000%	100.000%	103.167%	100.000%	102.750%	N.A.	N.A.
2018	100.000%	N.A.	101.583%	100.000%	101.833%	102.750%	102.875%
2019	100.000%	N.A.	100.000%	100.000%	100.917%	101.833%	101.917%
2020	N.A.	N.A.	100.000%	N.A.	100.000%	100.917%	100.958%
2021 and thereafter	N.A.	N.A.	100.000%	N.A.	100.000%	100.000%	100.000%

In addition, at any time prior to September 15, 2015 in the case of the September 2012 UM Senior Secured Notes or January 15, 2016 in the case of the December 2012 UM Senior Secured Notes, the UM Senior Secured Notes Issuers may redeem up to 40% of the September 2012 UM Senior Secured Notes or the December 2012 UM Senior Secured Notes (at redemption prices of

105.500% in the case of the September 2012 UM Senior Secured Notes and the December 2012 UM Dollar Senior Secured Notes and 105.750% in the case of the December 2012 UM Euro Senior Secured Notes) with the net proceeds from one or more specified equity offerings.

KBW and its immediate parent (collectively, the New UM Guarantors) have granted, in addition to guarantees provided by Unitymedia KabelBW and/or certain of its subsidiaries, as applicable, of the 2009 UM Senior Notes and the 2009 UM Senior Secured Notes, a senior guarantee of the 2009 UM Senior Secured Notes and a senior subordinated guarantee of the 2009 UM Senior Notes. The New UM Guarantors have also granted a senior subordinated guarantee of the UM Senior Exchange Notes and a senior guarantee of the UM Senior Secured Exchange Notes, the September 2012 UM Senior Secured Notes and the December 2012 UM Senior Secured Notes. In addition, the New UM Guarantors have provided certain share and asset security in favor of the 2009 UM Senior Secured Notes, the UM Senior Secured Exchange Notes, the September 2012 UM Senior Secured Notes and the December 2012 UM Senior Secured Notes.

Unitymedia KabelBW and the UM Senior Secured Notes Issuers (as applicable) may redeem all of the Unitymedia KabelBW Notes at prices equal to their respective principal amounts, plus accrued and unpaid interest, upon the occurrence of certain changes in tax law. If Unitymedia KabelBW and the UM Senior Secured Notes Issuers (as applicable) or certain of Unitymedia KabelBW's subsidiaries sell certain assets or experience specific changes in control, Unitymedia KabelBW and the UM Senior Secured Notes Issuers (as applicable) must offer to repurchase the Unitymedia KabelBW Notes at a redemption price of 101%.

Unitymedia KabelBW 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 KabelBW Revolving Credit Facility). On August 28, 2012, the New Unitymedia KabelBW Revolving Credit Facility was increased to €337.5 million. The interest rate for the New Unitymedia KabelBW Revolving Credit Facility is EURIBOR plus a margin of 3.25%. Borrowings under the New Unitymedia KabelBW Revolving Credit Facility mature on June 30, 2017. The New Unitymedia KabelBW Revolving Credit Facility provides for an annual commitment fee of 1.25% on the unused portion. Also, on May 1, 2012, Unitymedia KabelBW's existing €80.0 million secured revolving credit facility agreement with certain lenders (the Unitymedia KabelBW Revolving Credit Facility and together with the New Unitymedia KabelBW Revolving Credit Facility, the Unitymedia KabelBW Revolving Credit Facilities) 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 KabelBW Revolving Credit Facility is senior to (i) the 2009 UM Notes, (ii) the UM Exchange Notes, (iii) the September 2012 UM Senior Secured Notes, (iv) the December 2012 UM Senior Secured Notes and (v) the New Unitymedia KabelBW Revolving Credit Facility. The Unitymedia KabelBW Revolving Credit Facility provides for an annual commitment fee of 1.00% on the unused portion. In connection with the Special Optional Redemptions (i) the Unitymedia KabelBW Revolving Credit Facility was drawn in full and (ii) borrowings of €105.0 million were drawn against the New Unitymedia KabelBW Revolving Credit Facility. Such borrowings were repaid during the second quarter of 2012. The Unitymedia KabelBW Revolving Credit Facilities may be used for general corporate and working capital purposes.

In addition to customary restrictive covenants and events of default, the Unitymedia KabelBW Revolving Credit Facilities require compliance with a Consolidated Leverage Ratio, as defined in the applicable facility. The Unitymedia KabelBW Revolving Credit Facilities are secured by a pledge over the shares of the borrower and certain other asset security of certain subsidiaries of Unitymedia KabelBW.

Maturities of Debt

For information concerning the maturities of our debt as of December 31, 2012, see note 4.

Non-cash Refinancing Transactions

During 2012, 2011 and 2010, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating €2,099.9 million, nil and nil, respectively.

Subsequent Events

For information concerning a financing transaction completed subsequent to December 31, 2012, see note 19.

(14) Income Taxes

Unitymedia KabelBW and its operating subsidiaries consist of three German taxpayers, two of which are 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:

	Year ended December 31,		
	2012	**2011 (a)**	**2010**
		in millions	
Current tax benefit (expense)	€ 3.0	€ (10.5)	€ (0.7)
Deferred tax benefit	77.3	28.7	36.2
Total	€ 80.3	€ 18.2	€ 35.5

(a) As retrospectively revised - see note 5.

The 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 32.37% for 2012, 31.88% for 2011 and 31.58% for 2010 as a result of the following:

	Year ended December 31,		
	2012 (a)	**2011 (a) (b)**	**2010**
		in millions	
Computed expected income tax benefit	€ 109.9	€ 50.8	€ 65.9
Non-deductible or non-taxable interest and other items	(34.1)	(28.1)	(21.4)
Recognized (unrecognized) net operating losses and interest carryforwards, net	6.0	(1.2)	(7.0)
Other, net	(1.5)	(3.3)	(2.0)
Total	€ 80.3	€ 18.2	€ 35.5

(a) The income tax benefit amount for 2012 reflects certain amounts related to prior years, including a current net tax benefit of €3.0 million and a deferred tax benefit of €10.8 million from the reversal of an unrecognized interest carryforward. The 2011 income tax benefit amount includes a current net tax benefit of €5.2 million related to prior years.

(b) As retrospectively revised - see note 5.

The details of our deferred tax balances at December 31, 2012 and our deferred tax benefit for the year ended December 31, 2012 are as follows:

	December 31, 2012		Year ended December 31, 2012
	Deferred tax assets	Deferred tax liabilities	Recognition in statement of operations
	in millions		
Loss carryforwards	€ 397.1	€ —	€ 92.1
Investments	—	16.0	0.1
Property and equipment	—	536.3	25.2
Intangible assets	—	300.2	37.3
Receivables	—	10.6	(1.8)
Provisions	2.3	—	0.6
Debt obligations	—	1.5	(38.2)
Accrued interest expense	6.1	—	(63.1)
Goodwill	—	19.3	(18.5)
Derivatives	10.0	—	31.1
Loans	13.3	—	13.3
Other	0.5	4.4	(0.8)
Net assets with liabilities within same jurisdiction	(429.3)	(429.3)	—
	€ —	€ 459.0	€ 77.3

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 (a)		Year ended December 31, 2011 (a)
	Deferred tax assets	Deferred tax liabilities	Recognition in statement of operations
	in millions		
Loss carryforwards	€ 305.0	€ —	€ (31.6)
Investments	—	16.1	(16.1)
Property and equipment	—	562.1	17.1
Intangible assets	—	337.5	20.2
Receivables	—	8.8	(11.5)
Provisions	1.6	—	(0.6)
Debt obligations	36.7	—	24.1
Accrued interest expense	69.2	—	45.1
Goodwill	—	0.8	(0.8)
Derivatives	—	21.1	(17.0)
Other	1.4	4.3	(0.2)
Net assets with liabilities within same jurisdiction	(413.9)	(413.9)	—
	€ —	€ 536.8	€ 28.7

(a) As retrospectively revised - see note 5.

