IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") UNDER RULE 144A OR (2) NON-U.S. PERSONS OUTSIDE OF THE U.S. (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, A QUALIFIED INVESTOR)

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum (the "Offering Memorandum") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) Qualified Institutional Buyers ("QIBs") (within the meaning of Rule 144A under the Securities Act) or (2) non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the U.S.; provided that investors resident in a Member State of the European Economic Area must be a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in each Member State of the European Economic Area). This Offering Memorandum is being sent at your request and by accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) not a U.S. person and that the electronic mail address that you gave us and to which this Offering Memorandum has been delivered is not located in the U.S. (and if you are resident in a Member State of the European Economic Area, you are a qualified investor) and (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the initial purchasers, UPC Holding B.V., Liberty Global Europe, Liberty Global, Inc. or any person who controls them or any director, officer, employee nor agent of any of theirs or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.

CONFIDENTIAL
OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

€450,000,000 6¾% Senior Notes due 2023
CHF 350,000,000 6¾% Senior Notes due 2023
issued by

UPC HOLDING B.V.

UPC Holding B.V. (the "**Issuer**" or "**UPC Holding**") is offering €450 million aggregate principal amount of its 6¾% Senior Notes due 2023 (the "**Euro Notes**") and CHF 350 million aggregate principal amount of its 6¾% Senior Notes due 2023 (the "**CHF Notes**" and, together with the Euro Notes, the "**Notes**"). The Notes will mature on March 15, 2023. Interest will accrue from the date of issue of the Notes and the Issuer will pay interest on the Notes semi-annually on each March 15 and September 15 commencing on September 15, 2013.

At any time prior to March 15, 2018, the Issuer may redeem some or all of the Notes by paying a "make whole" premium. In addition, at any time prior to March 15, 2016, the Issuer may redeem up to 40% of the Notes with the net proceeds from one or more specified equity offerings. At any time on or after March 15, 2018, the Issuer may redeem some or all of the Notes at the redemption prices set forth herein. Further, the Issuer may redeem all of the Notes at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in tax law. If the Issuer or certain of its subsidiaries sell certain of their assets or experience specific kinds of changes in control, the Issuer must offer to repurchase the Notes.

The Notes will be senior obligations of the Issuer and will rank equally with all of the other existing and future senior debt of the Issuer, including the Existing Notes (as defined herein), and senior to all existing and future subordinated debt of the Issuer. The Notes will be secured (on a shared basis) by a pledge over all the shares of the Issuer. The Issuer is a holding company with no operations or revenue generating assets of its own and will depend upon payments from its subsidiaries to make payment on the Notes. The Notes will be structurally subordinated to the debt of all the Issuer's subsidiaries. The Notes may be issued with original issue discount for U.S. federal income tax purposes. See "*Tax Considerations—Certain U.S. Federal Income Tax Considerations*".

See "*Risk Factors*" beginning on page 14 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

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

The Euro Notes will be in registered form in denominations of €100,000 and integral multiples of €1,000 in excess thereof. The CHF Notes will be in registered form in denominations of CHF 150,000 and integral multiples of CHF 1,000 in excess thereof. The Notes will be represented on issue by one or more Global Notes which will be delivered through Euroclear Bank S.A./N.V. ("**Euroclear**"), as operator of the Euroclear System, Clearstream Banking, société anonyme ("**Clearstream**") on or about March 26, 2013 (the "**Issue Date**"). Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its Global Exchange Market.

Issue price for the Euro Notes: 100.000% plus accrued interest, if any, from the Issue Date.
Issue Price for the CHF Notes: 100.000% plus accrued interest, if any, from the Issue Date.

Joint Global Coordinators
Euro Notes

Morgan Stanley **Credit Suisse**

Joint Global Coordinators
CHF Notes

Credit Suisse **Morgan Stanley**

Joint Bookrunning Managers

ABN AMRO **Crédit Agricole CIB** **Nomura** **The Royal Bank of Scotland** **Société Générale Corporate and Investment Banking** **UBS Investment Bank**

The date of this offering memorandum is March 21, 2013

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

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

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

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

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

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

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

This offering memorandum is for distribution only to persons who (i) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

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

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

In the United States, you may not distribute this offering memorandum or make copies of it without our prior written consent other than to people you have retained to advise you in connection with this offering.

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

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

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

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

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

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

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

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

STABILIZATION

IN CONNECTION WITH THIS OFFERING MORGAN STANLEY & CO. INTERNATIONAL PLC, WITH RESPECT TO THE EURO NOTES, AND CREDIT SUISSE SECURITIES (EUROPE) LIMITED, WITH RESPECT TO THE CHF NOTES, (EACH A "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) MAY OVER-ALLOT NOTES

OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT A STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

U.S. TREASURY DEPARTMENT CIRCULAR 230 DISCLOSURE

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NOTICE TO U.S. INVESTORS

Each purchaser of Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this offering memorandum under "*Transfer Restrictions*". The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act or any other applicable securities laws, pursuant to registration or an exemption therefrom. Please refer to the section of this offering memorandum entitled "*Transfer Restrictions*". The Notes may not be offered to the public within any jurisdiction. By accepting delivery of this offering memorandum, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Note to the public.

NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "*Relevant Member State*"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "*Relevant Implementation Date*"), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Notes shall require the publication by the Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospective Directive other than in reliance of Article 3(2)(b).

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC and amendments hereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each subscriber for or purchaser of the Notes in the offering located within Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the offering.

NOTICE TO CERTAIN EUROPEAN INVESTORS

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

Germany The Notes may be offered and sold in Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as amended, the Commission Regulation (EC) No 809/2004 of April 29, 2004 as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. This offering memorandum has not been approved under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or the Directive 2003/71/EC and accordingly the Notes may not be offered publicly in Germany.

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

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

Grand Duchy of Luxembourg This offering memorandum has not been approved by and will not be submitted for approval to the Luxembourg Supervision Commission of the Financial Sector (*Commission de Surveillance du Secteur Financier*) for purposes of a public offering or sale in Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended (the "Prospectus Act") and implementing the Prospectus Directive. Consequently, this offering memorandum and any other offering circular, prospectus, form of application, advertisement or other material may only be distributed to (i) Luxembourg qualified investors as defined in the Prospectus Act and (ii) no more than 149 prospective investors, which are not qualified investors.

The Netherlands The Notes (including rights representing an interest in each global note that represents the Notes) may only be offered or sold in the Netherlands to qualified investors (as defined in the Prospectus Directive), unless such offer is made in accordance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

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

Switzerland This offering memorandum, as well as any other material relating to the Notes which are the subject of the offering contemplated by this offering memorandum, do not constitute an issue prospectus pursuant to article 652a and/or article 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes will not be listed on the SIX Swiss Exchange Ltd., and, therefore, the documents relating to the Notes, including, but not limited to, this offering memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd. and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd. The Notes are being offered in Switzerland by way of a private placement (i.e., to a limited number of selected investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This offering memorandum, as well as any other material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This offering memorandum, as well as any other material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without the Issuer's express consent. This offering memorandum, as well as any other material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

United Kingdom This offering memorandum is for distribution only to, and is only directed at, persons who (i) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Data

Unless otherwise indicated, the historical consolidated financial information presented herein has been prepared in compliance with accounting principles generally accepted in the United States (U.S. GAAP).

This offering memorandum includes the December 31, 2012 Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations of the Issuer and its subsidiaries. Our historical results do not necessarily indicate results that may be expected for any future period.

Our financial results are reported in euros. Unless otherwise indicated, convenience translations of (i) U.S. dollars into euros have been calculated at the December 31, 2012 rate of $1.32 per €1.00 and (ii) CHF into euros have been calculated at the December 31, 2012 rate of CHF 1.21 per €1.00.

Certain amounts and percentages herein have been rounded and, accordingly, may not total.

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

Definitions

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

"6⅜% Notes" refers to the Issuer's €600 million aggregate principal amount of 6⅜% Senior Notes due 2022.

"7¾% Notes" refers to the Issuer's €500 million aggregate principal amount of 7¾% Senior Notes due 2014. The 7¾% Notes were fully repaid on September 13, 2010.

"8% Notes" refers to the Issuer's €300 million aggregate principal amount of 8% Senior Notes due 2016 which are to be redeemed or purchased and cancelled pursuant to the Refinancing. See "*Use of Proceeds*" and "*The Refinancing*".

"8⅜% Notes" refers to the Issuer's €640 million aggregate principal amount of 8⅜% Senior Notes due 2020.

"8⅝% Notes" refers to the Issuer's €300 million aggregate principal amount of 8⅝% Senior Notes due 2014. The 8⅝% Notes were fully repaid on August 20, 2010.

"9¾% Additional Notes" refers to the Issuer's €150 million aggregate principal amount of 9¾% Senior Notes due 2018 issued on May 29, 2009.

"9¾% Notes" refers to the 9¾% Original Notes and the 9¾% Additional Notes which are to be redeemed or purchased and cancelled pursuant to the Refinancing. See "*Use of Proceeds*" and "*The Refinancing*".

"9¾% Original Notes" refers to the Issuer's €250 million aggregate principal amount of 9¾% Senior Notes due 2018 issued on April 30, 2009.

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

"Aster Acquisition" refers to the transaction consummated on September 16, 2011, pursuant to which Aster Sp. z.o.o. was acquired by a subsidiary of UPC Holding.

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

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

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

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

"CHF Notes" refers to the CHF 350 million aggregate principal amount of 6¾% Senior Notes due 2023 offered hereby.

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

"December 31, 2012 Consolidated Financial Statements" refers to our audited consolidated financial statements as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 and the notes thereto included in this offering memorandum.

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

"EU" refers to the European Union.

"Euroclear" refers to the Euroclear system.

"Euro Notes" refers to the €450 million aggregate principal amount of 6¾% Senior Notes due 2023 offered hereby.

"Existing Notes" or the "UPC Holding Senior Notes" refers to the 6⅜% Notes, the 8⅜% Notes and the 9⅞% Notes.

"Indenture" refers to the indenture governing the Notes.

"Initial Purchasers" refers to Credit Suisse Securities (Europe) Limited, Morgan Stanley & Co. International plc, ABN AMRO Bank N.V, Crédit Agricole Corporate and Investment Bank, Nomura International plc, Société Générale, The Royal Bank of Scotland plc and UBS Limited.

"Intercreditor Agreement" refers to the Intercreditor Agreement, as amended, which was originally entered into on July 29, 2005 among LGE Financing, the trustee on behalf of the holders of the 7¾% Notes and acceded to on October 10, 2005, April 17, 2007, April 30, 2009, May 29, 2009, August 13, 2010 and September 21, 2012 by the trustee on behalf of the holders of the 8⅝% Notes, the 8% Notes, the 9¾% Notes, the 9⅞% Notes, the 8⅜% Notes and the 6⅜% Notes, respectively, and June 14, 2007 by the security agent on behalf of the lenders under the UPC Holding Facility (to the extent any amounts are outstanding thereunder from time to time).

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

"KBW Fold-in" refers to certain reorganization, debt exchange and debt redemption transactions that were completed by Unitymedia KabelBW in May 2012, pursuant to which, among other items, UPC Germany Holdings GmbH, an indirect parent of Kabel BW GmbH, became an indirect subsidiary of Unitymedia KabelBW.

"LG Europe" refers to Liberty Global B.V. (formerly known as Liberty Global Europe B.V.).

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

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

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

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

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

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

"Notes" collectively refers to the Euro Notes and the CHF Notes.

"Refinancing" has the meaning ascribed to it under "*The Refinancing*".

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

"Telenet" refers to Telenet Group Holding NV, an indirect subsidiary of LGE, Inc., with or without its consolidated subsidiaries, as the context requires.

"Trustee" refers to The Bank of New York Mellon acting in its capacity as trustee under the Indenture.

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

"Unitymedia" or "Unitymedia KabelBW" refers to Unitymedia KabelBW GmbH (formerly Unitymedia GmbH and prior to that UPC Germany GmbH), a company organized under the laws of Germany, with or without its subsidiaries as the context requires, and in the case of references to Unitymedia KabelBW, as existing subsequent to the KBW Fold-in.

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

"UPC Broadband Holding Bank Facility" refers to the senior secured credit facility agreement entered into on January 16, 2004, as amended or supplemented from time to time, including as amended and restated pursuant to a deed of amendment and restatement dated May 10, 2006 and further amended pursuant to amendment letters dated December 11, 2006, April 16, 2007, April 30, 2009 and June 9, 2009, between, among others, UPC Broadband Holding, as borrower, The Bank of Nova Scotia, as facility agent and security agent, and certain banks and financial institutions as lenders.

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

"UPC DTH" refers to UPC DTH S.à.r.l., with or without its consolidated subsidiaries, as the context requires.

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

"UPC Financing" refers to UPC Financing Partnership, an indirect wholly-owned subsidiary of UPC Holding.

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

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

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

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

"UPC Slovenia" refers to UPC Telemach širokopasovne komunikacije d.o.o., with or without its consolidated subsidiaries, as context requires, which UPC Slovenia Holding B.V. sold to an unrelated third party on July 15, 2009.

"UPCB Finance" refers to UPCB Finance Limited, a Cayman Islands exempted company limited by shares and the issuer of the UPCB Senior Secured Notes.

"UPCB Finance II" refers to UPCB Finance II Limited, a Cayman Islands exempted company limited by shares and the issuer of the UPCB II Senior Secured Notes.

"UPCB Finance III" refers to UPCB Finance III Limited, a Cayman Islands exempted company limited by shares and the issuer of the UPCB III Senior Secured Notes.

"UPCB Finance V" refers to UPCB Finance V Limited, a Cayman Islands exempted company limited by shares and the issuer of the UPCB V Senior Secured Notes.

"UPCB Finance VI" refers to UPCB Finance VI Limited, a Cayman Islands exempted company limited by shares and the issuer of the UPCB VI Senior Secured Notes.

"UPCB Senior Secured Notes" refers to the €500 million aggregate principal amount of 7⅝% Senior Secured Notes due 2020 issued by UPCB Finance.

"UPCB II Senior Secured Notes" refers to the €750 million aggregate principal amount of 6⅜% Senior Secured Notes due 2020 issued by UPCB Finance II.

"UPCB III Senior Secured Notes" refers to the $1 billion aggregate principal amount of 6⅝% Senior Secured Notes due 2020 issued by UPCB Finance III.

"UPCB V Senior Secured Notes" refers to the $750 million aggregate principal amount of 7¼% senior secured notes due 2021 issued by UPCB Finance V Limited.

"UPCB VI Senior Secured Notes" refers to the $750 million aggregate principal amount of 6⅞% senior secured notes due 2022 issued by UPCB Finance VI Limited.