No deferred tax assets have been recognized for the following carryforwards:

	December 31, 2012	December 31, 2011 (a)
	in millions	
Interest carryforwards	€ 56.1	€ 71.2
Trade tax loss carryforwards	€ 29.8	€ 53.5
Corporate income tax loss carryforwards	€ 149.7	€ 149.7

(a) As retrospectively revised - see note 5.

Our tax loss carryforwards within each fiscal unity combine all companies' tax losses in that fiscal unity, 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 profit and loss pooling 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.

(15) Shareholder's Equity (Deficit)

Our share capital was €25,000 at December 31, 2012 and 2011 and has been fully paid. All of our shares are held by UPC Germany.

Changes in additional paid-in capital during 2010 relate to a €17.0 million cash contribution from UPC Germany.

Changes in additional paid-in capital during 2011 relate to (i) a €892.5 million increase for a contribution of cash in connection with the LGI/KBW Transaction, (ii) a €1,100.0 million increase 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, (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. For additional information concerning our investment in UMI, see note 16.

Changes in additional paid-in capital during 2012 relate to (i) a €1,230.0 million decrease for consideration issued in connection with the KBW Fold-in, (ii) a €100.4 million increase related to the conversion to equity of €92.6 million of principal and €7.8 million of accrued interest associated with the shareholder loan payable to UPC Germany, (iii) a €1.1 million decrease representing the excess of the €1.1 million of consideration paid over the nil carrying value of the property and equipment transferred from UPC Holding and (iv) a €1.1 million increase related to stock-based compensation.

One of our indirect parent companies, Liberty Global Europe Holding B.V., granted a financing commitment dated September 30, 2010 to our company in the amount of €75.0 million, all of which has been used. During 2010, €17.0 million was received through an equity contribution and, during the second quarter of 2012, the remaining €58.0 million was funded through an increase to our 2010 Shareholder Loans.

(16) Related-Party Transactions

Our related-party transactions consist of the following:

	Year ended December 31,		
	2012	2011 (a)	2010
		in millions	
OpEx	€ 12.1	€ 6.8	€ 1.4
Allocated stock-based compensation expense	1.1	0.5	—
Fees and allocations	53.7	35.8	23.8
Included in EBIT	66.9	43.1	25.2
Interest expense	98.1	99.9	85.8
Share of associate gain	(3.3)	—	—
Interest income	(1.7)	—	—
Included in net loss	€ 160.0	€ 143.0	€ 111.0
Property and equipment additions	€ 22.1	€ 5.6	€ 1.3

(a) As retrospectively revised - see note 5.

OpEx. These amounts represent certain cash settled charges from other Liberty Global subsidiaries, including charges that originate with 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 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 2012, 2011 and 2010, all amounts were loan settled with the exception of €25.8 million and €13.1 million that were cash settled during 2012 and 2011, respectively.

In addition, in December 2012, UPC Operations B.V., a subsidiary of UPC Holding, entered into a sub-license license agreement with UPC Germany and UPC Germany, in turn, entered into a sub-license agreement with Unitymedia KabelBW for the use the UPC trademark through April 2, 2017. The sub-license agreement between UPC Germany and Unitymedia KabelBW was effective April 2, 2012 (the date of initial commercial use by Unitymedia KabelBW) and provides for an annual fee for the use of the UPC trademark equal to 0.5% of Unitymedia KabelBW's revenue (as defined in the sub-license agreement). A fee of €5.0 million for the period from April 2, 2012 through December 31, 2012 was recorded during 2012. Sub-license fees are payable quarterly and are to be loan settled unless otherwise determined by UPC Germany.

Depending on the nature of our related-party transactions, the amount of the charges or allocations may be based on (i) estimated or allocated costs, (ii) estimated or allocated costs plus a mark-up or (iii) commercially negotiated rates. Although we believe that the related-party 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.

Interest expense. Related-party interest expense relates to (i) our 2010 Shareholder Loans and 2012 Shareholder Loan to UPC Germany and (ii) our loan with UMI. Accrued interest is transferred to the respective loan balance annually on January 1 for the 2010 Shareholder Loans and the 2012 Shareholder Loan. For the loan with UMI, accrued interest may be, at the option of UMI, (a) transferred to the loan balance annually on January 1 or (b) repaid on the last day of each month and on the date of principal repayments. For additional information, see note 13.

Share of associate gain. The 2012 amount relates to the gain received from the investment in UMI, as discussed below. Share of associate gain is reflected in other income (expense), net, in our consolidated statement of operations.

Interest income. The 2012 amount relates to the UPC Germany Loan Receivable, as discussed below. Interest income is reflected in other income (expense), net, in our consolidated statement of operations.

Property and equipment additions. These amounts represent customer premises and network-related equipment acquired from other Liberty Global subsidiaries, including Liberty Global Europe B.V. and UPC Holding. During 2012, 2011 and 2010, €11.1 million, €0.1 million and nil, respectively, of these amounts were cash settled.

UPC Germany loan receivable. Pursuant to our loan agreement with UPC Germany, we can require the repayment of all or part of the amount outstanding pursuant to this loan agreement (€168.7 million at December 31, 2012) within five-days of providing notice to UPC Germany. Amounts loaned to UPC Germany pursuant to this agreement are subject to certain restrictions contained in the instruments governing Unitymedia KabelBW's indebtedness. The interest rate on this loan, which is subject to adjustment, was 2.22% as of December 31, 2012. The net increase in the loan receivable - related-party during 2012 includes (i) cash loaned of €1,248.8 million, (ii) cash received of €1,074.7 million, (iii) a €60.1 million non-cash decrease related to the settlement of amounts due under the 2010 Shareholder Loans, (iv) €1.3 million of accrued interest on the loan receivable and (v) individually insignificant net non-cash decreases of €0.6 million.

Investment in associate. We have an investment 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, all of the revenue of UMI is derived from 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. For more information regarding a loan from UMI to our company, see note 13.

Accounts payable and accrued liabilities - related-party. At December 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 KabelBW for various related-party charges and fees and allocations, as further described above. These amounts may be cash or loan settled.

Shareholder loans. For information regarding our 2010 Shareholder Loans and 2012 Shareholder Loan to UPC Germany, see note 13.

Management Remuneration. Salaries, bonuses and benefit related remuneration of the Managing Directors was €3.1 million, €2.2 million and €2.1 million for 2012, 2011 and 2010, respectively.

Cash contribution. In connection with the LGI/KBW Transaction, we received a €892.5 million cash contribution from UPC Germany. For additional information, see note 15.

(17) 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 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 consolidated statements of operations were €119.0 million, €73.3 million and €64.4 million during 2012, 2011 and 2010, 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 - 20 years	1 - 5 years	No	No
Dark fiber	1 - 19 years	1 - 5 years	No	No
Colocation area	1 - 14 years	1 month - 1 year	No	No
Cable ducts	1 - 30 years	1 - 5 years	No	No

As of December 31, 2012, the operating leases, programming commitments and other commitments that are not reflected in our consolidated balance sheet are as follows:

	Payments due during:						
	2013	2014	2015	2016	2017	Thereafter	Total
				in millions			
Operating leases	€ 105.2	€ 101.6	€ 97.9	€ 94.2	€ 92.3	€ 1,074.8	€ 1,566.0
Programming commitments	10.7	8.6	1.9	0.5	—	—	21.7
Other commitments	83.7	30.3	21.0	17.5	17.5	2.0	172.0
	€ 199.6	€ 140.5	€ 120.8	€ 112.2	€ 109.8	€ 1,076.8	€ 1,759.7

Operating leases include indefinite-lived lease agreements with Deutsche Telekom for cable ducts. During 2012, the aggregate fees for these leases were €75.6 million. 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.

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, (iii) service and supply agreements and (iv) commitments to purchase customer premises equipment that are enforceable and legally binding on us.