"UPCB Notes" refers to, collectively, the UPCB Senior Secured Notes, UPCB II Senior Secured Notes, UPCB III Senior Secured Notes, UPCB V Senior Secured Notes and UPCB VI Senior Secured Notes.

"UPCB Notes Issuers" refers to, collectively, UPCB Finance, UPCB Finance II, UPCB Finance III, UPCB Finance V and UPCB Finance VI and "UPCB Notes Issuer" refers to each of the forgoing, as context requires.

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

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

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

"U.S. Securities Act" refers to the U.S. Securities Act of 1933, as amended.

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

"VTR Wireless" refers to VTR Wireless S.A., a subsidiary of LGI providing mobile services in the Chilean marketplace, which is outside of UPC Holding.

All references in this offering memorandum to "EUR" or "€" are to euro, to "U.S.$" or "$" are to U.S. dollars, to "CHF" are to Swiss francs, to "CLP" are to Chilean pesos, to "HUF" are to Hungarian forints, to "RON" are to Romanian new lei, to "CZK" are to Czech koruna and to "PLN" are to Polish zloty.

For an explanation or definition of certain other terms used in this offering memorandum, see "*Glossary*" starting on page G-1 of this offering memorandum.

SUBSCRIBER, MARKET AND INDUSTRY DATA

Subscriber Data

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

Market and Industry Data

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

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

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

EXCHANGE RATE INFORMATION

We present our consolidated financial statements in euro. We have set forth in the table below, for the periods and dates indicated, certain information regarding the exchange rates between U.S. dollars and the euro based on the market rates at 6 p.m. London time. The rates in the below table may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. We have provided the above exchange rate information solely for your convenience and make no representation that any amount of currencies specified in the below table has been, or could be, converted into the applicable currency at the rates indicated or any other rate. The market rate at 6 p.m. London time of the euro on March 19, 2013 was $1.29 = €1.00.

	U.S.$ per €1.00			
	Period Average (1)	High	Low	Period End
Year				
2007	1.37	1.49	1.29	1.46
2008	1.47	1.60	1.24	1.39
2009	1.39	1.51	1.25	1.43
2010	1.33	1.45	1.20	1.34
2011	1.39	1.49	1.29	1.30
2012	1.29	1.35	1.21	1.32
Month				
January	1.33	1.36	1.30	1.36
February	1.33	1.37	1.31	1.31
March (through March 19)	1.30	1.31	1.29	1.29

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

- economic and business conditions and industry trends in the countries in which we operate;
- the competitive environment in the broadband communications and programming industries in the countries in which we operate, including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues in the 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 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 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 countries in which we operate and adverse outcomes from regulatory proceedings;

- government intervention that opens our broadband distribution networks to competitors, such as the obligations imposed in the Netherlands;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions, including the impact of the conditions imposed in connection with the acquisition of Aster on our operations in Poland;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement our business plan with respect to, the businesses we acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in countries in which we operate;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors 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;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint ventures; 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 communications services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this offering memorandum are subject to a significant degree of risk. These forward-looking statements and the above-described risks, uncertainties and other factors speak only as of the date of this offering memorandum, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

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

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

AVAILABLE INFORMATION

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

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

GENERAL DESCRIPTION OF OUR BUSINESS AND THE OFFERING

This general description of our business and the offering highlights selected information contained in this offering memorandum regarding UPC Holding and the Notes. It does not contain all the information you should consider prior to investing in the Notes. You should read the entire offering memorandum carefully including the "Risk Factors", the December 31, 2012 Consolidated Financial Statements and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering memorandum. Please see page G-1 of this offering memorandum for a glossary of technical terms used in this offering memorandum.

Our Business

We provide video, broadband internet and telephony services in nine countries in Europe through UPC Europe and in Chile through our 80%-owned subsidiary VTR. In terms of video subscribers, we operate the largest cable network in each of Austria, the Czech Republic, Hungary, Ireland, Poland, Slovakia and Switzerland and the second largest cable network in each of the Netherlands and Romania. VTR is Chile's largest multi-channel television provider in terms of the number of video cable subscribers.

Provided below is an overview of our broadband communications services followed by country specific information. Unless otherwise indicated, the operational data provided below is as of December 31, 2012.

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

	December 31, 2012		
	Homes Passed (1)	Two-way Homes Passed (2)	Customer Relationships (3)
UPC Europe:			
The Netherlands (13)	2,825,200	2,810,800	1,731,800
Switzerland (13)	2,074,700	1,825,400	1,485,600
Austria	1,313,400	1,297,400	733,000
Ireland	862,900	737,200	538,800
Total Western Europe	7,076,200	6,670,800	4,489,200
Poland	2,667,900	2,537,600	1,472,000
Hungary	1,525,700	1,508,300	1,029,600
Romania	2,082,800	1,708,000	1,177,600
Czech Republic	1,345,200	1,236,900	745,300
Slovakia	495,500	464,800	287,500
Total Central & Eastern Europe	8,117,100	7,455,600	4,712,000
Total UPC Europe	15,193,300	14,126,400	9,201,200
VTR (Chile)	2,861,100	2,330,400	1,144,400
Total	18,054,400	16,456,800	10,345,600

	December 31, 2012									
	Video						Internet		Telephony	
	Total RGUs (4)	Analog Cable Subscribers (5)	Digital Cable Subscribers (6)	DTH Subscribers (7)	MMDS Subscribers (8)	Total Video	Homes Serviceable (9)	Subscribers (10)	Homes Serviceable (11)	Subscribers (12)
UPC Europe:										
The Netherlands (13)	3,685,500	651,600	1,078,000	—	—	1,729,600	2,823,500	1,025,400	2,820,700	930,500
Switzerland (13)	2,464,400	842,500	606,000	—	—	1,448,500	2,292,000	594,500	2,323,900	421,400
Austria	1,408,000	199,400	335,900	—	—	535,300	1,297,300	490,700	1,265,400	382,000
Ireland	988,800	63,000	337,800	—	45,600	446,400	737,200	304,300	715,000	238,100
Total Western Europe	8,546,700	1,756,500	2,357,700	—	45,600	4,159,800	7,150,000	2,414,900	7,125,000	1,972,000
Poland	2,616,000	546,000	756,300	—	—	1,302,300	2,537,600	854,700	2,527,600	459,000
Hungary	1,760,300	306,900	327,100	242,900	—	876,900	1,508,300	486,600	1,510,700	396,800
Romania	1,733,900	428,700	423,600	319,700	—	1,172,000	1,708,000	333,000	1,646,200	228,900
Czech Republic	1,217,300	76,100	406,000	102,200	—	584,300	1,236,900	439,900	1,234,200	193,100
Slovakia	425,600	84,100	123,100	54,300	1,100	262,600	433,600	103,800	431,800	59,200
Total Central & Eastern Europe	7,753,100	1,441,800	2,036,100	719,100	1,100	4,198,100	7,424,400	2,218,000	7,350,500	1,337,000
Total UPC Europe	16,299,800	3,198,300	4,393,800	719,100	46,700	8,357,900	14,574,400	4,632,900	14,475,500	3,309,000
VTR (Chile)	2,435,700	163,200	769,300	—	—	932,500	2,330,400	825,500	2,322,100	677,700
Total	18,735,500	3,361,500	5,163,100	719,100	46,700	9,290,400	16,904,800	5,458,400	16,797,600	3,986,700

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

(2) Two-way Homes Passed are Homes Passed by those sections of our networks that are technologically capable of providing two-way services, including video, internet and telephony services. Due to the fact that we do not own the partner networks used in Switzerland and the Netherlands or the unbundled loop and shared access network used by Austria GmbH, we do not report two-way homes passed for Switzerland's or the Netherlands' partner networks or the unbundled loop and shared access network used by Austria GmbH.

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

(4) RGU is separately an Analog Cable Subscriber, Digital Cable Subscriber, DTH Subscriber, MMDS Subscriber, Internet Subscriber or Telephony Subscriber. A home, residential multiple dwelling unit, or commercial unit may contain one or more RGUs. For example, if a residential customer in our Austrian system subscribed to our digital cable service, telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of Analog Cable, Digital Cable, DTH, MMDS, Internet and Telephony Subscribers. RGUs generally are counted on a unique 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. Services offered without charge on a long-term basis (e.g., VIP subscribers, free service to employees) generally are not counted as RGUs. We do not include subscriptions to mobile services in our externally reported RGU counts. In this regard, our December 31, 2012 RGU counts exclude 34,500, 3,500 and 2,800 postpaid subscriber identification module ("SIM") cards in service in Poland, the Netherlands and Hungary, respectively.

(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 reported for Switzerland 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"). In Switzerland, our Basic Digital Cable Subscribers are attributable to the fact that our basic digital cable channels are not encrypted in certain portions of our footprint. In Europe, we have approximately 400,500 "lifeline" customers that are counted on a per connection basis, representing the least expensive regulated tier of video cable service, with only a few channels.

(6) Digital Cable Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our digital cable service over our broadband network or through a partner network. We count a subscriber with one or more digital converter boxes that receives our digital cable service 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 above, Basic Digital Cable Subscribers are not included in the respective Digital Cable Subscriber count reported for Switzerland. Subscribers to digital cable services provided by our operations in Switzerland and the Netherlands over partner networks receive analog cable services from the partner networks as opposed to our operations.

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

(8) MMDS Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our video programming via MMDS.

(9) Internet Homes Serviceable are Two-way Homes Passed that can be connected to our network, or a partner network with which we have a service agreement, for the provision of broadband internet services if requested by the customer, building owner or housing association, as applicable. With respect to Austria GmbH, we do not report as Internet Homes Serviceable those homes served either over an unbundled loop or over a shared access network.

(10) Internet Subscriber is a home, residential multiple dwelling unit or commercial unit that receives internet services over our networks, or that we service through a partner network. Our Internet Subscribers in Austria include 73,000 digital subscriber line ("DSL") subscribers of Austria GmbH that are not serviced over our networks. Our Internet Subscribers do not include customers that receive services from dial-up connections.

(11) Telephony Homes Serviceable are Two-way Homes Passed that can be connected to our network, or a partner network with which we have a service agreement, for the provision of telephony services if requested by the customer, building owner or housing association, as applicable. With respect to Austria GmbH, we do not report as Telephony Homes Serviceable those homes served over an unbundled loop rather than our network.

(12) Telephony Subscriber is a home, residential multiple dwelling unit or commercial unit that receives voice services over our networks, or that we service through a partner network. Telephony Subscribers exclude mobile telephony subscribers. Our Telephony Subscribers in Austria include 59,000 subscribers of Austria GmbH that are not serviced over our networks.

(13) Pursuant to service agreements, Switzerland and, to a much lesser extent, the Netherlands offer digital cable, broadband internet and telephony services over networks owned by third-party cable operators ("partner networks"). A partner network RGU is only recognized if there is a direct billing relationship with the customer. Homes Serviceable for partner networks represent the estimated number of homes that are technologically capable of receiving the applicable service within the geographic regions covered by the applicable service agreements. Internet and Telephony Homes Serviceable with respect to partner networks have been estimated by our Switzerland operations. These estimates may change in future periods as more accurate information becomes available. At December 31, 2012, Switzerland's partner networks account for 125,500 Customer Relationships, 236,500 RGUs, 91,900 Digital Cable Subscribers, 466,600 Internet and Telephony Homes Serviceable, 83,500 Internet Subscribers, and 61,100 Telephony Subscribers. In addition, partner networks account for 454,100 of Switzerland's digital cable homes serviceable that are not included in Homes Passed or Two-way Homes Passed in our December 31, 2012 subscriber table.

Additional General Notes to Tables:

Most of our subsidiaries provide telephony, broadband internet, data, video or other business-to-business ("B2B") services. Certain of our B2B revenue is derived from small or home office ("SOHO") subscribers that pay a premium price to receive enhanced service levels along with video, internet or telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. Effective January 1, 2012, we recorded non-organic adjustments to begin including the SOHO subscribers of UPC Europe in our RGU and customer counts. As a result, all mass marketed products provided to SOHOs, whether or not accompanied by enhanced service levels and/or premium prices, are now included in the respective RGU and customer counts of our broadband communications operations, with only those services provided at premium prices considered to be "SOHO RGUs" or "SOHO customers." 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.

Certain of our residential and commercial RGUs are counted on an EBU basis, including residential multiple dwelling units and commercial establishments, such as bars, hotels and hospitals, in Chile and certain commercial establishments in Europe. Our EBUs are generally calculated by dividing the bulk price charged to accounts in an area by the most prevalent price charged to non-bulk residential customers in that market for the comparable tier of service. As such, we may experience variances in our EBU counts solely as a result of changes in rates.

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

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

Our Services

We offer a variety of broadband services over our cable television systems, including video, broadband internet and telephony. Available service offerings depend on the bandwidth capacity of our systems and whether they have been upgraded for two-way communications. In select markets, we also offer video services through DTH or through MMDS. Our video service offerings include basic programming and, in some markets, expanded basic programming. We tailor both our basic channel line-up and our additional channel offerings to each system according to culture, demographics, programming preferences and local regulation. Our video service offerings include basic and premium programming, and in most markets, incremental product and service offerings such as enhanced pay-per-view programming, including video-on-demand ("VoD"), digital video recorders ("DVR") and high definition ("HD") television services. We offer broadband internet services in all of our broadband communications markets. Our residential subscribers generally access the internet, via cable modems connected to their personal computers, at various speeds depending on the tier of service selected. We determine pricing for each different tier of internet service through analysis of speed, data limits, market conditions and other factors.

We offer telephony services in all of our broadband communications markets, primarily using voice-over-internet-protocol or "VoIP" technology. In Poland, the Netherlands and Hungary, we also offer mobile services using third-party networks.

Our Strategy

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

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

The Refinancing

The offering of the Notes is being made in conjunction with the refinancing transactions (the "Refinancing") described below.

We will use the net proceeds of this offering, and may use cash on hand, (i) to redeem or retire all of the 8% Notes (the "8% Notes Redemption") and (ii) to redeem or retire all of the 9¾% Notes (the "9¾% Notes Redemption", and together with the 8% Notes Redemption, the "Redemptions"), in each case pursuant to the redemption procedures set forth in the indentures governing the 8% Notes and the 9¾% Notes, respectively. All of the 8% Notes and 9¾% Notes redeemed or retired in the Redemptions will be cancelled.