Legal Proceedings

Deutsche Telekom Litigation. On December 28, 2012, we filed a lawsuit against Telekom Deutschland GmbH, an operating subsidiary of Deutsche Telekom, in which we assert that we pay excessive prices for the co-use of Deutsche Telekom's cable ducts in our footprint. The Federal Network Agency approved rates for the co-use of certain ducts of Telekom Deutschland GmbH in March 2011. Based in part on these approved rates, we are seeking a reduction of the annual lease fee (approximately €76 million for 2012) by approximately two-thirds and the return of similarly calculated overpayments from 2009 through the ultimate settlement date, plus accrued interest. The resolution of this matter may take several years and no assurance can be given that our claims will be successful. Any recovery by our company will not be reflected in our consolidated financial statements until such time as the final disposition of this matter has been reached.

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.

Regulatory Issues

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 EU authorities. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and capital expenditures. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

Other

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.

(18) Disclosures According to Generally Accepted Accounting Principles in Germany

The average aggregate number of full-time and part-time employees during 2012 was 2,490 and the average number of full-time equivalent (FTE) employees was 2,424. During 2012, our operating departments, which include network and customer operations and customer services, employed an average of 1,843 FTE employees and our administration departments, consisting of sales and marketing, finance, information technology and other general services, employed an average of 581 FTE employees. Average employee calculations are based on quarterly averages.

Our auditor has received the following remuneration for the respective services:

	Year ended December 31,		
	2012	2011 (a)	2010
		in millions	
Audit of financial statements	€ 0.9	€ 1.0	€ 0.5
Assurance services (b)	0.8	0.2	0.1
Other services	—	—	0.1
Total	€ 1.7	€ 1.2	€ 0.7

(a) As retrospectively revised - see note 5.

(b) Amount for 2012 does not include approximately €1.5 million of charges from third-party insurance companies that were passed through to our company by our auditor in connection with comfort letters that were issued in connection with debt financing transactions.

(19) Subsequent Events

Unitymedia KabelBW Notes

On January 21, 2013, the UM Senior Secured Notes Issuers issued €500.0 million principal amount of 5.125% senior secured notes due January 21, 2023 (the January 2013 UM Senior Secured Notes). The net proceeds from the issuance of the January 2013 UM Senior Secured Notes were used to redeem a portion of the 2009 UM Euro Senior Secured Notes.

The January 2013 UM Senior Secured Notes are (i) senior obligations of the UM Senior Secured Notes Issuers that rank equally with all of the existing and future senior debt of each UM Senior Secured Notes Issuer and are senior to all existing and future subordinated debt of each of the UM Senior Secured Notes Issuers and (ii) are secured by a first-ranking pledge over the shares of Unitymedia KabelBW and the UM Senior Secured Notes Issuers and certain other share and/or asset security of Unitymedia KabelBW and certain of its subsidiaries.

The January 2013 UM Senior Secured Notes contain certain customary incurrence-based covenants. For example, the ability to raise certain additional debt and make certain distributions or loans to other subsidiaries of Liberty Global is subject to a Consolidated Leverage Ratio test, as defined in the indenture.

Subject to the circumstances described below, the January 2013 UM Senior Secured Notes are non-callable until January 21, 2018. At any time prior to January 21, 2018 the UM Senior Secured Notes Issuers may redeem some or all of the January 2013 UM Senior Secured Notes by paying a "make-whole" premium, which is the present value of all remaining scheduled interest payments to the redemption date using the discount rate (as specified in the indenture) as of the redemption date plus 50 basis points.

The UM Senior Secured Notes Issuers may redeem some or all of the January 2013 UM Senior Secured Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts (as defined in the indenture), if any, to the redemption date, if redeemed during the twelve-month period commencing on January 21 of the years set forth below:

Year	Redemption Price
2018	102.563%
2019	101.708%
2020	100.854%
2021 and thereafter	100.000%

In addition, at any time prior to January 21, 2016, the UM Senior Secured Notes Issuers may redeem up to 40% of the January 2013 UM Senior Secured Notes (at redemption prices of 105.125%) with the net proceeds from one or more specified equity offerings.

The UM Senior Secured Notes Issuers may redeem all of the January 2013 UM Senior Secured 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 UM Senior Secured Notes Issuers or certain of Unitymedia KabelBW's subsidiaries sell certain assets or experience specific changes in control, the UM Senior Secured Notes Issuers must offer to repurchase the January 2013 UM Senior Secured Notes at a redemption price of 101%.

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

The following discussion and analysis, which should be read in conjunction with our 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 a general description of our business, our product offerings and recent events.

- *Results of Operations.* This section provides an analysis of our historical results of operations for the years ended December 31, 2012 and 2011, as compared to our pro forma results of operations for the years ended December 31, 2011 and 2010, respectively, 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 our consolidated financial statements. In the following text, the terms, "we," "our," "our company" and "us" may refer, as the context requires, to Unitymedia KabelBW or collectively to Unitymedia KabelBW and its subsidiaries.

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 our 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 noted.

Overview

We are a subsidiary of Liberty Global that provides digital and analog cable television and broadband internet and telephony services over our broadband communications network and mobile services as a mobile virtual network operator (MVNO). We are the second largest cable operator in Germany and largest cable operator in the German federal states of North Rhine-Westphalia and Hesse (collectively, the Unitymedia footprint) and Baden-Württemberg (the KabelBW footprint) in terms of the number of video subscribers.

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 digital cable, broadband internet, telephony and mobile 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 subscriber growth.

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

- Video Services. As of December 31, 2012, we provided our basic digital and analog cable services to 53.2% of the homes passed by our network. As further described in note 5 to our consolidated financial statements, our basic digital television channels are unencrypted in our KabelBW footprint, and effective January 1, 2013, are unencrypted in our Unitymedia footprint as well. Where our basic digital television channels are unencrypted, subscribers who have the necessary equipment and who pay the monthly subscription fee for our analog package are able to watch our basic digital television channels. Our premium digital cable service offerings include premium subscription channels and HD and DVR services. As of December 31, 2012, 16.4% 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 or housing associations or with third parties that operate and administer the in-building network on behalf of housing associations (Professional Operators).

- *Broadband Internet Services.* Our current service portfolio consists of services with download speeds ranging from 10 Mbps to 150 Mbps with no time or data volume restrictions. Our customers can choose between various packages and bundles. As of December 31, 2012, our ultra high-speed broadband internet services were available to 97% of our homes passed.

- *Telephony Services.* We market our telephony services principally as a component of our product bundles but also on a standalone basis.

- *Mobile Services.* As an MVNO, we offer mobile voice and data services to our customers as a component of our product bundles or on a standalone basis.

We plan to introduce a next generation set-top box platform, which we refer to as Horizon TV, during 2013. Horizon TV is a family of media products that allows customers to view and share content across the television, computer, tablet and smartphone. Horizon TV is powered by a user interface that provides customers a seamless intuitive way to access linear, time-shifted, on-demand and web-based content on the television. It also features an advanced set-top box that delivers not only video, but also internet and voice connections along with a wireless network for the home. For our Horizon TV customers, we also plan to offer applications for various services.

As of December 31, 2012, we served 6,689,500 video revenue generating units (RGUs) (including 2,185,900 digital cable RGUs), 2,232,000 telephony RGUs and 2,219,200 broadband internet RGUs over a broadband communications network that passed 12,567,900 homes. Effective January 1, 2012, we began including certain small office and home office (SOHO) RGUs in our externally-reported subscriber statistics. As a result of this change, we recorded a non-organic adjustment to increase the number of our RGUs at January 1, 2012 by 9,700. As noted above, we also offer mobile services using third-party networks, but do not currently include subscriptions to mobile services in our reported RGU statistics. We added a total of 767,500 RGUs (including 17,600 SOHO RGUs) on an organic basis during 2012. The organic RGU growth during 2012 is attributable to the growth of our (i) broadband internet services, which added 415,600 RGUs, (ii) telephony services, which added 396,300 RGUs, and (iii) digital cable services, which added 202,800 RGUs. The growth of our broadband internet, telephony and digital cable RGUs was partially offset by declines in our analog cable RGUs of 247,200.

Due to the expected impacts of, among other matters, (i) the ongoing negotiations related to the special termination right granted with respect to certain of our access agreements with our largest housing associations and (ii) the scheduled expiration of contracts for certain of our residential subscribers and housing associations, our analog cable RGU losses during 2013 and over the next few years have the potential to be higher than current levels. For information concerning the special termination right, see note 5 to our consolidated financial statements.

Although we continue to increase revenue and RGUs 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 AG 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 macroeconomic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S. and certain European countries, combined with weak growth and high unemployment, could lead to fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our company. With regard to currency instability issues, concerns exist in the eurozone with respect to individual macro-fundamentals on a country-by-country basis, as well as with respect to the overall stability of the European monetary union and the suitability of a single currency to appropriately deal with specific fiscal management and sovereign debt issues in individual eurozone countries. The realization of these concerns could lead to the exit of one or more countries from the European monetary union and the re-introduction of individual currencies in these countries, or, in more extreme circumstances, the possible dissolution of the European monetary union entirely, which could result in the redenomination of a portion or, in the extreme case, all of our euro-denominated assets, liabilities and cash flows to the new currency of the country in which they originated. 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, loan receivable, 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 additions to our property, equipment and intangible assets are required to add customers to our networks and to upgrade our broadband communications networks and customer premises equipment to enhance our service offerings and improve the customer experience, including expenditures for equipment and labor costs. Significant competition, the introduction of new technologies, the expansion of existing technologies such as fiber-to-the-home or adverse regulatory developments could cause us to decide to undertake previously unplanned upgrades of our networks and customer premises equipment. In addition, no assurance can be given that any future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned additions to our property, equipment and intangible assets, our growth could be limited and our competitive position could be harmed. For information regarding our property and equipment additions, see *Liquidity and Capital Resources - Consolidated Cash Flow Statements* below.

Certain public broadcasters have sent us notices purporting to terminate, effective December 31, 2012, the contracts that govern the fees we receive for the carriage of their channels. In addition, as further described in note 5 to our consolidated financial statements, we made certain commitments to address the competition concerns of the FCO with respect to the LGI/KBW Transaction. These developments could have an adverse impact on our operating results and cash flows. For additional information, see the below discussion under *Revenue*.

Results of Operations

This section provides an analysis of (i) our historical results of operations for the year ended December 31, 2012 as compared to our pro forma results of operations for the year ended December 31, 2011 and (ii) our historical results of operations for the year ended December 31, 2011, as compared to our pro forma results of operations for the year ended December 31, 2010. As further explained in note 1 to our consolidated financial statements, (a) the operating results of the Kabel BW Group are not included in our historical consolidated statements of operations prior to December 15, 2011 and (b) the operating results of Old Unitymedia are not included in our historical consolidated financial statements prior to January 28, 2010. Among other matters, the aforementioned pro forma results of operations for the year ended December 31, 2011 give effect to the LGI/KBW Transaction as if it had occurred on January 1, 2011 and the aforementioned pro forma results of operations for the year ended December 31, 2010 give effect to the LGI/Unitymedia Transaction as if it had occurred on January 1, 2010, but do not include any impacts of the LGI/KBW Transaction.

2012 compared to 2011

In order to provide meaningful comparisons, the following discussion and analysis of our results of operations for 2012 is based on comparisons to our pro forma statement of operations for 2011. Our 2011 pro forma statement of operations gives effect to (i) the LGI/KBW Transaction, (ii) the March 2011 Kabel BW Refinancing and (iii) the change in the reporting entities associated with the KBW Fold-in as if such transactions had been completed as of January 1, 2011. As a result, the pro forma statement of operations for 2011 presented below includes the historical operating results of the Kabel BW Group for the entire year. In connection with the KBW Fold-in, we issued the 2012 Shareholder Loan to UPC Germany as consideration for all of the outstanding shares of UPC Germany Holdings that were transferred to our company. No interest expense on the 2012 Shareholder Loan is reflected in our 2012 historical or 2011 pro forma results prior to the May 2012 issuance date. The pro forma amounts related to KBW are derived from the pre-acquisition historical consolidated financial statements of KBW. The pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on January 1, 2011. The pro forma adjustments are based on certain assumptions that we believe are reasonable.

Financial Performance

Historical results for the year ended December 31, 2012 as compared to pro forma results for the year ended December 31, 2011 are set forth below (in millions):

	Year ended December 31, 2012	Year ended December 31, 2011 pro forma
Revenue:		
Subscription revenue:		
Video	€ 948.6	€ 924.0
Broadband internet	283.8	220.8
Telephony	346.4	292.5
Total subscription revenue	1,578.8	1,437.3
Non-subscription revenue	222.8	193.1
	1,801.6	1,630.4
Operating costs and expenses:		
OpEx	500.8	460.5
SG&A	236.2	206.2
Impairment, restructuring and other operating items, net	29.7	3.9
Related-party fees and allocations	53.7	35.8
	820.4	706.4
EBITDA	981.2	924.0
Depreciation and amortization	638.9	618.2
EBIT	342.3	305.8
Financial and other expense:		
Interest expense:		
Third-party	(424.0)	(425.2)
Related-party	(98.1)	(99.9)
Foreign currency transaction gains (losses), net	20.1	(50.6)
Realized and unrealized gains (losses) on derivative instruments, net	(43.1)	18.0
Losses on debt modification and extinguishment, net	(143.6)	—
Other income, net	6.8	0.8
Net financial and other expense	(681.9)	(556.9)
Loss before income taxes	(339.6)	(251.1)
Income tax benefit	80.3	40.7
Net loss	€ (259.3)	€ (210.4)

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 services revenue.

The details of our revenue are set forth below (in millions, except percentages):

	Year ended December 31,		Increase	
	2012	2011 pro forma	€	%
Subscription revenue:				
Video	€ 948.6	€ 924.0	€ 24.6	2.7
Broadband internet	283.8	220.8	63.0	28.5
Telephony	346.4	292.5	53.9	18.4
Total subscription revenue	1,578.8	1,437.3	141.5	9.8
Non-subscription revenue (a)	222.8	193.1	29.7	15.4
Total	€ 1,801.6	€ 1,630.4	€ 171.2	10.5

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

The details of our revenue increase during 2012, as compared to 2011, are set forth below (in millions):

Increase in subscription revenue due to change in (a):	
Average number of RGUs (b)	€ 111.5
Average monthly subscription revenue per average RGU (ARPU) (c)	30.0
Increase in non-subscription revenue (d)	29.7
Total	€ 171.2

(a) Our subscription revenue includes revenue from multi-year bulk agreements with landlords, housing associations or with Professional Operators. These bulk agreements, which generally allow for the procurement of the basic video signals at volume-based discounts, provide access to nearly two-thirds of our video cable subscribers. Our bulk agreements are, to a significant extent, medium and long-term contracts, although certain of these agreements are scheduled to expire as early as 2013. During the three months ended December 31, 2012, our 20 largest bulk agreement accounts generated approximately 6% of our revenue (including estimated amounts billed directly to the building occupants for premium cable, 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 regulators in connection with the LGI/KBW Transaction. In this regard, we have, among other items, agreed to grant a special termination right with respect to our Remedy HA Agreements. The Remedy HA Agreements that remain subject to the special termination right (which include agreements that are not among the 20 largest bulk agreements) as of December 31, 2012 accounted for approximately 1% of our total revenue during the three months ended December 31, 2012. For additional information, see note 5 to our consolidated financial statements.

(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 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 our average number of analog cable RGUs led to a decline in the average number of total video RGUs during 2012, as compared to 2011.

(c) The increase in our subscription revenue related to a change in ARPU is due to (i) an improvement in RGU mix, attributable to higher proportions of telephony, digital cable and broadband internet RGUs, and (ii) a net increase resulting primarily from the following factors: (a) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans, (b) higher ARPU from digital cable services, (c) lower ARPU due to a higher proportion of customers receiving discounted analog cable services through bulk agreements and (d) higher ARPU from broadband internet services. For information concerning our commitment to distribute basic digital television channels in unencrypted form commencing January 1, 2013, see note 5 to our consolidated financial statements.