Recent Developments

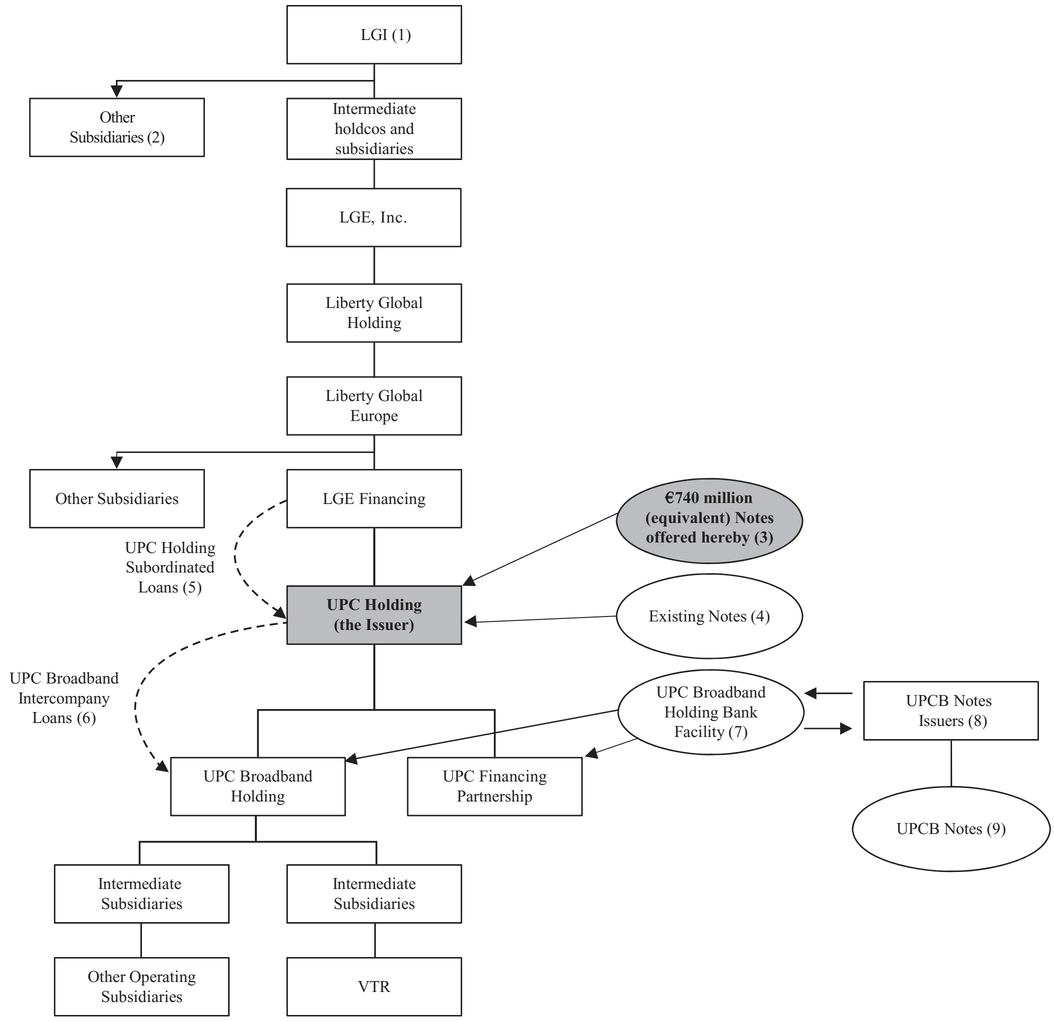
Potential Refinancing of Certain Facilities under the UPC Broadband Holding Bank Facility

On March 18, 2013, UPC Broadband Holding launched a new minimum €400 million term loan ("Facility AG") to be funded as an additional facility under the UPC Broadband Holding Bank Facility. The proceeds from Facility AG will be used to refinance (the "March 2013 UPC Broadband Holding Bank Facility Refinancing") certain amounts outstanding under the UPC Broadband Holding Bank Facility (including, but not limited to, all or a portion of Facility R, Facility S and/or Facility U thereunder). UPC Broadband Holding may, in its sole discretion, decide to retranche, upsize (which upsize may be substantial) or downsize Facility AG and there is no assurance that UPC Broadband Holding will successfully close the proposed Facility AG. Any incurrence of indebtedness under Facility AG will comply with the covenants under the Notes and the UPC Broadband Holding Bank Facility.

In addition, UPC Broadband Holding may enter into one or more additional facilities (the "Additional Facilities") to the UPC Broadband Holding Bank Facility in the future to refinance certain amounts outstanding under the UPC Broadband Holding Bank Facility. The terms of any Additional Facilities (if any) are not known. Any incurrence of indebtedness under any Additional Facilities will comply with the covenants under the Notes and the UPC Broadband Holding Bank Facility.

SUMMARY CORPORATE AND FINANCING STRUCTURE

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



(1) On February 5, 2013, LGI and certain of its direct and indirect wholly owned subsidiaries (the "LGI Merger Subs") entered into an agreement and plan of merger (as amended on March 6, 2013, the "Merger Agreement") with Virgin Media Inc. ("Virgin Media"), providing for the combination of LGI and Virgin Media under a new parent company called Liberty Global Corporation Limited ("New LGI"). New LGI will be re-registered as a U.K. public limited company prior to the completion of the transaction. The Merger Agreement provides that LGI and Virgin Media will become wholly owned subsidiaries of New LGI through a series of mergers involving the LGI Merger Subs (the "Mergers"), and, following the transaction, the shares of New LGI will be owned by the current LGI shareholders and Virgin Media shareholders. The ordinary shares of New LGI will trade on the NASDAQ Global Select Market. The consummation of the Mergers pursuant to the Merger Agreement is subject to regulatory approval, the affirmative approval of the shareholders of both LGI and Virgin Media and other customary closing conditions.

(2) Includes the LGI Merger Subs.

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

(4) For a description of the Existing Notes, see "*Description of Other Indebtedness—\$400 million 9⅞% Senior Notes*", "*Description of Other Indebtedness—\$640 million 8⅜% Senior Notes*" and "*Description of Other Indebtedness—€600 million 6⅜% Senior Notes*".

(5) The UPC Holding Subordinated Shareholder Loans between LGE Financing and the Issuer are expressly subordinated to the Notes and mature on March 1, 2030. The interest rate was 9.79% for the year ended December 31, 2012 and is reviewed on an annual basis. Interest may be paid in kind or, at our option, subject to certain limitations, in cash. See "*Description of Other Indebtedness—UPC Holding Subordinated Shareholder Loans*" for a description of the terms of such subordination.

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

(7) UPC Broadband Holding, a wholly-owned subsidiary of UPC Holding, and UPC Financing Partnership, a 99%-owned subsidiary of UPC Holding (the remaining 1% of which is owned by UPC Holding II B.V., a wholly-owned direct subsidiary of UPC Holding), are borrowers under the UPC Broadband Holding Bank Facility. The Issuer has guaranteed the obligations of its subsidiaries under the UPC Broadband Holding Bank Facility. For a description of the UPC Broadband Holding Bank Facility, see "*Description of Other Indebtedness—UPC Broadband Holding Bank Facility*". As of December 31, 2012, €4,142.5 million (including the impact of discounts) was outstanding under the UPC Broadband Holding Bank Facility (after giving effect to the elimination, as discussed in note (8) below, of the €500.0 million outstanding under Facility V, the €750.0 million outstanding under Facility Y, the $1.0 billion (€757.7 million) outstanding under Facility Z, the $750.0 million (€568.3 million) outstanding under Facility AC and the $750.0 million (€568.3 million) outstanding under Facility AD through the consolidation of UPCB Finance, UPCB Finance II, UPCB Finance III, UPC Finance V and UPC Finance VI respectively, within UPC Holding's condensed consolidated financial statements). In addition, undrawn capacity under the UPC Broadband Holding Bank Facility was €1,078.1 million. However, based on the December 31, 2012 covenant compliance calculations, our availability under the UPC Broadband Holding Bank Facility was €789.2 million.

(8) Each UPCB Notes Issuer is a special purpose financing company created for the primary purpose of issuing the applicable UPCB Notes and, in each case, is owned 100% by a charitable trust. The proceeds from each series of UPCB Notes have been used to fund a new facility under the UPC Broadband Holding Bank Facility. Accordingly, each UPCB Notes Issuer is dependent on payments from UPC Financing under Facility V, Facility Y, Facility Z, Facility AC and Facility AD, as applicable, in order to service its payment obligations under the respective UPCB Notes. As such, each UPCB Notes Issuer is a variable interest entity and UPC Financing and its parent, UPC Holding, are required by U.S. GAAP to consolidate each UPCB Notes Issuer. Accordingly, the amounts outstanding under Facility V, Facility Y, Facility Z, Facility AC and Facility AD are eliminated through the consolidation of UPCB Finance, UPCB Finance II, UPCB Finance III, UPCB Finance IV, UPCB Finance V and UPCB Finance VI, respectively, within UPC Holding's condensed consolidated financial statements.

(9) For a description of the UPCB Notes, see "*Description of Other Indebtedness—UPCB Senior Secured Notes and Facility V under the UPC Broadband Holding Bank Facility*", "*Description of Other Indebtedness—UPCB II Senior Secured Notes and Facility Y under the UPC Broadband Holding Bank Facility*", "*Description of Other Indebtedness—UPCB III Senior Secured Notes and Facility Z under the UPC Broadband Holding Bank Facility*", "*Description of Other Indebtedness—UPCB V Senior Secured Notes and Facility AC under the UPC Broadband Holding Bank Facility*" and "*Description of Other Indebtedness—UPCB VI Senior Secured Notes and Facility AD under the UPC Broadband Holding Bank Facility*".

SUMMARY CONDENSED CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

The table below sets out certain of our summary historical financial information for the indicated periods. The summary condensed consolidated historical financial information as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 presented below is derived from the December 31, 2012 Consolidated Financial Statements included in this offering memorandum.

The consolidated financial statements included in this offering memorandum have been prepared in accordance with U.S. GAAP. The following information should be read in conjunction with the "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the December 31, 2012 Consolidated Financial Statements included in this offering memorandum. Our historical results do not necessarily indicate results that may be expected for any future period.

Our ultimate parent is LGI.

	Year ended December 31,		
	2012	**2011**	**2010**
		in millions	
Consolidated Statements of Operations Data:			
Revenue	€ 4,271.6	€ 4,013.3	€ 3,739.9
Operating cost and expenses:			
Operating (other than depreciation and amortization) (including stock-based compensation)	1,508.6	1,441.2	1,368.1
Selling, general and administrative (SG&A) (including stock-based compensation)	706.9	654.8	613.6
Related-party fees and allocations, net	(2.4)	5.9	18.1
Depreciation and amortization	1,037.3	970.2	974.0
Impairment, restructuring and other operating items, net	8.2	26.8	16.0
	3,258.6	3,098.9	2,989.8
Operating income	1,013.0	914.4	750.1
Non-operating income (expense):			
Interest expense:			
Third-party	(594.1)	(518.9)	(456.8)
Related-party	(848.5)	(655.0)	(406.0)
Interest income	5.5	4.3	5.1
Realized and unrealized losses on derivative instruments, net	(559.7)	(3.6)	(813.5)
Foreign currency transaction gains (losses), net	197.9	(270.5)	47.8
Realized and unrealized gains (losses) due to changes in fair values of certain investments, net	0.2	(9.5)	0.2
Losses on debt modifications and extinguishments, net	(12.7)	(11.7)	(17.8)
Other expense, net	(0.9)	(2.0)	(3.8)
	(1,812.3)	(1,466.9)	(1,644.8)
Loss before income taxes	(799.3)	(552.5)	(894.7)
Income tax benefit (expense)	(86.2)	(241.4)	100.9
Net loss	(885.5)	(793.9)	(793.8)
Net earnings attributable to noncontrolling interests	(36.9)	(22.7)	(23.5)
Net loss attributable to parent	€ (922.4)	€ (816.6)	€ (817.3)

	December 31, 2012	December 31, 2011
	in millions	
Consolidated Balance Sheet Data:		
Cash and cash equivalents	€ 58.3	€ 126.5
Total assets	€ 11,433.1	€11,409.9
Total current liabilities (excluding current portion of debt and capital lease obligations)	€ 1,811.4	€ 1,774.0
Total debt and capital lease obligations:		
Third-party	€ 9,593.7	€ 9,045.4
Related-party	€ 8,727.5	€ 8,693.8
Total liabilities	€ 21,816.8	€20,939.1
Parent's deficit	€(10,554.3)	€(9,683.7)
Noncontrolling interests	€ 170.6	€ 154.5
Total owners' deficit	€(10,383.7)	€(9,529.2)

Other Financial Information:

	Year ended December 31, 2012	2011	2010
		in millions	
Revenue:			
UPC Europe:			
The Netherlands	€ 955.6	€ 914.9	€ 871.6
Switzerland	979.6	921.3	804.9
Other Western Europe	659.5	641.8	624.9
Total Western Europe	2,594.7	2,478.0	2,301.4
Central and Eastern Europe	867.5	806.6	754.5
Central and other	91.2	89.3	81.4
Total UPC Europe	3,553.4	3,373.9	3,137.3
VTR (Chile)	718.2	639.4	602.6
Total	€4,271.6	€4,013.3	€3,739.9

	Year ended December 31, 2012	2011	2010
		in millions	
Operating Cash Flow (1)(2):			
UPC Europe:			
The Netherlands	€ 573.1	€ 542.5	€ 507.8
Switzerland	558.4	518.5	443.5
Other Western Europe	316.9	300.6	288.5
Total Western Europe	1,448.4	1,361.6	1,239.8
Central and Eastern Europe	431.7	393.5	374.3
Central and other	(122.2)	(95.3)	(90.3)
Total UPC Europe	1,757.9	1,659.8	1,523.8
VTR (Chile)	316.0	271.0	251.7
Total	€2,073.9	€1,930.8	€1,775.5

Certain As Adjusted Covenant Information:

	As of and for the year ended December 31, 2012
	in millions
Annualized EBITDA (3)	€2,170.8
As adjusted covenant senior debt (4)(6)	€7,893.9
As adjusted covenant total debt (5)(6)	€10,161.6
Ratio of as adjusted covenant senior debt to annualized EBITDA (4)(6)	3.64x
Ratio of as adjusted covenant total debt to annualized EBITDA (5)(6)	4.68x

(1) Operating cash flow is the primary measure used by our chief operating decision maker to evaluate segment operating performance. Operating cash flow is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources to segments and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding stock-based compensation, related-party fees and allocations, depreciation and amortization and impairment, restructuring and other operating items). Other operating items include (i) gains and losses on the disposition of long-lived assets, (ii) direct acquisition costs, such as third-party due diligence, legal and advisory costs, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Our internal decision makers believe operating cash flow is a meaningful measure and is superior to available U.S. GAAP measures because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to (i) readily view operating trends, (ii) perform analytical comparisons and benchmarking between segments and (iii) identify strategies to improve operating performance in the different countries in which we operate. We believe our operating cash flow measure is useful to investors because it is one of the bases for comparing our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other companies. Operating cash flow should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings (loss), cash flow from operating activities and other U.S. GAAP measures of income or cash flows.

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

	Year ended December 31,		
	2012	2011	2010
		in millions	
Total segment operating cash flow from continuing operations	€ 2,073.9	€1,930.8	€1,775.5
Stock-based compensation expense	(17.8)	(13.5)	(17.3)
Related-party fees and allocations, net	2.4	(5.9)	(18.1)
Depreciation and amortization	(1,037.3)	(970.2)	(974.0)
Impairment, restructuring and other operating items, net	(8.2)	(26.8)	(16.0)
Operating income	€ 1,013.0	€ 914.4	€ 750.1

(3) Annualized EBITDA is calculated by multiplying EBITDA (as defined in the UPC Broadband Holding Bank Facility) for the six months ended December 31, 2012 (€1,085.4 million) by two. Annualized EBITDA and EBITDA may differ from the operating cash flow amounts reported for corresponding periods.

(4) As adjusted covenant senior debt is calculated for UPC Broadband Holding and its subsidiaries and does not include debt of UPC Holding.

(5) As adjusted covenant total debt (i) is calculated for UPC Holding and its subsidiaries and (ii) takes into consideration the €740.0 million (equivalent) aggregate principal amount of the Notes offered hereby and assumes that the net proceeds from the Notes plus cash on hand will be used to complete the Refinancing. See "*Use of Proceeds*" and "*The Refinancing*".

(6) UPC Broadband Holding Bank Facility covenant calculations are based on "covenant" debt figures which take into account currency swaps but do not take into account original issue discounts. Additionally, in calculating "covenant" debt figures, network related leases are excluded and weighted foreign exchange rates are used. Thus, the debt used in these calculations may differ from the debt balances reported in our consolidated financial statements.

SUMMARY OF THE OFFERING

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

Issuer	UPC Holding B.V.
Notes offered	
Euro Notes	€450 million aggregate principal amount of 6¾% Senior Notes due 2023.
CHF Notes	CHF 350 million aggregate principal amount of 6¾% Senior Notes due 2023.
Maturity date	March 15, 2023.
Interest Rate	
Euro Notes	6.750%
CHF Notes	6.750%
Interest payment dates	Semi-annually in arrears on each March 15 and September 15, commencing September 15, 2013. Interest will accrue from the date of issue of the Notes.
Denomination	
Euro Notes	Each Euro Note will have a minimum denomination of €100,000 or integral multiples of €1,000 in excess thereof.
CHF Notes	Each CHF Note will have a minimum denomination of CHF 150,000 or integral multiples of CHF 1,000 in excess thereof
Issue price	
Euro Notes	100.000% plus accrued interest, if any, from the date of issue of the Euro Notes.
CHF Notes	100.000% plus accrued interest, if any, from the date of issue of the CHF Notes.
Ranking	The Notes will be senior obligations of the Issuer and will rank equally with all of the other existing and future senior debt of the Issuer, including the Existing Notes. The Notes will rank senior to all existing and future subordinated debt of the Issuer. The Issuer is a holding company with no operations or revenue generating assets of its own and will depend upon payments from its subsidiaries to make payment on the Notes. None of the subsidiaries of the Issuer will guarantee the Notes. As a result, the Notes will be structurally subordinated to the debt of all of the Issuer's subsidiaries.
Security	The Notes will benefit from the Share Pledge. After giving effect to the Refinancing, the Existing Notes will benefit from second, third and fourth ranking pledges over all the shares of the Issuer, and the UPC Holding Facility (to the extent any amounts are outstanding thereunder from time to time) will benefit from a first ranking pledge

over all of the shares of the Issuer. As a matter of Dutch law, after giving effect to the Refinancing, the Share Pledge granted to the holders of the Notes will be a fifth ranking pledge because it is being granted at a later point in time than the first, second, third and fourth pledges. However, the terms of the Intercreditor Agreement (which is also applicable to the Existing Notes and, if applicable, the UPC Holding Facility) provide that the benefit of the five share pledges will be shared equally by the Notes issued hereby, the Existing Notes, and, if applicable, the UPC Holding Facility. The security documents (including the Intercreditor Agreement) relating to the Share Pledge and the Indenture will also provide that certain future creditors of the Issuer can effectively receive the benefit, on a pari passu or junior basis to the holders of the Notes, of the security granted to the holders of the Notes under the Share Pledge. Please note that this contractual arrangement is subject to certain limitations under Dutch law. See "*Risk Factors—Risks Relating to the Notes and the Structure—The claims of the holders of the Notes will be effectively subordinated to the rights of our existing and future secured creditors to the extent of the value of the assets constituting collateral*", "*Risk Factors—Risks Relating to the Notes and the Structure—The value of the collateral securing the Notes pursuant to the Share Pledge may not be sufficient to satisfy our obligations under the Notes and such collateral may be reduced or diluted under certain circumstances" and "Description of the Notes—Ranking and Security*".

Optional redemption . . . . The Issuer may redeem all or part of the Notes on or after March 15, 2018 at the redemption prices as described under "*Description of the Notes—Optional Redemption—Optional Redemption on or after March 15, 2018*". Prior to March 15, 2018, the Issuer may redeem all or part of the Notes by paying a "make whole" premium as described under "*Description of the Notes—Optional Redemption—Optional Redemption prior to March 15, 2018*".

Prior to March 15, 2016, the Issuer may on one or more occasions use the net proceeds of specified equity offerings to redeem up to 40% of the principal amount of the Notes (including the principal amount of any additional Notes) at a redemption price equal to 106.750% of the principal amount of the Euro Notes and 106.750% of the principal amount of the CHF Notes, plus accrued and unpaid interest and additional amounts, if any, up to the redemption date, provided that at least 60% of the original principal amount of such Notes remains outstanding after the redemption. See "*Description of the Notes—Optional Redemption upon Equity Offerings*".

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

	principal amount of the Notes plus interest and additional amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*".
Change of control	If the Issuer experiences a change of control (as defined in the Indenture), it will be required to offer to repurchase the Notes at 101% of their principal amount plus accrued interest to the date of such repurchase. See "*Description of the Notes—Certain Covenants—Change of Control*".
Certain covenants	The Issuer will issue the Notes under the Indenture. The Indenture will partially limit, among other things, the ability of the Issuer and its restricted subsidiaries to: • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends, redeem capital stock and make certain investments; • make certain other restricted payments; • create or permit to exist certain liens; • impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us; • transfer, lease or sell certain assets including subsidiary stock; • merge or consolidate with other entities; • enter into certain transactions with affiliates; • enter into unrelated businesses; and • impair the security interest in the Share Pledge for the benefit of the holders of the Notes. Each of these covenants is subject to a number of significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*" and the related definitions.
Transfer restrictions	The Notes have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See "*Transfer Restrictions*" and "*Plan of Distribution*".
No prior market	The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, the Issuer cannot assure you that an active trading market for the Notes will develop or be maintained.
Listing	Application will be made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Irish Stock Exchange's Global Exchange Market. See "*Description of the Notes—Listing*".
Trustee	The Bank of New York Mellon, acting through its London branch.

Paying agent	The Bank of New York Mellon, acting through its London branch.
Transfer agent	The Bank of New York Mellon, acting through its London branch.
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Security agent	The Bank of New York Mellon, acting through its London branch.
Irish listing agent	Maples and Calder.
Use of proceeds	The net proceeds from the issuance of the Notes will be used to fund the Refinancing, including the related redemption premiums and for general corporate purposes. See "*Use of Proceeds*" and "*The Refinancing*".
Governing law	The Indenture and the Notes are governed by the laws of the State of New York. The Share Pledge is governed by the laws of the Netherlands. The Intercreditor Agreement is governed by the laws of the Netherlands.
Risk factors	Please see the "*Risk Factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.
Certain U.S. federal income tax consequences	The Notes may be treated as having been issued with original issue discount for U.S. federal income tax purposes. An obligation generally is treated as having been issued with original issue discount if its stated redemption price at maturity exceeds its issue price by at least a de minimis amount. If a Note is treated as issued with original issue discount, U.S. investors will be subject to tax on that original issue discount as it accrues, in advance of the receipt of cash payments attributable to that income (and in addition to stated interest). See "*Tax Considerations—U.S. Federal Income Taxation of the Notes*".
Certain ERISA considerations	The Notes and/or any interest therein may, subject to certain restrictions described herein under "*Certain Employee Benefit Plan Considerations*", be sold and transferred to ERISA Plans (as defined in this offering memorandum). See "*Certain Employee Benefit Plan Considerations*".

RISK FACTORS

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

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

Risks Relating to Our Financial Profile

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

We are highly leveraged. As of December 31, 2012, as adjusted to give effect to the issuance of the Notes and the Refinancing, our total consolidated third-party debt and capital lease obligations would have been approximately €9.7 billion (equivalent) (excluding approximately €8.7 billion of UPC Holding Shareholder Subordinated Loans). Of this as adjusted indebtedness, €1.52 billion represents the aggregate principal amount outstanding under the Existing Notes, €4.14 billion (equivalent) represents indebtedness outstanding under the UPC Broadband Holding Bank Facility (excluding Facility V, Facility Y, Facility Z, Facility AC and Facility AD), €3.14 billion (equivalent) represents the aggregate principal amount outstanding under the UPCB Notes and €740.0 million (equivalent) represents the aggregate principal amount of the Notes offered hereby.

From time to time, we may raise additional indebtedness, including additional capital markets indebtedness, to, inter alia, refinance tranches of the UPC Broadband Holding Bank Facility and extend maturities. We will be permitted to incur additional indebtedness in the future to the extent such indebtedness is incurred in compliance with certain covenants included in the indentures governing the UPCH Notes and the UPC Broadband Holding Bank Facility. Based on our covenant compliance calculations as of December 31, 2012, approximately €789.2 million was available for borrowing under the UPC Broadband Holding Bank Facility.

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

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

- making it more difficult for us to satisfy our obligations under the Notes;
- requiring us to dedicate a substantial portion of our cash flows from operations to payments on our debt, thereby reducing the funds available to us to finance our operations, capital expenditures, working capital, research and development and other general corporate purposes, including maintaining the quality of our network and product performance;
- placing us at a competitive disadvantage compared to other broadband communications providers in our key markets that have less debt than we do;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive and economic environment in which we operate; and
- impeding our ability to obtain additional debt or equity financing, and increasing the cost of any such borrowing.

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

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

Further, under the terms of the outstanding notes issued by Unitymedia KabelBW, subject to certain conditions, the Unitymedia KabelBW notes may be exchanged for an equal principal amount of notes issued by UPC Holding, UPC Broadband Holding or a special purpose entity formed for the purpose of issuing notes, the proceeds of which will be used to provide one or more additional facilities under the UPC Broadband Holding Bank Facility (the "Unitymedia Notes Exchange"). If the Unitymedia Notes Exchange occurs, our leverage may increase by a substantial amount and the risks described above and under "*Our substantial leverage could limit our ability to obtain additional financing and have other adverse effects*" below would be intensified.

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

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

We seek to maintain our debt at levels that provide for attractive equity returns without assuming undue risk. In this regard, we generally seek to cause our operating subsidiaries to maintain their debt at levels that result in a consolidated debt balance that is between four and five times our consolidated operating cash flow (as defined in note 16 to the December 31, 2012 Consolidated Financial Statements included in this offering memorandum). At December 31, 2012 our total third-party consolidated outstanding debt and capital lease obligations was €9.7 billion (equivalent), of which €85.4 million is due over the next 12 months. We believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our debt maturities grow in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that UPC Holding would be able to refinance or otherwise extend its debt maturities. In this regard, it is difficult to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments will impact the credit markets we access and our future financial position.

Our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase our operating cash flow and to achieve adequate returns on our capital expenditures and acquisitions. Accordingly, if our operating cash flow declines or we encounter other material liquidity requirements, we may be required to seek additional debt financing in order to meet our debt obligations and other liquidity requirements as they come due. In addition, our current debt levels may limit our ability to incur additional debt financing to fund working capital needs, acquisitions, capital expenditures, or other general corporate requirements. We can give no assurance that any additional debt financing will be available on terms that are as favorable as the terms of our existing debt or at all. Our ability to access available borrowings under the UPC Broadband Holding Bank Facility can also be impacted by the interplay of average and spot foreign currency rates with respect to leverage calculations under the indentures governing the UPC Holding Senior Notes.

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

We and our subsidiaries and UPC Financing are subject to the restrictive covenants contained in the UPC Broadband Holding Bank Facility. These covenants restrict, in certain circumstances, the ability of our subsidiaries to, among other things, make any payments to us to enable us to make any payments on the Notes, repay any loans or advances to any such subsidiary or transfer any property or assets to us or our subsidiaries. The UPC Broadband Holding Bank Facility also requires UPC Broadband Holding and UPC Financing to maintain specified financial ratios and satisfy financial tests which become more restrictive over the life of the facilities. The ability of UPC Broadband Holding and UPC Financing to satisfy those financial tests can be affected by events beyond their control, and there can be no assurance that they will satisfy them. In addition to customary default provisions, including defaults on other indebtedness of our subsidiaries, the UPC Broadband Holding Bank Facility provides that any event of default with respect to indebtedness of €50.0 million or more in the aggregate of (i) LGE, Inc. (the parent of Liberty Global Holding and an indirect subsidiary of UGC), (ii) any other company of which UPC Broadband Holding is a subsidiary and which is a subsidiary of LGE, Inc. and (iii) UPC Holding II B.V. (a direct subsidiary of UPC Holding) is an event of default under the UPC Broadband Holding Bank Facility. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under the UPC Broadband Holding Bank Facility or hinder UPC Broadband Holding's or UPC Financing's ability to borrow under the UPC Broadband Holding Bank Facility, which could have a material adverse effect on our subsidiaries ability to operate their business and to make payments under their debt instruments. Upon the occurrence of any event of default under the UPC Broadband Holding Bank Facility, the lenders thereunder could cancel the availability of the facilities and elect to declare all amounts outstanding under the UPC Broadband Holding Bank Facility, together with accrued interest, immediately due and payable. If we and our subsidiaries were unable to repay those amounts, the lenders could proceed against the collateral granted to it to secure repayment of those amounts. If the lenders under the UPC Broadband Holding Bank Facility demand repayment of those amounts, there can be no assurance that the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all of their other liabilities, which would be due and payable, and to make payments to us to enable us to redeem the Notes in full or in part.