(d) The increase in our non-subscription revenue is primarily attributable to (i) an increase in installation revenue, due to a higher number of installations and an increase in the average installation fee, (ii) an increase in network usage revenue, most of which relates to the settlement of prior year amounts and (iii) an increase in mobile services revenue. In addition, our non-subscription revenue includes fees received for the carriage of certain channels included in our analog and digital cable offerings. This carriage fee revenue is subject to contracts that expire or are otherwise terminable by either party at various dates ranging from 2013 through 2017. The aggregate amount of our carriage fee revenue represents approximately 6% of our total revenue during the three months ended December 31, 2012. Public broadcasters representing approximately 20% of our carriage fee revenue for the three months ended December 31, 2012 have sent us notices purporting to terminate these carriage fee arrangements effective December 31, 2012. While we are still seeking to negotiate with the public broadcasters to reach acceptable agreements, we have rejected the termination notices and filed law suits for payment of carriage fees against the public broadcasters. Until such time as we resolve these disputes or obtain favorable outcomes in our law suits, we don't believe we will meet the criteria to recognize revenue from the public broadcasters in 2013 and future periods. In addition, some private broadcasters are seeking to change the distribution model to eliminate the payment of carriage fees and instead require that cable operators pay license fees to the broadcasters. In light of the foregoing, no assurance can be given that any of our carriage fee contracts will be renewed or extended on financially equivalent terms, or at all. Also, our ability to increase the aggregate carriage fees that we receive for each channel is limited by certain commitments we made to regulators in connection with the LGI/KBW Transaction. For additional information, see note 5 to our consolidated financial statements.

OpEx

General. OpEx includes programming and copyright, 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 the majority of our direct costs, are expected to rise in future periods as a result of (i) growth in digital cable services, in combination with the planned introduction of Horizon TV, (ii) price increases and (iii) other factors. In addition, we are subject to inflationary pressures with respect to our staff-related and other costs. Any cost increases that we are not able to pass on to our subscribers through service rate increases would result in increased pressure on our operating margins. The details of our OpEx are set forth below (in millions, except percentages):

	Year ended December 31,		Increase (decrease)	
	2012	2011 pro forma	€	%
Direct costs (programming and copyright, interconnect and other)	€ 179.5	€ 161.5	€ 18.0	11.1
Staff-related costs	83.3	85.3	(2.0)	(2.3)
Network operating costs	144.4	136.4	8.0	5.9
Other indirect costs	93.6	77.3	16.3	21.1
Total	€ 500.8	€ 460.5	€ 40.3	8.8

Our total OpEx increased €40.3 million or 8.8% during 2012, as compared to 2011. This increase includes the following factors:

- An increase in direct costs of €18.0 million or 11.1%, primarily attributable to (i) an increase in programming and related costs, due to the net effect of (a) growth in digital video services and (b) a decrease of €1.4 million due to the net impact of accrual releases during 2012 and 2011 related to the settlement or reassessment of operational contingencies and (ii) an increase in interconnect costs, primarily due to a higher number of telephony subscribers;

- An increase in other indirect costs of €16.3 million or 21.1%, primarily attributable to (i) an increase in outsourced labor and professional fees, primarily due to increased call center costs attributable to higher call volumes and, to a lesser extent, higher outsourced labor associated with customer-facing activities and (ii) an increase in encryption costs, due largely to an increase in the number of installed digital set-top boxes; and

- An increase in network operating costs of €8.0 million or 5.9%, primarily due to (i) higher costs associated with the refurbishment of customer premises equipment and (ii) higher 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 increased slightly primarily due to the negative impact of a fourth quarter 2011 settlement of an operational contingency.

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. As noted above under *OpEx*, we are subject to inflationary pressures with respect to our staff-related and other costs. The details of our SG&A costs are set forth below (in millions, except percentages):

	Year ended December 31,		Increase	
	2012	2011 pro forma	€	%
Staff-related costs	€ 66.6	€ 64.4	€ 2.2	3.4
Sales and marketing costs	101.7	90.3	11.4	12.6
Other indirect costs	67.9	51.5	16.4	31.8
Total	€ 236.2	€ 206.2	€ 30.0	14.5

Our total SG&A increased €30.0 million or 14.5% during 2012, as compared to 2011. This increase includes the following factors:

- An increase in other indirect costs of €16.4 million or 31.8%, largely attributable to (i) an increase in outsourced labor and professional fees, primarily due to higher consulting costs associated with the integration of KBW's operations, (ii) an increase in facilities expenses, primarily due to higher costs related to the rental of office space, and (iii) an increase in delivery and postage costs primarily associated with the delivery of customer premises equipment to retail locations;

- An increase in sales and marketing costs of €11.4 million or 12.6%, primarily due to net effect of (i) increased costs associated with rebranding and other advertising campaigns and (ii) lower expenses 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 2012; and

- An increase in staff-related costs of €2.2 million or 3.4%, primarily due to the net effect of (i) annual wage increases, (ii) lower bonus costs and (iii) lower severance costs.

Impairment, Restructuring and Other Operating Items, Net

We recognized impairment, restructuring and other operating items, net, of €29.7 million during 2012, compared to €3.9 million during 2011. The 2012 amount includes (i) €30.8 million of restructuring charges associated with employee severance and termination costs related to reorganization activities, (ii) a €2.7 million gain on disposal of assets and (iii) €1.6 million of impairment charges. The 2011 amount includes (a) €5.2 million of impairment charges and (b) a €1.3 million gain on disposal of assets. The 2011 impairment charges primarily relate to the write-off of development costs associated with a customer billing system that was discontinued.

Related-Party Fees and Allocations

We recorded related-party fees and allocations related to corporate services performed by Liberty Global of €53.7 million during 2012 as compared to €35.8 million during 2011. These amounts represent charges, which originate with UPC Holding and other Liberty Global subsidiaries, to our company, including charges for management, finance, legal, technology, marketing and other services that support our company's operations. The 2012 amounts include fees and allocations related to both Unitymedia KabelBW and KBW, while the 2011 amounts do not include any amounts related to KBW. For additional information, see note 16 to our consolidated financial statements.

Depreciation and Amortization Expense

Depreciation and amortization expense increased €20.7 million or 3.3% during 2012, as compared to 2011. This increase is due primarily to the net effect of (i) an increase in property and equipment additions, (ii) an increase in expenditures for capitalized subscriber acquisition costs, (iii) a decrease associated with certain assets becoming fully depreciated and (iv) a decrease in accelerated deprecation associated with the replacement of certain network equipment during 2011.

Net Financial and Other Expense

Our net financial and other expense primarily includes interest expense, interest income, foreign currency transaction gains or losses, realized and unrealized gains or losses on derivative instruments and losses on debt modification and extinguishment. As further described below, we recorded net financial and other expense during 2012 of €681.9 million, as compared to €556.9 million during 2011.

Interest expense – third-party

Interest expense – third-party decreased €1.2 million or 0.3% during 2012, as compared to 2011, due primarily to the net effect of (i) lower weighted average interest rates and (ii) slightly higher average outstanding balances. For additional information, see note 13 to our consolidated financial statements.

Interest expense – related-party

Interest expense – related-party decreased €1.8 million or 1.8% during 2012, as compared to 2011, due primarily to the net effect of (i) lower average outstanding balances during 2012 and (ii) higher weighted average interest rates. Our related-party interest expense relates to (a) our shareholder loans payable to UPC Germany, including (1) the 2010 Shareholder Loans and (2) following the May 2012 KBW Fold-in, the 2012 Shareholder Loan, and (b) our loan payable to UMI. For additional information, see note 13 to our consolidated financial statements.

Foreign currency transaction gains (losses), net

We recognized foreign currency transaction gains (losses), net, of €20.1 million during 2012, as compared to (€50.6 million) during 2011. These amounts primarily relate to the remeasurement of our U.S. dollar denominated indebtedness.