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

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

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

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

We are exposed to the risk of fluctuations in interest rates, primarily under the UPC Broadband Holding Bank Facility, which are indexed to EURIBOR, LIBOR, or other base rates. Although we enter into various derivative transactions to manage exposure to movements in interest rates, there can be no assurance that we will be able to continue to do so at a reasonable cost or at all. If we are unable to effectively manage our interest rate exposure through derivative transactions, any increase in market interest rates would increase our interest rate exposure and debt service obligations, which would exacerbate the risks associated with our leveraged capital structure.

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

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

We are exposed to various foreign currency exchange rate risks.

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

In addition to the exposure that results from the mismatch of our borrowings and underlying functional currencies, we are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our, or our subsidiaries', respective functional currencies (non-functional currency risk), such as equipment purchases, programming contracts, notes payable and notes receivable (including intercompany amounts) that are denominated in a currency other than the applicable functional currency. Changes in exchange rates with respect to amounts recorded in our consolidated balance sheets related to these items will result in unrealized (based upon period-end exchange rates) or realized foreign currency transaction gains and losses upon settlement of the transactions. Moreover, to the extent that our revenue, costs and expenses are denominated in currencies other than our respective functional currencies, we will experience fluctuations in our revenue, costs and expenses solely as a result of changes in foreign currency exchange rates. In this regard, we currently expect that during 2013, (i) approximately 1% to 3% of our revenue, (ii) approximately 5% to 7% of our aggregate operating and SG&A expenses (exclusive of stock-based compensation expense) and (iii) approximately 13% to 15% of our capital expenditures (excluding capital lease and vendor financing arrangements) will be denominated in non-functional currencies, including amounts denominated in (a) U.S. dollars in Chile and Europe and (b) euros in Poland, the Czech Republic, Romania, Switzerland and Hungary. Our expectations with respect to our non-functional currency transactions in 2013 may differ from actual results. Generally, we will consider hedging non-functional currency risks when the risks arise from agreements with third parties that involve the future payment or receipt of cash or other monetary items to the extent that we can reasonably predict the timing and amount of such payments or receipts and the payments or receipts are not otherwise hedged. In this regard, we have entered into foreign currency forward contracts covering the forward purchase of the U.S. dollar, euro, British pound sterling, Swiss franc, Czech koruna, Hungarian forint, Polish zloty and Romanian lei and the forward sale of the Hungarian forint, Polish zloty, Czech koruna, Swiss franc, euro and Chilean peso to hedge certain of these risks. Certain non-functional currency risks related to our revenue, operating and SG&A expenses and capital expenditures were not hedged as of December 31, 2012.

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

Risks Relating to Our Business

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

The markets for cable television, broadband internet and telephony in many of the regions in which we operate are highly competitive. In the provision of video services we face competition from digital terrestrial television ("DTT") broadcasters, video provided over satellite platforms, networks using digital subscriber line ("DSL") technology, fiber-to-the-home/-building/-node ("FTTx") networks and, in some countries where parts of our systems are overbuilt, cable networks, among others. Our operating businesses are facing increasing competition from video services provided by or over the networks of incumbent telecommunications operators and other service providers. As the availability and speed of broadband internet increases, we also face competition from over-the-top video content providers utilizing the high-speed internet connections of ours or our competitors. In the provision of telephony and broadband internet services, we are experiencing increasing competition from the incumbent telecommunications operators and other service providers in each country in which we operate, as well as mobile providers of voice and data. The incumbent telecommunications operators typically dominate the market for these services and have the advantage of nationwide networks and greater resources than we have to devote to the provision of these services. Many of the incumbent operators are now offering double-play, triple-play and quadruple-play bundles of services. In many countries, we also compete with other operators using the unbundled local loop of the incumbent telecommunications operator to provide these services, other facilities-based operators and wireless providers. Developments in the DSL technology used by the incumbent telecommunications operators and alternative providers have improved the attractiveness of our competitor's products and services and strengthened their competitive position. Developments in wireless technology, such as WiMax and long-term evolution (the next generation of ultra high-speed mobile data), are creating additional competitive challenges.

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

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

We may not report net earnings.

We reported net losses of €885.5 million, €793.9 million and €793.8 million during the years ended December 31, 2012, 2011 and 2010, respectively. In light of our historical financial performance, we cannot assure you that we will report net earnings in the future.

Our capital expenditures may not generate a positive return.

The video, broadband internet and telephony businesses in which we operate are capital intensive. Significant additions to our property and equipment 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 FTTx, or adverse regulatory developments could cause us to decide to undertake previously unplanned upgrades of our networks and customer premises equipment in the impacted markets. 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 and equipment, our growth could be limited and our competitive position could be harmed.

Changes in technology may limit the competitiveness of and demand for our services.

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

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

We rely on digital programming suppliers for the bulk of our programming content. We may not be able to obtain sufficient high-quality programming for our digital cable services on satisfactory terms or at all in order to offer compelling digital cable services. This may also limit our ability to migrate customers from lower tier programming to higher tier programming, thereby inhibiting our ability to execute our business plans. Furthermore, we may not be able to obtain attractive country-specific programming for video services. We also may be placed at a competitive disadvantage when our competitors offer exclusive programming. In addition, must carry requirements may consume channel capacity otherwise available for other services. Any or all of these factors could result in reduced demand for, and lower revenue and profitability from, our digital video services.

We depend on third-party suppliers and licensors to supply necessary equipment, software and certain services required for our businesses.

We rely on third-party vendors for the equipment, software and services that we require in order to provide services to our customers. Our suppliers often conduct business worldwide and their ability to meet our needs are subject to various risks, including political and economic instability, natural calamities, interruptions in transportation systems, terrorism and labor issues. As a result, we may not be able to obtain the equipment, software and services required for our businesses on a timely basis or on satisfactory terms. Any shortfall in customer premises equipment could lead to delays in connecting customers to our services, and accordingly, could adversely impact our ability to maintain or increase our RGUs, revenue and cash flows. Also, if demand exceeds the suppliers' and licensors' capacity or if they experience financial difficulties, the ability of our businesses to provide some services may be materially adversely affected, which in turn could affect our businesses' ability to attract and retain customers. Although we actively monitor the creditworthiness of our key third-party suppliers and licensors, the financial failure of a key third-party supplier or licensor could disrupt our operations and have an adverse impact on our revenue and cash flows.

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

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

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

Historically, our businesses have grown, in part, through selective acquisitions that enabled them to take advantage of existing networks, local service offerings and region-specific management expertise. We expect to seek to continue growing our businesses through acquisitions in selected markets. Our ability to acquire new businesses may be limited by many factors, including availability of financing, debt covenants, the prevalence of complex ownership structures among potential targets and government regulation and competition from other potential acquirers, primarily private equity funds. Even if we are successful in acquiring new businesses, the integration of new businesses may present significant costs and challenges, including: realizing economies of scale in interconnection, programming and network operations; eliminating duplicative overheads; and integrating personnel, networks, financial systems and operational systems. There can be no assurance that we will be successful in acquiring new businesses or realizing the anticipated benefits of any completed acquisition.

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

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

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

Operational risks that we may experience in certain countries include disruptions of services or loss of property or equipment that are critical to overseas businesses due to expropriation, nationalization, war, insurrection, terrorism or general social or political unrest.

Changes in value-added or similar revenue based tax rates could adversely affect our cash flows.

Most of our revenue is derived from jurisdictions that administer value-added or similar revenue-based taxes. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases on to our customers. In the case of revenue-based taxes for which we are the ultimate taxpayer, we will also experience increases in our operating expenses and corresponding declines in our operating cash flow and operating cash flow margins to the extent of any such tax increases. In this regard, value added tax rates have increased (i) effective January 1, 2012, in Ireland and Hungary, (ii) effective October 1, 2012 in the Netherlands and (iii) effective January 1, 2013 in the Czech Republic. Any additional future increases in value-added tax rates or similar revenue based taxes could affect our operating expenses and have an adverse impact on our cash flows.

In addition, during the fourth quarter of 2010, the Hungarian government imposed a revenue-based tax on telecommunications operators (the "2010 Hungarian Telecom Tax") that, prior to its expiration at the end of 2012, was applicable to our broadband communications operations in Hungary, with retroactive effect to the beginning of 2010. In September 2011, the European Commission requested that Hungary abolish the 2010 Hungarian Telecom Tax on the grounds that it was illegal under EU rules. In March 2012, the European Commission announced its decision to refer the matter to the European Court of Justice, as Hungary continued to impose the 2010 Hungarian Telecom Tax in violation of EU rules. The ultimate resolution of this matter may take several years, and no assurance can be given as to the outcome. Through December 31, 2012, we have incurred total inception-to-date operating expenses of HUF 9.5 billion (€32.6 million as a result of the 2010 Hungarian Telecom Tax. This amount includes a HUF 650.0 million (€2.2 million) reduction recorded during the second quarter of 2012 that reflects the cumulative effect of credits taken during the quarter with respect to prior period payments.

During the second quarter of 2012, Hungary imposed an act that provides for a new usage-based telecommunication tax (the "2012 Hungarian Telecom Tax") on telecommunications service providers for fixed and mobile voice and mobile texting services, effective from July 1, 2012 for an indefinite period of time. As a result of the 2012 Hungarian Telecom Tax, we incurred additional operating expenses of HUF 349.0 million (€1.2 million) during the second half of 2012. On June 21, 2012, the European Commission sent a letter of formal notice to Hungary on the 2012 Hungarian Telecom Tax setting out concerns regarding the compatibility of the tax with EU rules. Hungary has responded to the European Commission and indicated that it believes the 2012 Hungarian Telecom Tax is in compliance with EU rules. On January 24, 2013, the European Commission commenced formal infringement proceedings against Hungary, and, depending on Hungary's response, this matter could ultimately be referred to the European Court of Justice. The ultimate resolution of this matter may take several years.

On November 20, 2012 the Parliament of Hungary adopted an act imposing tax on utility networks, effective from January 1, 2013 for an indefinite period of time. The act provides that a tax will be levied on the owners of ducts providing for electricity, telecommunication, natural gas, heating, water and wastewater services. For telecommunication networks, the level of tax levied will depend on the length of ducts. Based on the current text of the law, we currently estimate that our Hungarian operations will incur additional operating expenses in 2013 as a result of the new utility tax of approximately HUF 1.2 billion (€4.1 million).

We believe that the Commission may consider the feasibility of an infringement procedure against Hungary as this utility tax seems to be analogous with its predecessors, but such procedure has not yet been opened by the Commission and there can be no assurance that a procedure will be brought or, if brought, will be successful.

Continuing uncertainties and challenging conditions in the global economy and in the countries in which we operate may adversely impact our business, financial condition and results of operations.

The current macroeconomic environment is highly volatile, and continuing instability in global markets, including the ongoing turmoil in Europe related to sovereign debt issues and the stability of the euro, has contributed to a global economic downturn. Future developments are dependent upon a number of political and economic factors, including the effectiveness of measures by the European Commission to address debt burdens of certain countries in Europe and the overall stability of the eurozone. As a result, we cannot predict how long these challenging conditions will exist or the extent to which the markets in which we operate may further deteriorate. Additional risks arising from the ongoing turmoil in Europe are described below under "*We are exposed to sovereign debt and currency instability risks in Europe that could have an adverse impact on our liquidity, financial condition and cash flows*".

These unfavorable economic conditions may impact a significant number of subscribers and, as a result, it may be (i) more difficult for us to attract new subscribers, (ii) more likely that subscribers will downgrade or disconnect their services and (iii) more difficult for us to maintain ARPUs at existing levels. Accordingly, our ability to increase, or, in certain cases, maintain, the revenue, ARPUs, RGUs, operating cash flow, operating cash flow margins and liquidity of our operating segments could be adversely affected if the macroeconomic environment remains uncertain or declines further. We are currently unable to predict the extent of any of these potential adverse effects.

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

Our operations are subject to macro economic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S. and certain European countries (including Ireland and Hungary), 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 us. With regard to currency instability issues, concerns exist in the eurozone with respect to individual macro-fundamentals on a country-by-country basis, as well as with respect to the overall stability of the European monetary union and the suitability of a single currency to appropriately deal with specific fiscal management and sovereign debt issues in individual eurozone countries. The realization of these concerns could lead to the exit of one or more countries from the European monetary union and the re-introduction of individual currencies in these countries, or, in more extreme circumstances, the possible dissolution of the euro entirely, which could result in the redenomination of a portion, or in the extreme case, all of our euro-denominated assets, liabilities and cash flows to the new currency of the country in which they originated. This could result in a mismatch in the currencies of our assets, liabilities and cash flows. Any such mismatch, together with 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 euro to non-euro currencies within the countries in which we operate would require us to modify our billing and other financial systems. No assurance can be given that any required modifications could be made within a timeframe that would allow us to timely bill our customers or prepare and file required financial reports. In light of the significant exposure that we have to the euro through our euro-denominated borrowings, derivative instruments, cash balances and cash flows, a redenomination event could have a material adverse impact on us.

Disruptions in the credit and equity markets could increase the risk of default by the counterparties to our derivative and other financial instruments, cash investments and undrawn debt facilities and may impact its future financial position.

Although we seek to manage the credit risks associated with our derivative and other financial instruments, cash investments and undrawn debt facilities, disruptions in credit and equity markets could increase the risk that our counterparties could default on their obligations to us. Also, even though we regularly review our credit exposure, defaults may arise from events or circumstances that are difficult to detect or foresee. At December 31, 2012, our exposure to credit risk included (i) derivative assets with a fair value of €441.0 million, (ii) cash and cash equivalents of €58.3 million and (iii) aggregate undrawn debt facilities of €1,078.1 million. While we currently have no specific concerns about the creditworthiness of any counterparty for which we have material credit risk exposures, the current economic conditions and uncertainties in global financial markets have increased the credit risk of our counterparties, and 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 or financial condition. It is not possible to predict how economic conditions, sovereign debt concerns and/or adverse regulatory developments could impact the credit markets we access and, accordingly, our future financial position or results of operations. In this regard, (i) the financial failures of any of our counterparties could reduce amounts available under committed credit facilities and adversely impact our ability to access cash deposited with any failed financial institution and (ii) sustained or further tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all.

With respect to our derivative instruments, 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 it 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, its 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 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 are 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.

Risks Relating to Legislative and Regulatory Matters

Our businesses are subject to risks of adverse regulation.

Our businesses are subject to the unique regulatory regimes of the countries in which they operate. Cable and telecommunications businesses are subject to licensing or registration eligibility rules and regulations, which vary by country. The provision of electronic communications networks and services requires our licensing from, or registration with, the appropriate regulatory authorities, and for telephony services, entrance into interconnection arrangements with other phone companies, including the incumbent phone company. It is possible that countries in which we operate may adopt laws and regulations regarding electronic commerce which could dampen the growth of the internet services being offered and developed by these businesses. In a number of countries, our ability to increase the prices we charge for our cable television service or make changes to the programming packages we offer is limited by regulation or conditions imposed by competition authorities or is subject to review by regulatory authorities or is subject to termination rights of customers.

In addition, regulatory authorities may grant new licenses to third parties and, in any event, in most of our markets, new entry is possible without a license, although there may be registration eligibility rules and regulations, resulting in greater competition in territories where our businesses may already be active. More significantly, regulatory authorities may require us to grant third parties access to our bandwidth, frequency capacity, facilities or services to distribute their own services or resell our services to end customers. Consequently, our businesses must adapt their ownership and organizational structure as well as their pricing and service offerings to satisfy the rules and regulations to which they are subject. A failure to comply with applicable rules and regulations could result in penalties, restrictions on our business or loss of required licenses or other adverse conditions.

Adverse changes in rules and regulations could:

- impair our ability to use our bandwidth in ways that would generate maximum revenue and operating cash flow;
- create a shortage of capacity on our networks, which could limit the types and variety of services that we seek to provide our customers;
- strengthen our competitors by granting them access and lowering their costs to enter into our markets; and
- have a significant adverse impact on our profitability.

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

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

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

Significant changes to the existing regulatory regime applicable to the provision of cable television, telephony and internet services have been and are still being introduced. For example, in the EU a large element of regulation affecting our business derives from a number of legal measures, which we refer to as "Directives" and that are the basis of the regulatory regime concerning many of the services we offer across the EU. The various Directives require Member States to harmonize their laws on communications and cover issues such as access, user rights, privacy and competition. These Directives are reviewed by the EU from time to time and any changes to them could lead to substantial changes in the way in which our businesses are regulated and to which they would have to adapt. In addition, we are subject to review by competition or national regulatory authorities in certain countries concerning whether we exhibit significant market power. A finding of significant market power can result in our company becoming subject to pricing, open access, unbundling and other requirements that could provide a more favorable operating environment for existing and potential competitors.

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

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

In December 2011, the Dutch National Regulatory Authority (OPTA) completed a market assessment of the television market in the Netherlands, concluding that there were no grounds for regulation of that market. This final assessment is not open for appeal, as confirmed by the Dutch Supreme Administrative Court on June 18, 2012. As a result, no new regulations relating to the television market may be proposed without a new analysis. On December 22, 2011, referring to its final assessment of the television market, OPTA rejected previously filed requests from a number of providers to perform a new market analysis of the television market. This decision by OPTA was appealed by such providers to the Dutch Supreme Administrative Court. On November 5, 2012, the Dutch Supreme Administrative Court rejected the appeals against OPTA's decision. In May 2012, the Dutch Senate adopted laws that (i) provide the power to OPTA to impose an obligation for the mandatory resale of television services and to the Commissariaat voor de Media to supervise a new introduced resale by law obligation and (ii) provide for "net neutrality" on the internet, including limitations on the ability of broadband service providers to delay, choke or block traffic except under specific circumstances. These laws became effective on January 1, 2013 notwithstanding the above-described November 5, 2012 decision of the Dutch Supreme Administrative Court. On October 24, 2012, the European Commission opened formal infringement proceedings against the Dutch government on the basis that the new laws pertaining to resale breach EU law. We agree with the EU that the new laws pertaining to resale are contrary to EU law and we, along with other market participants, will contest their application. We have received requests from certain of our competitors under the new Commissariaat voor de Media resale regulation and are in early negotiations with these competitors. We cannot predict the outcome of these negotiations nor whether or when we will begin selling our television services in the Netherlands pursuant to the new resale regulation. In this regard, any implementation of a resale regime would likely take several months or more and, if implemented, its application may strengthen our competitors by granting them resale access to our network to offer competing products and services notwithstanding our substantial historical financial outlays in developing the infrastructure. In addition, any resale access granted to our competitors could (i) limit the bandwidth available to us to provide new or expanded products and services to the customers served by our network and (ii) adversely impact our ability to maintain or increase our revenue and cash flows. The new regulation concerning "net neutrality" needs to work within a broader EU framework, requires some implementation by relevant authorities and is subject to challenge by market participants. It is unclear therefore what its impact on our business and the industry in general will be at this stage, if any.

Risks Relating to Our Management, Principal Shareholders and Related Parties

The loss of certain key personnel could harm our business.

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

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

LGI is our parent, indirectly owning all of the voting interests in us. When business opportunities, or risks and risk allocation arise, the interests of LGI (or other LGI controlled entities) may be different from, or in conflict with, our interests on a stand-alone basis. Because we are indirectly controlled by the parent entity, LGI may allocate certain or all of its risks to us and there can be no assurance that LGI will permit us to pursue certain business opportunities.

Our ability to take certain corporate actions may be, in some cases, dependent upon the consent and cooperation of other equity participants who are not under our control.

We currently have operations in 10 countries (including Chile). Our ownership participation in each of these subsidiaries varies from market to market, and in certain countries we have agreements with minority shareholders which provide these minority shareholders with different rights and the ability to block certain transactions or decisions that we would otherwise undertake. Although the terms of our investments vary, our operations may be affected if disagreements develop with other equity participants in our subsidiaries. Failure to resolve such disputes could have an adverse effect on our business.

Risks Relating to the Notes and the Structure

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

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

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

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

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

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

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

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

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

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

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

We cannot assure you as to:

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

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

Although the Issuer will, in the Indenture, agree to use its reasonable best efforts to have the Notes listed and admitted to the Official List and trading on the Global Exchange Market of the Irish Stock Exchange within a reasonable period after the issue date of the Notes and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will become or remain listed. If the Issuer can no longer maintain the listing on the Irish Stock Exchange or it becomes unduly burdensome to make or maintain such listing (for the avoidance of doubt, the preparation of financial statements in accordance with the International Financial Reporting Standards or any accounting standard other than U.S. GAAP and any other standard pursuant to which the Issuer prepares its financial statements shall be deemed unduly burdensome), the Issuer may cease to make or maintain such listing on the Irish Stock Exchange, provided that it will use reasonable best efforts to obtain and maintain the listing of the Notes on another stock exchange although there can be no assurance that the Issuer will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Irish Stock Exchange or another recognized listing exchange for high yield issuers in accordance with the Indenture, failure to be approved for listing or the delisting of the Notes from the Irish Stock Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

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

The Netherlands and the EU

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

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

- certain claims, such as (i) amounts owed in respect of occupational pension schemes, (ii) certain amounts owed to employees, (iii) amounts owed to governmental entities and (iv) expenses of an insolvency trustee or administrator may have priority over claims of unsecured creditors, including secured creditors to the extent the collateral is insufficient;
- the grant of collateral security for the Notes may be voided if entered into or granted within specified hardening periods in advance of an insolvency event and/or if this is found to be detrimental to the creditors; and
- the ability to claim for or collect interest or other amounts accruing after the commencement of bankruptcy proceedings may be limited and may not be entitled to priority.

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

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

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

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

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

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

While the Notes will be secured by a pledge over the shares of the Issuer, the Notes will not be secured by the assets of the Issuer or the Issuer's subsidiaries. In April 2007, upon consummation of the Cablecom Transfer, we assumed the obligations of the 8% Senior Notes of UPC Cablecom issued in 2006, in April and May 2009 we issued the 9¾% Notes, in May 2009 we issued the 9⅞% Notes, in August 2010 we issued the 8⅜% Notes and in September 2012 we issued the 6⅜% Notes, in each case, on substantially identical governing terms. In addition, after giving effect to the Refinancing, the UPC Holding Facility (to the extent any amounts are outstanding thereunder from time to time) will benefit from a first ranking share pledge. The Existing Notes are, and the UPC Holding Facility (if applicable) and the Notes will be, secured by a pledge over the shares of the Issuer. The indentures governing the Existing Notes and the UPC Holding Facility (if applicable) provide for, and the Indenture governing the Notes will provide for, a negative pledge and will allow us and our restricted subsidiaries to incur a limited amount of secured indebtedness which will be effectively senior to the Notes. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, administration, reorganization, or other insolvency or bankruptcy proceeding, holders of such secured indebtedness will have prior claim to those of our assets that constitute their collateral. In these circumstances, we cannot assure you that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Despite the European Commission's measures to address sovereign debt issues in Europe, concerns persist regarding the debt burden of certain euro zone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Member States. These and other concerns could lead to the re-introduction of individual currencies in one or more Member States, or, in more extreme circumstances, the possible dissolution of the euro entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Euro Notes.

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

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

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

Unless and until Notes in definitive registered form, or definitive registered notes, are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or holders of the Notes. The common depositary for Euroclear or Clearstream (or its nominee) will be the sole holder of the global notes representing the Euro Notes and the CHF Notes. After payment to the common depositary, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and/or Clearstream, as applicable, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights of a holder of the Notes under the Indenture. See "*Book-Entry, Delivery and Form.*"

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

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

Employee Benefit Plan Considerations.

Each acquirer and each transferee of a Note or any interest therein will be deemed to have represented, warranted and agreed at the time of its acquisition and throughout the period that it holds such Note or any interest therein that (1) either (a) it is not, and is not acting on behalf of (and for so long as such acquirer or transferee holds such Note or any interest therein will not be, and will not be acting on behalf of), a Benefit Plan Investor (as defined under "*Transfer Restrictions*") or a governmental, church or non-U.S. plan which is subject to any Similar Laws (as defined under "*Transfer Restrictions*"), and no part of the assets used by it to acquire or hold any Note or any interest therein constitutes the assets of any Benefit Plan Investor or any such governmental, church or non-U.S. plan, or (b) its acquisition, holding and disposition of such Note does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA (as defined under "*Transfer Restrictions*") and/or Section 4975 of the Code (as defined under "*Transfer Restrictions*") (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws); (2) neither the Issuer nor any of its affiliates is a Fiduciary (as defined under "*Transfer Restrictions*") with respect to the purchaser or holder in connection with any purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment decision by or on behalf of the purchaser or holder in connection with the Notes and the transactions contemplated with respect to the Notes; and (3) it will not sell or otherwise transfer any Note or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of any such Note. See "*Certain Employee Benefit Plan Considerations*" herein for a more detailed discussion of certain ERISA and related considerations with respect to an investment in the Notes.

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

The Notes may be treated as having been issued with original issue discount for U.S. federal income tax purposes. An obligation generally is treated as having been issued with original issue discount if its stated redemption price at maturity exceeds its issue price by at least a de minimis amount. If a Note is treated as issued with original issue discount, U.S. investors will be subject to tax on that original issue discount as it accrues, in advance of the cash attributable to that income (and in addition to stated interest). See "*Tax Considerations—Certain U.S. Federal Income Tax Considerations*".

THE REFINANCING

The offering of the Notes is being made in conjunction with the Refinancing. We will use the net proceeds of this offering, and may use cash on hand, (i) to redeem or retire all of the 8% Notes in the 8% Notes Redemption and (ii) to redeem or retire all of the 9¾% Notes in the 9¾% Notes Redemption, in each case pursuant to the redemption procedures set forth in the indenture governing the 8% Notes and the 9¾% Notes, respectively.

USE OF PROCEEDS

The net proceeds from the offering of the Notes are expected to be €735.3 million (equivalent) (after deducting an estimated €4.7 million (equivalent) of commissions and expenses associated with the offering of the Notes) and will be used to fund the Refinancing, including the related redemption premiums, and for general corporate purposes.

CAPITALIZATION

The following table sets forth, in each case as of December 31, 2012, (i) the actual consolidated cash and cash equivalents and capitalization of UPC Holding and (ii) the consolidated cash and cash equivalents and capitalization of UPC Holding on an as adjusted basis after giving effect to the issuance of the Notes offered hereby and the Refinancing. The following table does not give effect to the March 2013 UPC Broadband Holding Bank Facility Refinancing. See *"Summary — Recent Developments — Potential Refinancing of Certain Facilities under the UPC Broadband Holding Bank Facility."*

This table should be read in conjunction with "*Use of Proceeds*", "*Summary Condensed Consolidated Historical Financial Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Description of Other Indebtedness*", "*Description of the Notes*" and the December 31, 2012 Consolidated Financial Statements included elsewhere in this offering memorandum.

The impact of any derivative instruments that we may enter into to manage interest rate risk associated with the Notes has not been reflected in the as adjusted data presented in this table. Except as noted above, there have been no material changes to our cash and cash equivalents and third-party capitalization since December 31, 2012.

	December 31, 2012	
	Actual	**As Adjusted**
	in millions	
Total cash and cash equivalents (1):		
UPC Holding	€ —	€ —
UPC Holding subsidiaries	58.3	66.1
Total cash and cash equivalents	€ 58.3	€ 66.1
Third-party debt (2):		
UPC Holding:		
UPC Holding Senior Notes (3)	2,202.0	1,521.5
Notes offered hereby (3)	—	740.0
Total UPC Holding	2,202.0	2,261.5
UPC Holding subsidiaries:		
UPCB Notes (4)	3,140.9	3,140.9
UPC Broadband Holding Bank Facility (5)	4,142.5	4,142.5
Other (6)	83.1	83.1
Capital lease obligations (7)	25.2	25.2
Total UPC Holding subsidiaries	7,391.7	7,391.7
Total third-party debt and capital lease obligations	9,593.7	9,653.2
UPC Holding Subordinated Shareholder Loan and other subordinated related-party loans payable (8)	8,727.5	8,727.5
Owners' deficit (9)	(10,383.7)	(10,446.0)
Total capitalization	€ 7,937.5	€ 7,934.7

(1) The amount of cash and cash equivalents presented in the "*As Adjusted*" column assumes that (i) the proceeds from the issuance of the Notes will be used to fund the Refinancing, including the estimated aggregate redemption premiums of €27.5 million, and (ii) the €4.7 million of commissions and expenses associated with the offering of the Notes will be paid out of the cash and cash equivalents of UPC Holding subsidiaries. The "*As Adjusted*" amount has not been reduced for accrued interest to be paid in connection with the Refinancing.

(2) The UPC Holding Senior Notes (aggregate euro equivalent original principal amount of €2,243.1 million) and the UPCB Notes (aggregate euro equivalent principal amount of €3,144.3 million) are presented together with the impact of applicable discounts.