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

Our realized and unrealized gains or losses on derivative instruments include (i) unrealized changes in the fair values of our derivative instruments that are non-cash in nature until such time as the 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 (losses) on derivative instruments, net, are as follows (in millions):

	Year ended December 31,	
	2012	**2011**
		pro forma
Cross-currency derivative contracts (a)	€ (37.5)	€ 45.3
Interest rate derivative contracts (b)	(5.6)	(27.3)
Total	€ (43.1)	€ 18.0

(a) The loss during 2012 is primarily attributable to the net effect of (i) losses associated with decreases in market interest rates in the euro market, (ii) gains associated with decreases in market interest rates in the U.S. dollar market and (iii) losses associated with a decrease in the value of the U.S. dollar relative to the euro. The gain during 2011 is primarily attributable to the net effect of (a) gains associated with decreases in market interest rates in the U.S. dollar market, (b) losses associated with decreases in market interest rates in the euro market and (c) gains associated with an increase in the value of the U.S. dollar relative to the euro.

(b) During the third quarter of 2012, our interest rate derivative contracts were terminated.

For additional information regarding our derivative instruments, see notes 6 and 7 to our consolidated financial statements.

Losses on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of €143.6 million during 2012. The loss includes (i) a loss of €133.7 million during the fourth quarter associated with the redemption and repurchase of all of the 2009 UM Dollar Senior Secured Notes and a portion of the 2009 UM Euro Senior Secured Notes, including a loss of (a) €95.9 million representing the difference between the principal amount and redemption price of the debt redeemed and (b) €37.8 million associated with the write-off of deferred financing costs and an unamortized discount, (ii) a loss of €8.6 million representing the difference between the carrying value and redemption price of the UM Senior Secured Floating Rate Exchange Notes that were redeemed during the third quarter and (iii) a loss of €1.1 million representing the difference between the carrying value and redemption price of the debt redeemed pursuant to the Special Optional Redemptions in May 2012. For additional information, see note 13 to our consolidated financial statements.

Income Tax Benefit

We recognized income tax benefit of €80.3 million and €40.7 million during 2012 and 2011, respectively.

The income tax benefit during 2012 differs from the expected income tax benefit of €109.9 million (based on the German group income tax rate of 32.37%) due primarily to the negative impact of certain permanent differences between the financial and tax accounting treatment of interest and other items. This negative impact was partially offset by the positive impact of the recognition of certain net operating loss and interest carryforwards.

The income tax benefit during 2011 differs from the expected income tax benefit of €80.1 million (based on the German group income tax rate of 31.88%) 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 14 to our consolidated financial statements.

Net Loss

We reported net losses of €259.3 million and €210.4 million during 2012 and 2011, respectively.

Gains or losses associated with (i) changes in the fair values of derivative instruments, (ii) movements in foreign currency exchange rates and (iii) the disposition of assets 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) related-party fees and allocations, (c) impairment, restructuring and other operating items, (d) depreciation and amortization, (e) net financial and other expense and (f) our income tax expenses.

2011 compared to 2010

In order to provide meaningful comparisons, the following discussion and analysis of our results of operations for 2011 is based on comparisons to our pro forma statement of operations for 2010. Our 2010 pro forma statement of operations gives effect to (i) the formation of Unitymedia KabelBW and the Unitymedia Merger, (ii) the LGI/Unitymedia Transaction and (iii) the Unitymedia Debt Pushdown, as if such transactions had been completed as of January 1, 2010. As a result, the pro forma statement of operations for 2010 presented below includes the historical operating results of Old Unitymedia for the entire year. The pro forma amounts related to Old Unitymedia are derived from the pre-acquisition historical consolidated financial statements of Old Unitymedia. The pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on January 1, 2010. The pro forma adjustments are based on certain assumptions that we believe are reasonable.

Financial Performance

Historical results for the year ended December 31, 2011 as compared to pro forma results for the year ended December 31, 2010 are set forth below (in millions). The operating results of the Kabel BW Group are not included in the results prior to December 15, 2011.

	Year ended December 31,	
	2011	2010 pro forma
Revenue:		
Subscription revenue:		
Video	€ 638.4	€ 618.0
Broadband internet	130.9	88.8
Telephony	156.0	117.5
Total subscription revenue	925.3	824.3
Non-subscription revenue	127.7	110.9
	1,053.0	935.2
Operating costs and expenses:		
OpEx	281.1	273.6
SG&A	144.7	140.7
Impairment, restructuring and other operating items, net	0.6	26.7
Related-party fees and allocations	35.8	23.8
	462.2	464.8
EBITDA	590.8	470.4
Depreciation and amortization	400.9	351.8
EBIT	189.9	118.6
Financial and other expense:		
Interest expense:		
Third-party	(252.2)	(247.7)
Related-party	(99.9)	(93.5)
Foreign currency transaction losses, net	(21.6)	(13.1)
Realized and unrealized gains on derivative instruments, net	25.5	33.2
Other income (expense), net	(1.2)	1.5
Net financial and other expense	(349.4)	(319.6)
Loss before income taxes	(159.5)	(201.0)
Income tax benefit	18.2	33.1
Loss from continuing operations	€ (141.3)	€ (167.9)

Revenue

The details of our revenue are set forth below (in millions, except percentages):

	Year ended December 31, 2011	Year ended December 31, 2010 pro forma	Increase €	Increase %	Organic increase %
Subscription revenue:					
Video	€ 638.4	€ 618.0	€ 20.4	3.3	1.2
Broadband internet	130.9	88.8	42.1	47.4	42.5
Telephony	156.0	117.5	38.5	32.8	26.5
Total subscription revenue	925.3	824.3	101.0	12.3	9.2
Non-subscription revenue (a)	127.7	110.9	16.8	15.1	12.5
Total	€ 1,053.0	€ 935.2	€ 117.8	12.6	9.6

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

The increase in our revenue during 2011, as compared to 2010, includes an organic increase of €90.0 million or 9.6% and the impact of the LGI/KBW Transaction, as set forth below (in millions):

Increase in subscription revenue due to change in:	
Average number of RGUs (a)	€ 56.7
ARPU (b)	19.4
Increase in non-subscription revenue (c)	13.9
Organic increase	90.0
Impact of the LGI/KBW Transaction	27.8
Total	€ 117.8

(a) 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.

(b) 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.

(c) 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.

OpEx

The details of our OpEx are set forth below (in millions, except percentages):

	Year ended December 31, 2011	2010 pro forma	Increase (decrease) €	Increase (decrease) %	Organic increase (decrease) %
Direct costs (programming and copyright, interconnect and other)	€ 90.6	€ 86.5	€ 4.1	4.7	1.2
Staff related costs	57.2	55.2	2.0	3.6	1.6
Network operating costs	87.3	90.5	(3.2)	(3.5)	(6.6)
Other indirect costs	46.0	41.4	4.6	11.1	5.8
Total	€ 281.1	€ 273.6	€ 7.5	2.7	(0.6)

Our total OpEx increased €7.5 million or 2.7% during 2011, as compared to 2010. This increase includes €9.2 million attributable to the LGI/KBW Transaction. Excluding the effect of the LGI/KBW Transaction, OpEx decreased €1.7 million or 0.6%. This decrease includes the following factors:

- A decrease in network operating costs of €6.0 million or 6.6%, 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 other indirect costs of €2.4 million or 5.8%, primarily attributable to the net impact of (i) a decrease in bad debt and collection costs 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, (iii) an increase of €2.3 million in encryption costs and (iv) other individually insignificant net increases. The increase in encryption costs is due primarily to (a) 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 (b) increased numbers of digital cable set-top boxes; and

- 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 rates for certain copyright fees.

SG&A

The details of our SG&A costs are set forth below (in millions, except percentages):

	Year ended December 31, 2011	2010 pro forma	Increase (decrease) €	Increase (decrease) %	Organic increase (decrease) %
Staff related costs	€ 41.8	€ 37.0	€ 4.8	13.0	9.7
Sales and marketing costs	66.7	74.6	(7.9)	(10.6)	(13.1)
Other indirect costs	36.2	29.1	7.1	24.4	21.0
Total	€ 144.7	€ 140.7	€ 4.0	2.8	(0.1)

Our total SG&A increased €4.0 million or 2.8% during 2011, as compared to 2010. This increase includes €4.1 million attributable to the LGI/KBW Transaction. Excluding the effect of the LGI/KBW Transaction, SG&A decreased €0.1 million or 0.1%. This decrease includes the following factors:

- A decrease in sales and marketing costs of €9.8 million or 13.1%, due primarily to (i) a decrease in marketing expenditures, primarily due to a shift to lower cost marketing channels, (ii) lower expenses 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 €6.1 million or 21.0%, 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.