(3) The "*As Adjusted*" euro equivalent amounts reflect (i) the issuance of the Notes offered hereby and (ii) the use of proceeds therefrom to fund the Refinancing.

(4) The UPCB Notes were issued by the UPCB Notes Issuers, which are special purpose financing entities that were created for the primary purpose of facilitating the offering of the UPCB Notes. Following the issuance of the UPCB Senior Secured Notes, the UPCB II Senior Secured Notes, the UPCB III Senior Secured Notes,

the UPCB V Senior Secured Notes and the UPCB VI Senior Secured Notes, the UPCB Notes Issuers were, and will continue to be for so long as the loans made under respective Facilities V, Y, Z, AC and AD under the UPC Broadband Holding Bank Facility remain outstanding, consolidated by UPC Holding.

(5) Facility V, Facility Y, Facility Z, Facility AC and Facility AD of the UPC Broadband Holding Bank Facility were funded through the issuance of the UPCB Senior Secured Notes, the UPCB II Senior Secured Notes, the UPCB III Senior Secured Notes, UPCB V Senior Secured Notes and the UPCB VI Senior Secured Notes, respectively. The amounts outstanding under Facility V, Facility Y, Facility Z, Facility AC and Facility AD are eliminated through the consolidation of UPCB Finance Limited, UPCB Finance II Limited, UPCB Finance III Limited, UPCB Finance V Limited and UPCB Finance VI within UPC Holding's consolidated financial statements and are not reflected in this table.

(6) Includes €82.9 million owed pursuant to interest-bearing vendor financing arrangements that are generally due within one year, including €5.8 million of value-added tax that was paid on our behalf by the vendor.

(7) Network lease obligations are included in capital lease obligations but are generally excluded from the definition of Indebtedness in the financial covenants of the UPC Broadband Holding Bank Facility and the indentures relating to the UPCH Notes.

(8) For information regarding these subordinated loans, see "*Certain Relationships and Related Party Transactions*" and notes 8 and 12 to the December 31, 2012 Consolidated Financial Statements.

(9) Owners' deficit represents the excess of our liabilities over our assets and includes parent's deficit and noncontrolling interests. For additional information, see the December 31, 2012 Consolidated Financial Statements. The "As Adjusted" amount reflects (i) a €27.5 million loss on extinguishment of debt related to the payment of the redemption premiums in connection with the Refinancing and (ii) a €34.8 million loss on extinguishment of debt related to the write-off of (a) €15.3 million in aggregate deferred financing costs related to the 8% Notes and the 9¾% Notes and (b) €19.5 million of unamortized discount associated with the redemption of the 9¾% Notes.

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

The following discussion and analysis is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and should be read together with the December 31, 2012 Consolidated Financial Statements, including the accompanying notes, included elsewhere in this offering memorandum. Some of the information in this discussion and analysis includes forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements" and "Risk Factors" for a discussion of important factors to be evaluated in connection with a prospective purchase of Notes. The capitalized terms used below have been defined in the notes to the December 31, 2012 Consolidated Financial Statements. Unless otherwise indicated, convenience translations into U.S. dollars are calculated as of December 31, 2012, as applicable.

This discussion is organized as follows:

- *Overview*. This section provides a general description of our business and recent events.
- *Results of Operations.* This section provides an analysis of our results of operations for the years ended December 31, 2012, 2011 and 2010.
- *Liquidity and Capital Resources.* This section provides an analysis of our corporate and subsidiary liquidity, consolidated cash flow statements and contractual commitments.
- *Critical Accounting Policies, Judgments and Estimates.* This section discusses those material accounting policies that contain uncertainties and require significant judgment in their application.

Overview

We are an international provider of video, broadband internet and telephony services with consolidated operations at December 31, 2012 in nine European countries and in Chile. Our European broadband communications and DTH operations are collectively referred to as "UPC Europe." Our broadband communications operations in Chile are provided through VTR. In May 2012, VTR Wireless, a subsidiary of LGI that is outside of UPC Holding, began offering mobile services in Chile through a combination of its own wireless network and certain third-party wireless access arrangements. As VTR Wireless is outside of UPC Holding, all references to VTR in the following discussion and analysis exclude the operations and financial position of VTR Wireless.

Our analog cable service offerings include basic programming and, in some markets, expanded basic programming. We tailor both our basic channel line-up and our additional channel offerings to each system according to culture, demographics, programming preferences and local regulation. Our digital cable service offerings include basic and premium programming and incremental product and service offerings such as enhanced pay-per-view programming (including video-on-demand), digital video recorders and high definition programming.

In September 2012 and January 2013, we launched Horizon TV in the Netherlands and Switzerland, respectively. 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 offer applications for various services. We intend to expand the availability of Horizon TV to other markets within our footprint, with a launch planned in Ireland during 2013 and in certain additional markets during 2014 and 2015.

Although our digital television signals are encrypted in many of the countries in which we operate, the basic digital television channels in our entire footprints in Switzerland, Austria, Romania and the Czech Republic are unencrypted as of February 1, 2013. It is possible that we will decide to unencrypt the digital versions of our basic analog tier in additional markets in 2013 and future periods. 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. Regardless of whether basic digital television channels are offered on an unencrypted basis, expanded channel packages and premium channels and services continue to be available for an incremental monthly fee in all of our markets.

We offer broadband internet services in all of our broadband communications markets. Our residential subscribers generally access the internet via cable modems connected to their personal computers at various download speeds ranging up to 150 Mbps, depending on the market and the tier of service selected. We determine pricing for each different tier of broadband internet service through analysis of speed, data limits, market conditions and other factors.

We offer telephony services in all of our broadband communications markets, primarily using voice-over-internet-protocol or "VoIP" technology. In Poland, the Netherlands and Hungary, we also offer mobile services using third-party networks.

We have completed a number of transactions that impact the comparability of our 2012, 2011 and 2010 results of operations. The most significant of these transactions was the Aster Acquisition on September 16, 2011. We also completed a number of less significant acquisitions in Europe during 2012, 2011 and 2010. For further information regarding the Aster Acquisition, see note 3 to the December 31, 2012 Consolidated Financial Statements.

From a strategic perspective, we are seeking to build broadband communications, DTH and programming businesses that have strong prospects for future growth in revenue, operating cash flow (as defined in note 16 to the December 31, 2012 Consolidated Financial Statements) and free cash flow (as defined below under *Liquidity and Capital Resources — Consolidated Cash Flow Statements*). As discussed further under *Liquidity and Capital Resources — Capitalization* below, we also seek to maintain our debt at levels that provide for attractive returns without assuming undue risk.

We focus on achieving organic revenue and customer growth in our broadband communications operations by developing and marketing bundled entertainment and information and communications services, and extending and upgrading the quality of our networks where appropriate. As we use the term, organic growth excludes foreign currency translation effects (FX) and the estimated impact of acquisitions. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our digital cable, broadband internet and telephony services with existing customers through product bundling and upselling, or by migrating analog cable customers to digital cable services. We plan to continue to employ this strategy to achieve organic revenue and customer growth.

At December 31, 2012, we owned and operated networks that passed 18,054,400 homes and served 18,735,500 revenue generating units (RGUs), consisting of 9,290,400 video subscribers, 5,458,400 broadband internet subscribers and 3,986,700 telephony subscribers. Effective January 1, 2012, we began including certain 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 126,600.

Including the effects of acquisitions, we added a total of 806,400 RGUs during 2012. Excluding the effects of acquisitions (RGUs added on the acquisition date), but including post-acquisition date RGU additions, we added 711,200 RGUs (including 71,300 SOHO RGUs) on an organic basis during 2012. The organic RGU growth during 2012 is attributable to the growth of our (i) digital cable services, which added 496,900 RGUs, (ii) telephony services, which added 476,800 RGUs, (iii) broadband internet services, which added 403,300 RGUs, and (iv) DTH video services, which added 87,900 RGUs. The growth of our digital cable, telephony, broadband internet and DTH video services was partially offset by a decline in our analog cable RGUs of 744,200, and a less significant decline in our multi-channel multi-point (microwave) distribution system (MMDS) video RGUs.

We are experiencing significant competition from incumbent telecommunications operators, DTH operators and/or other providers in all of our broadband communications markets. This significant competition, together with the maturation of certain of our markets, has contributed to organic declines in certain of our markets in revenue, RGUs and/or average monthly subscription revenue per average RGU (ARPU), the more notable of which include:

(i) organic declines in (a) subscription revenue in the Czech Republic and (b) overall revenue in Poland during the fourth quarter of 2012, as compared to the fourth quarter of 2011;

(ii) organic declines in subscription revenue from (a) video services in Poland, Ireland, the Czech Republic and Hungary and (b) telephony services in Chile during the fourth quarter of 2012, as compared to the fourth quarter of 2011;

(iii) organic declines in subscription revenue from video services in Poland during the fourth quarter of 2012, as compared to the third quarter of 2012;

(iv) organic declines in (a) video RGUs in many of our markets during the fourth quarter of 2012, as net declines in our analog cable RGUs exceeded net additions to our digital cable RGUs (including migrations from analog cable) in these markets, and (b) telephony RGUs in the Czech Republic and Chile during the fourth quarter of 2012;

(v) organic declines in ARPU from broadband internet and telephony services in most of our broadband communications markets during the fourth quarter of 2012, as compared to the fourth quarter of 2011; and

(vi) organic declines in overall ARPU in Ireland, Hungary, Slovakia, Austria, Poland, the Czech Republic and Romania during the fourth quarter of 2012, as compared to the fourth quarter of 2011.

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 (including Ireland and Hungary), 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. This could result in a mismatch in the currencies of our assets, liabilities and cash flows. Any such mismatch, together with 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 euro to non-euro currencies within the countries in which we operate would require us to modify our billing and other financial systems. No assurance can be given that any required modifications could be made within a timeframe that would allow us to timely bill our customers or prepare and file required financial reports. In light of the significant exposure that we have to the euro through our euro-denominated borrowings, derivative instruments, cash balances and cash flows, a redenomination event could have a material adverse impact on our company.

Over the next few years, we expect to continue to generate organic growth in our consolidated revenue and operating cash flow. We expect this growth to come primarily from organic increases in our digital cable, broadband internet and telephony RGUs, as we expect that our analog cable RGUs will decline and that our overall ARPU will remain relatively unchanged during this timeframe, primarily driven by growth in our operations in Switzerland and the Netherlands. In addition, we currently expect that the continued expansion of our mobile service offerings will (i) positively impact our revenue and, towards the end of this timeframe, our OCF growth and (ii) positively impact our subscriber retention rates. Additionally, we plan to continue improving our competitive position, with (i) further planned launches of our Horizon TV platform, as discussed above, and (ii) upgrades to our network capacity in certain markets. While we expect that these and other initiatives will require significant additions to our property and equipment, we currently expect that our total additions to property and equipment as a percentage of our revenue will continue to decline over the next few years. For additional information concerning our property and equipment additions, including our 2013 expectations for UPC Europe and VTR, see *Liquidity and Capital Resources — Consolidated Cash Flow Statements* below. Our expectations with respect to the items discussed in this paragraph are subject to competitive, economic, technological, political and regulatory developments and other factors outside of our control. Accordingly, no assurance can be given that actual results in future periods will not differ materially from our expectations.

The video, broadband internet and telephony businesses in which we operate are capital intensive. Significant additions to our property and equipment 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 the impacted markets. 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 and equipment, 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.

Results of Operations

As noted under *Overview* above, the comparability of our operating results during 2012, 2011 and 2010 is affected by acquisitions. In the following discussion, we quantify the estimated impact of acquisitions on our operating results. The acquisition impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the acquisition impact on an acquired entity's operating results during the first three months following the acquisition date such that changes from those operating results in subsequent periods are considered to be organic changes. Accordingly, in the following discussion, variances attributed to an acquired entity during the first twelve months following the acquisition date represent differences between the estimated acquisition impact and the actual results.

Changes in foreign currency exchange rates have a significant impact on our reported operating results as certain of our operating segments have functional currencies other than the euro. Our primary exposure to FX risk during the year ended December 31, 2012 was to the Swiss franc and the Chilean peso. In addition, our reported operating results are impacted by changes in the exchange rates of other local currencies in Europe. In this regard, 59.3% of our euro revenue during that period was derived from subsidiaries whose functional currency is other than the euro. The portions of the changes in the various components of our results of operations that are attributable to changes in FX are highlighted under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* below.

The amounts presented and discussed below represent 100% of each operating segment's revenue and operating cash flow. As we have the ability to control VTR, we consolidate 100% of the revenue and expenses of VTR in our consolidated statements of operations despite the fact that a third party owns a significant interest in VTR. The noncontrolling owners' interests in the operating results of VTR, and other less significant majority-owned subsidiaries are reflected in net earnings or loss attributable to noncontrolling interests in our consolidated statements of operations.

Discussion and Analysis of our Reportable Segments

General

All of the reportable segments set forth below derive their revenue primarily from broadband communications services, including video, broadband internet and telephony services. Most reportable segments also provide B2B services. At December 31, 2012, our UPC Europe operating segments provided broadband communications services in nine European countries and DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia through UPC DTH. Our Other Western Europe segment includes our broadband communications operating segments in Austria and Ireland. Our Central and Eastern Europe segment includes our broadband communications operating segments in the Czech Republic, Hungary, Poland, Romania and Slovakia. VTR provides video, broadband internet and telephony services in Chile. UPC Europe's central and other category includes (i) the UPC DTH operating segment, (ii) costs associated with certain centralized functions, including billing systems, network operations, technology, marketing, facilities, finance and other administrative functions, and (iii) intersegment eliminations within UPC Europe.

The tables presented below in this section provide a separate analysis of each of the line items that comprise operating cash flow (revenue, operating expenses and SG&A expenses, excluding allocable stock-based compensation expense, as further discussed in note 16 to the December 31, 2012 Consolidated Financial Statements) as well as an analysis of operating cash flow by reportable segment for (i) 2012, as compared to 2011, and (ii) 2011, as compared to 2010. These tables present (i) the amounts reported by each of our reportable segments for the comparative periods, (ii) the euro change and percentage change from period to period and (iii) the organic percentage change from period to period (percentage change after removing FX and the estimated impacts of acquisitions). The comparisons that exclude FX assume that exchange rates remained constant at the prior year rate during the comparative periods that are included in each table. We also provide a table showing the operating cash flow margins of our reportable segments for 2012, 2011 and 2010 at the end of this section.