Impairment, Restructuring and Other Operating Items, Net

We recognized impairment, restructuring and other operating items, net of €0.6 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

We recorded related-party fees and allocations 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 16 to our consolidated financial statements.

Depreciation and Amortization Expense

Depreciation and amortization expense increased €49.1 million or 14.0% during 2011, as compared to 2010, primarily due to the net effect of (i) an increase in property and equipment additions, (ii) an increase in expenditures for capitalizable subscriber acquisition costs, (iii) a decrease associated with changes in the estimated useful lives of certain property and equipment that were made during the second half of 2010, (iv) and increase associated with the LGI/KBW Transaction and (v) an increase in accelerated deprecation associated with the replacement of certain network equipment during 2011.

Net Financial and Other Expense

Our net financial and other expense primarily includes interest expense, interest income, foreign currency transaction gains or losses and realized and unrealized gains or losses on derivative instruments. As further described below, we recorded net financial and other expense of €349.4 million during 2011, as compared to €319.6 million during 2010.

Interest expense - third-party

Interest expense - third-party increased €4.5 million or 1.8% during 2011, as compared to 2010, as an increase in interest expense from the December 15, 2011 addition of KBW's indebtedness was partially offset by (i) decreases in interest expense associated with foreign currency exchange rate fluctuations with respect to the U.S. dollar denominated 2009 UM Dollar Senior Secured Notes and (ii) declines in interest expense on borrowings under the Unitymedia KabelBW Revolving Credit Facility. With the exception of the interest expense incurred with respect to KBW's indebtedness during the last two weeks of 2011, our third-party interest expense during 2011 and 2010 related to the 2009 UM Notes and borrowings under the Unitymedia KabelBW 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 balance of our 2010 Shareholder Loans payable to UPC Germany during 2011. For additional information, see note 13 to our consolidated financial statements.

Foreign currency transaction losses, net

We recognized foreign currency transaction losses, net, of €21.6 million during 2011, compared to €13.1 million during 2010. These amounts primarily relate to the remeasurement of the 2009 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	Year ended December 31, 2010 pro forma
Cross-currency derivative contracts (a)	€ 26.3	€ 38.2
Interest rate derivative contract	(0.8)	(5.0)
Total	€ 25.5	€ 33.2

(a) The gain during 2011 is primarily attributable to the net effect of (i) gains associated with decreases in market interest rates in the U.S. dollar market, (ii) losses associated with decreases in market interest rates in the euro market and (iii) gains associated with an increase in the value of the U.S. dollar relative to the euro. The gain during 2010 is primarily attributable to the net effect of (a) gains associated with an increase in the value of the U.S. dollar relative to the euro, (b) gains associated with decreases in market interest rates in the U.S. dollar market and (c) losses associated with decreases in market interest rates in the euro market.

For additional information regarding our derivative instruments, see notes 6 and 7 to our consolidated financial statements.

Income Tax Benefit

We recognized income tax benefit of €18.2 million and €33.1 million during 2011 and 2010, respectively.

The income tax benefit during 2011 differs from the expected income tax benefit of €50.8 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 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 14 to our consolidated financial statements.

Loss from Continuing Operations

We reported losses from continuing operations of €141.3 million and €167.9 million during 2011 and 2010, respectively.

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 our debt instruments restrict our ability to access the assets of our subsidiaries. At December 31, 2012, substantially all of our consolidated cash and cash equivalents of €20.2 million were 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 KabelBW

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

The ongoing cash needs of Unitymedia KabelBW include (i) corporate general and administrative expenses and (ii) interest payments on outstanding debt. From time to time, Unitymedia KabelBW may also require cash in connection with (a) the repayment of outstanding debt, (b) the satisfaction of contingent liabilities, (c) acquisitions or (d) other investment opportunities. No assurance can be given that funding from UPC Germany (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, Unitymedia NRW, KBW and our Other Operating Subsidiaries

In addition to cash and cash equivalents, the primary sources of liquidity of Unitymedia Hessen, Unitymedia NRW, KBW 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 KabelBW Revolving Credit Facilities. At December 31, 2012, we had combined borrowing capacity of €417.5 million under the Unitymedia KabelBW Revolving Credit Facilities.

The liquidity of Unitymedia Hessen, Unitymedia NRW, KBW 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 cash flows, 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 KabelBW (and ultimately to Liberty Global or other Liberty Global subsidiaries). 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 our 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 and cash equivalents, our loan receivable from UPC Germany, the cash provided from the operations of our subsidiaries and any available borrowings under the Unitymedia KabelBW Revolving Credit Facilities will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements through December 31, 2013, 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 KabelBW Revolving Credit Facilities 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.

Consolidated Cash Flow Statements

The below discussion is based on the amounts as presented in our consolidated statements of cash flows, which (i) have been retrospectively revised to give effect to the KBW Fold-in for all periods during which we and the Kabel BW Group were under the common control of Liberty Global and (ii) reflect the historical cash flows of Unitymedia KabelBW's continuing operations for the years ended December 31, 2012 and 2011 and the period from January 28, 2010 to December 31, 2010. Accordingly, (a) the cash flows of the Kabel BW Group for periods prior to December 15, 2011 are not included in the amounts reported for 2011 and 2010 and (b) the pre-acquisition period of Old Unitymedia from January 1 to January 27, 2010 is excluded from our cash flows for 2010. All of the cash flows discussed below are those of our continuing operations.

Consolidated Cash Flow Statement - 2012 compared to 2011

Summary. The 2012 and 2011 consolidated cash flow statements of our continuing operations are summarized as follows:

	Year ended December 31, 2012	Year ended December 31, 2011	Change
	in millions		
Net cash provided by operating activities	€ 634.2	€ 342.9	€ 291.3
Net cash used by investing activities	(637.8)	(1,304.8)	667.0
Net cash provided (used) by financing activities	(24.3)	954.2	(978.5)
Net decrease in cash and cash equivalents	€ (27.9)	€ (7.7)	€ (20.2)

Operating activities. The increase in net 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, due largely to the LGI/KBW Transaction, (ii) a decrease in cash provided due to higher cash payments for interest, due largely to the LGI/KBW Transaction, (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.

Investing activities. The decrease in net cash used is primarily attributable to (i) a decrease in cash used of €882.7 million associated with net cash paid for the LGI/KBW Transaction in 2011, (ii) an increase in cash used due to higher capital expenditures of €157.5 million, (iii) an increase in cash used to fund advances to UPC Germany of €120.1 million and (iv) a decrease in cash used due to the €61.0 million investment in an associate in 2011.

The capital expenditures that we report in our consolidated cash flow statements do not include amounts that are financed under vendor financing or finance lease arrangements. Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and as repayments of debt when the principal is repaid. In the following discussion, we present (i) our capital expenditures as reported in our consolidated cash flow statements, which exclude amounts financed under vendor financing or finance lease arrangements, and (ii) our total property, equipment and intangible asset additions, which include changes in current liabilities associated with capital expenditures and amounts that are financed under vendor financing or finance lease arrangements.

Our capital expenditures were €464.9 million and €307.4 million during 2012 and 2011, respectively and our property, equipment and intangible asset additions were €507.0 million and €314.5 million during 2012 and 2011, respectively. The increase in our property, equipment and intangible asset additions is primarily due to (i) the LGI/KBW Transaction, (ii) an increase in expenditures for the purchase and installation of customer premises equipment, (iii) an increase in expenditures for new build and upgrade projects to expand services and (iv) an increase in capitalized third-party commissions. Our capitalized third-party commissions increased €25.9 million, from €47.1 million during 2011 to €73.0 million during 2012, primarily due to the LGI/KBW Transaction. In terms of the composition of our property, equipment and intangible asset additions during 2012, (a) 51% relates to the rebuild and upgrade of our distribution network, primarily in connection with the upgrade of in-home wiring, (b)

25% relates to the purchase and installation of customer premises equipment, (c) 14% relates to capitalized third-party commissions and (d) the remainder relates to expenditures for general support systems. During 2012 and 2011, our (1) capital expenditures represented 25.8% and 29.2% of our revenue, respectively and (2) property, equipment and intangible asset additions represented 28.1% and 29.9% or our revenue, respectively.

For 2013, we expect our consolidated property, equipment and intangible asset additions to range from 25% to 27% of our revenue.

Financing activities. The change is primarily due to the net effect of (i) a decrease in cash due to lower contributions from our parent of €953.5 million, (ii) an increase in cash of €88.3 million related to higher net borrowings of third-party debt, (iii) a decrease in cash of €129.3 million associated with higher payments of financing costs and debt premiums, (iv) an increase in cash of €29.8 million related to higher net related-party borrowings and (v) a decrease in cash of €12.3 million due to higher cash payments related to derivative instruments.

Consolidated Cash Flow Statement - 2011 compared to 2010

Summary. The 2011 and 2010 *consolidated* cash flow statements of our continuing operations are summarized as follows:

	Year ended December 31,		
	2011	**2010**	**Change**
		in millions	
Net cash provided by operating activities	€ 342.9	€ 225.7	€ 117.2
Net cash used by investing activities	(1,304.8)	(2,123.2)	818.4
Net cash provided by financing activities	954.2	1,966.1	(1,011.9)
Net increase (decrease) in cash and cash equivalents	€ (7.7)	€ 68.6	€ (76.3)

Operating activities. The increase in net 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 related 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.

Investing activities. The decrease in net cash used is primarily attributable to the net effect of (i) a decrease in cash used of €997.4 million associated with net cash paid in connection with the LGI/KBW Transaction during 2011 and the LGI/Unitymedia Transaction during 2010, (ii) an increase in cash used due to higher capital expenditures of €64.1 million, (iii) an increase in cash used due to the €61.0 million investment in an associate and (iv) an increase in cash used due to advances to UPC Germany of €54.0 million.

Our capital expenditures were €307.4 million and €243.3 million during 2011 and 2010, respectively and our property, equipment and intangible asset additions were €314.5 million and €249.4 million during 2011 and 2010, respectively. The increase in our property, equipment and intangible asset additions 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 €15.5 million, from €31.6 million during 2010 to €47.1 million during 2011, (iii) an increase in expenditures for support capital, such as information technology upgrades and general support systems, (iv) an increase due to lower property, equipment and intangible asset additions in 2010 due to the exclusion of the pre-acquisition period of Old Unitymedia, (v) an increase in expenditures for new build and upgrade projects to expand services and (vi) an increase resulting from the LGI/KBW Transaction. During 2011 and 2010, our (1) capital expenditures represented 29.2% and 28.1% of our revenue, respectively and (2) property, equipment and intangible asset additions represented 29.9% and 28.8% or our revenue, respectively.

Financing activities. The decrease in net 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 2009 UM Notes, (ii) an increase in cash provided of €1,604.9 million due to lower third-party net debt repayments, primarily related to the March 2, 2010 Unitymedia Debt Pushdown, (iii) a decrease in cash provided of €1,050.9 million due to lower related-party borrowings, primarily due to amounts borrowed from UPC Germany in connection with the LGI/Unitymedia Transaction during 2010, (iv) an increase in cash provided of €936.5 million due to higher contributions from our parent and (v) an increase in cash provided of €66.6 million due to lower cash payments related to derivative instruments.

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.

For additional information concerning these policies, see note 3 to our consolidated financial statements.

SUPPLEMENTAL

FINANCIAL INFORMATION

(unaudited)

Unitymedia KabelBW 2010 Pro Forma Condensed Combined Statement of Operations (unaudited)

On January 28, 2010, Unitymedia KabelBW GmbH (formerly known as Unitymedia GmbH until August 8, 2012) (Unitymedia KabelBW) acquired all of the issued and outstanding capital stock of Old Unitymedia, as defined and described in note 1 to our consolidated financial statements, (the LGI/Unitymedia Transaction). On March 2, 2010, the then existing debt of Old Unitymedia was refinanced (the Unitymedia Debt Pushdown) with proceeds from an escrow account that was created in November 2009, when Unitymedia KabelBW and certain of its subsidiaries issued senior and senior secured notes in contemplation of the LGI/Unitymedia Transaction. On September 16, 2010, Old Unitymedia merged with Unitymedia KabelBW and Unitymedia KabelBW became the surviving entity (the Unitymedia Merger). The Unitymedia Merger, along with the new basis of accounting that resulted from the LGI/Unitymedia Transaction, was given effect as of January 28, 2010 in the historical consolidated financial statements of Unitymedia KabelBW.

On December 15, 2011, a then wholly-owned subsidiary of UPC Germany Holdings GmbH (UPC Germany Holdings), acquired all of the outstanding shares of Kabel BW Musketeer GmbH, the then indirect parent of Kabel BW GmbH (KBW) (the LGI/KBW Transaction). Through a series of transactions that were completed during the second quarter of 2012 in conjunction with the Unitymedia KabelBW Exchange, as defined and described in note 13 to our consolidated financial statements, UPC Germany Holding B.V., our immediate parent company, transferred UPC Germany Holdings, an indirect parent company of KBW, to one of our wholly-owned subsidiaries (the KBW Fold-in). We have accounted for the KBW Fold-in as a reorganization of entities under common control. Accordingly, we have recorded the transfer of UPC Germany Holdings and its subsidiaries (collectively, the Kabel BW Group) at carryover basis and the applicable prior period information has been retrospectively revised to give effect to the resulting change in reporting entities for all periods in which we and the Kabel BW Group were under the common control of Liberty Global, Inc. (namely all periods beginning on or after the December 15, 2011 LGI/KBW Transaction).

The following table presents the 2010 pro forma condensed combined statement of operations of Unitymedia KabelBW as if (i) the LGI/Unitymedia Transaction, (ii) the Unitymedia Merger, (iii) the Unitymedia Debt Pushdown, (iv) the LGI/KBW Transaction, (v) the March 2011 Kabel BW Refinancing, as defined and described in note 13 to our consolidated financial statements, and (vi) the change in the reporting entities associated with the KBW Fold-in had been completed as of January 1, 2010. As a result, the pro forma statement of operations for the year ended December 31, 2010 presented below includes the historical operating results of Old Unitymedia's and the Kabel BW Group's continuing operations for the full year of 2010. In connection with the KBW Fold-in, we issued the 2012 Shareholder Loan to UPC Germany as consideration for all of the outstanding shares of UPC Germany Holdings that were transferred to our company. No interest expense on the 2012 Shareholder Loan is reflected in our pro forma results prior to the May 2012 issuance date. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on January 1, 2010. The pro forma adjustments are based on certain assumptions that we believe are reasonable. For additional information, see notes 1, 5 and 13 to our consolidated financial statements.

Unitymedia KabelBW 2010 Pro Forma Condensed Combined Statement of Operations
(unaudited)

		Year ended December 31, 2010 in millions
Revenue:		
Subscription revenue:		
Video	€	909.8
Broadband internet		166.3
Telephony		235.8
Total subscription revenue		1,311.9
Non-subscription revenue		173.4
		1,485.3
Operating costs and expenses:		
OpEx		448.8
SG&A		203.8
Impairment, restructuring and other operating items, net		36.3
Related-party fees and allocations		23.8
		712.7
EBITDA		772.6
Depreciation and amortization		560.4
EBIT		212.2
Financial and other expense:		
Interest expense:		
Third-party		(445.2)
Related-party		(93.5)
Foreign currency transaction losses, net		(13.1)
Realized and unrealized gains on derivative instruments, net		33.2
Other income, net		3.6
Net financial and other expense		(515.0)
Loss before income taxes		(302.8)
Income tax benefit		57.8
Net loss	€	(245.0)
Adjusted EBITDA	€	832.7
Impairment, restructuring and other operating items		(36.3)
Related-party fees and allocations		(23.8)
EBITDA	€	772.6