The revenue of our reportable segments includes revenue earned from subscribers for ongoing services, revenue earned from B2B services, interconnect fees, channel carriage fees, installation fees, mobile services revenue, late fees and advertising revenue. Consistent with the presentation of our revenue categories in note 16 to the December 31, 2012 Consolidated Financial Statements, we use the term "subscription revenue" in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile services revenue.

The rates charged for certain video services offered by our broadband communications operations in some European countries and in Chile are subject to oversight and control, either before or after the fact, based on competition law or general pricing regulations. Additionally, in Chile, our ability to bundle or discount our services is subject to certain limitations, and in Europe, our ability to bundle or discount our services may be constrained if we are held to be dominant with respect to any product we offer. The amounts we charge and incur with respect to telephony interconnection fees are also subject to regulatory oversight in many of our markets. Adverse outcomes from rate regulation or other regulatory initiatives could have a significant negative impact on our ability to maintain or increase our revenue. For information concerning the potential impact of adverse regulatory developments in the Netherlands, see note 15 to the December 31, 2012 Consolidated Financial Statements.

Most of our revenue is derived from jurisdictions that administer value-added or similar revenue-based taxes. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases on to our customers. In the case of revenue-based taxes for which we are the ultimate taxpayer, we will also experience increases in our operating expenses and corresponding declines in our operating cash flow and operating cash flow margins to the extent of any such tax increases. In this regard, value-added tax rates increased (i) effective January 1, 2012 in Ireland and Hungary, (ii) effective October 1, 2012 in the Netherlands and (iii) effective January 1, 2013 in the Czech Republic. In addition, during the fourth quarter of 2010, the Hungarian government imposed a revenue-based tax on telecommunications operators (the 2010 Hungarian Telecom Tax) that, prior to its expiration at the end of 2012, was applicable to our broadband communications operations in Hungary, with retroactive effect to the beginning of 2010. In September 2011, the European Commission requested that Hungary abolish the 2010 Hungarian Telecom Tax on the grounds that it was illegal under EU rules. In March 2012, the European Commission announced its decision to refer the matter to the European Court of Justice, as Hungary continued to impose the 2010 Hungarian Telecom Tax in violation of EU rules. The ultimate resolution of this matter may take several years, and no assurance can be given as to the outcome. Through December 31, 2012, we have incurred total inception-to-date operating expenses of HUF 9.5 billion (€32.6 million) as a result of the 2010 Hungarian Telecom Tax. This amount includes a HUF 650.0 million (€2.2 million) reduction recorded during the second quarter of 2012 that reflects the cumulative effect of credits taken during the quarter with respect to prior period payments. The credits taken resulted from a change in our approach to determining the 2010 Hungarian Telecom Tax that was implemented on a retroactive basis during the second quarter of 2012.

During the second quarter of 2012, Hungary imposed an act that provides for a new usage-based telecommunication tax (the 2012 Hungarian Telecom Tax) on telecommunications service providers for fixed and mobile voice and mobile texting services, effective from July 1, 2012 for an indefinite period of time. As a result of the 2012 Hungarian Telecom Tax, we incurred additional operating expenses of HUF 349.0 million (€1.2 million) during the last half of 2012. On June 21, 2012, the European Commission sent a letter of formal notice to Hungary with respect to the 2012 Hungarian Telecom Tax setting out concerns regarding the compatibility of the tax with EU rules. Hungary has responded to the European Commission and indicated that it believes the 2012 Hungarian Telecom Tax is in compliance with EU rules. On January 24, 2013, the European Commission commenced formal infringement proceedings against Hungary, and, depending on Hungary's response, this matter could ultimately be referred to the European Court of Justice. The ultimate resolution of this matter may take several years.

On November 20, 2012, the Parliament of Hungary adopted an act imposing tax on utility networks, effective from January 1, 2013 for an indefinite period of time. The act provides that a tax will be levied on the owners of ducts providing for electricity, telecommunication, natural gas, heating, water and wastewater services. For telecommunication networks, the level of tax levied will depend on the length of ducts. Based on the current text of the new law, we currently estimate that our Hungarian operations will incur additional operating expenses in 2013 as a result of the new utility tax of approximately HUF 1.2 billion (€4.1 million).

We rely on third-party vendors for the equipment, software and services that we require in order to provide services to our customers. Our suppliers often conduct business worldwide and their ability to meet our needs are subject to various risks, including political and economic instability, natural calamities, interruptions in transportation systems, terrorism and labor issues. As a result, we may not be able to obtain the equipment, software and services required for our businesses on a timely basis or on satisfactory terms. Any shortfall in customer premises equipment could lead to delays in connecting customers to our services, and accordingly, could adversely impact our ability to maintain or increase our RGUs, revenue and cash flows.

Revenue of our Reportable Segments

Revenue—2012 compared to 2011

	Year ended December 31,		Increase		Organic increase (decrease)
	2012	2011	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 955.6	€ 914.9	€ 40.7	4.4	4.4
Switzerland	979.6	921.3	58.3	6.3	3.7
Other Western Europe	659.5	641.8	17.7	2.8	2.8
Total Western Europe	2,594.7	2,478.0	116.7	4.7	3.7
Central and Eastern Europe	867.5	806.6	60.9	7.6	(0.3)
Central and other	91.2	89.3	1.9	2.1	3.0
Total UPC Europe	3,553.4	3,373.9	179.5	5.3	2.7
VTR (Chile)	718.2	639.4	78.8	12.3	4.3
Total	€4,271.6	€4,013.3	€258.3	6.4	3.0

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

The Netherlands. The increase in the Netherlands' revenue during 2012, as compared to 2011, includes (i) an organic increase of €40.1 million or 4.4% and (ii) the impact of an acquisition, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in subscription revenue due to change in:			
Average number of RGUs (a)	€29.2	€—	€29.2
ARPU (b)	5.6	—	5.6
Increase in non-subscription revenue (c)	—	5.3	5.3
Organic increase	34.8	5.3	40.1
Impact of acquisition	0.6	—	0.6
Total	€35.4	€ 5.3	€40.7

(a) The increase in the Netherlands' subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of telephony, digital cable and broadband internet 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 in the Netherlands led to a decline in the average number of total video RGUs during 2012, as compared to 2011.

(b) The increase in the Netherlands' subscription revenue related to a change in ARPU is due to the net effect of (i) an improvement in RGU mix, attributable to higher proportions of digital cable, broadband internet and telephony RGUs, and (ii) a net decrease resulting primarily from the following factors: (a) lower ARPU due to a decrease in telephony call volume, including the impact of higher proportions of customers selecting usage-based calling plans, (b) lower ARPU due to the impact of bundling and promotional discounts and (c) higher ARPU due to January 2012 price increases for certain video services and, to a lesser extent, July 2012 price increases for bundled services.

(c) The increase in the Netherlands' non-subscription revenue is primarily attributable to the net effect of (i) an increase in B2B revenue, (ii) an increase in revenue from late charges, (iii) an increase in installation revenue and (iv) a decrease in interconnect revenue, due primarily to the impact of an August 1, 2012 reduction in fixed termination rates.

For information concerning certain regulatory developments that could have an adverse impact on our revenue in the Netherlands, see note 15 to the December 31, 2012 Consolidated Financial Statements.

Switzerland. The increase in Switzerland's revenue during 2012, as compared to 2011, includes (i) an organic increase of €34.3 million or 3.7%, (ii) the impact of acquisitions and (iii) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in subscription revenue due to change in:			
Average number of RGUs (a)	€29.5	€—	€29.5
ARPU (b)	2.8	—	2.8
Increase in non-subscription revenue (c)	—	2.0	2.0
Organic increase	32.3	2.0	34.3
Impact of acquisitions	3.2	—	3.2
Impact of FX	17.6	3.2	20.8
Total	€53.1	€ 5.2	€58.3

(a) The increase in Switzerland's subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of digital cable, broadband internet and telephony RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the average number of Switzerland's analog cable RGUs led to a decline in the average number of total video RGUs during 2012, as compared to 2011.

(b) The increase in Switzerland's subscription revenue related to a change in ARPU is due to the net effect of (i) an improvement in RGU mix, attributable to higher proportions of digital cable, broadband internet and telephony RGUs, and (ii) a net decrease resulting primarily from the following factors: (a) higher ARPU due to higher proportions of customers selecting higher-priced tiers of broadband internet services and, to a lesser extent, digital cable services, (b) lower ARPU due to the impact of bundling discounts and (c) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans.

(c) The increase in Switzerland's non-subscription revenue is attributable to the net effect of (i) an increase in installation revenue, (ii) a decline in revenue from usage-based wholesale residential telephony services and (iii) a net increase resulting from various individually insignificant changes. In addition, B2B revenue remained relatively unchanged during 2012, as lower revenue from construction and equipment sales was offset by growth in B2B broadband internet and telephony services.

In October 2012, we announced an agreement with the Swiss Price Regulator pursuant to which we will make certain changes to our service offerings in exchange for progressive increases in the price of our basic cable connection over the next two years. In this regard, (i) effective November 1, 2012, we began offering a basic tier of digital television channels on an unencrypted basis in our Switzerland footprint and (ii) effective January 3, 2013, for video subscribers who pay the required upfront activation fee, we have made available, at no additional monthly charge, a 2.0 Mbps internet connection, which was an increase from the previously offered 300 Kbps internet connection. In addition, the price for a cable connection increased by CHF 0.90 (€0.75) effective January 1, 2013 and a further increase of CHF 0.60 (€0.50) will take effect on January 1, 2014. Although the above changes in our service offerings may negatively impact certain revenue streams, we believe that the positive impact of the price increases in 2013 and 2014 will offset such negative impacts and place us in a position where we can continue to increase our revenue and RGUs in Switzerland. No assurance can be given that our assessment of the net impact of these changes in our service offerings and prices will prove to be accurate or that we will be able to continue to grow our revenue and RGUs in Switzerland.

Other Western Europe. The increase in Other Western Europe's revenue during 2012, as compared to 2011, includes an organic increase of €17.7 million or 2.8%, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase (decrease) in subscription revenue due to change in:			
Average number of RGUs (a)	€ 40.8	€—	€ 40.8
ARPU (b)	(25.1)	—	(25.1)
Increase in non-subscription revenue (c)	—	2.0	2.0
Total	€ 15.7	€ 2.0	€ 17.7

(a) The increase in Other Western Europe's subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of telephony, broadband internet and digital cable RGUs in each of Ireland and Austria that were only partially offset by a decline in the average number of analog cable RGUs in each of Austria and Ireland and, to a lesser extent, MMDS video RGUs in Ireland. The declines in the average numbers of analog cable and MMDS video RGUs led to a decline in the average number of total video RGUs in each of Ireland and Austria during 2012, as compared to 2011.

(b) The decrease in Other Western Europe's subscription revenue related to a change in ARPU is attributable to a decrease in ARPU in each of Ireland and Austria. The decrease in Ireland's ARPU is mostly due to (i) lower ARPU due to the impact of bundling discounts, (ii) lower ARPU from digital cable services and (iii) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans, including the impact of higher proportions of customers selecting usage-based calling plans. The decrease in Austria's ARPU is primarily due to (a) lower ARPU due to the impact of bundling discounts, (b) lower ARPU due to a higher proportion of customers selecting lower-priced tiers of broadband internet services, (c) higher ARPU due to the third quarter 2011 implementation of an additional charge for broadband internet services and (d) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans. In addition, Other Western Europe's overall ARPU was impacted by adverse changes in RGU mix, primarily attributable to a lower proportion of digital cable RGUs in Ireland.

(c) The increase in Other Western Europe's non-subscription revenue is due primarily to the net effect of (i) an increase in installation revenue in each of Austria and Ireland and (ii) a decline in B2B revenue, as a decrease in revenue from B2B broadband internet and telephony services in Austria was only partially offset by an increase in revenue from B2B telephony services in Ireland.

Central and Eastern Europe. The increase in Central and Eastern Europe's revenue during 2012, as compared to 2011, includes (i) an organic decrease of €2.3 million or 0.3%, (ii) the impact of acquisitions and (iii) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase (decrease) in subscription revenue due to change in:			
Average number of RGUs (a)	€ 21.0	€ —	€ 21.0
ARPU (b)	(25.1)	—	(25.1)
Increase in non-subscription revenue (c)	—	1.8	1.8
Organic increase (decrease)	(4.1)	1.8	(2.3)
Impact of acquisitions	71.9	10.8	82.7
Impact of FX	(17.6)	(1.9)	(19.5)
Total	€ 50.2	€10.7	€ 60.9

(a) The increase in Central and Eastern Europe's subscription revenue related to a change in the average number of RGUs is primarily attributable to increases in the average numbers of digital cable, telephony and broadband internet RGUs that were only partially offset by declines in the average numbers of analog cable and, to a much lesser extent, MMDS video RGUs in Slovakia. In each country within our Central and Eastern Europe segment, a decline in the average number of analog cable RGUs led to a decline in the average number of total video RGUs during 2012, as compared to 2011.

(b) The decrease in Central and Eastern Europe's subscription revenue related to a change in ARPU is primarily due to (i) lower ARPU due to increases in the proportions of video, broadband internet and telephony subscribers selecting lower-priced tiers of services, (ii) lower ARPU due to the impact of higher bundling discounts and (iii) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans. In addition, Central and Eastern Europe's overall ARPU was positively impacted by an improvement in RGU mix, primarily attributable to a higher proportion of digital cable and, to a lesser extent, broadband internet RGUs.

(c) The increase in Central and Eastern Europe's non-subscription revenue is due primarily to the net effect of (i) an increase in sales of customer premises equipment, primarily in the Czech Republic, (ii) a decrease in installation revenue, primarily in Poland, and (iii) a net increase resulting from individually insignificant changes in other non-subscription revenue categories.

VTR (Chile). The increase in VTR's revenue during 2012, as compared to 2011, includes (i) an organic increase of €27.8 million or 4.3% and (ii) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in subscription revenue due to change in:			
Average number of RGUs (a)	€27.9	€ —	€27.9
ARPU (b)	1.9	—	1.9
Decrease in non-subscription revenue (c)	—	(2.0)	(2.0)
Organic increase (decrease)	29.8	(2.0)	27.8
Impact of FX	47.1	3.9	51.0
Total	€76.9	€ 1.9	€78.8

(a) The increase in VTR's subscription revenue related to a change in the average number of RGUs is primarily due to increases in the average numbers of digital cable, broadband internet and telephony RGUs that were only partially offset by a decline in the average numbers of analog cable RGUs.

(b) The increase in VTR's subscription revenue related to a change in ARPU is primarily due to the positive impact of an improvement in RGU mix, attributable to a higher proportion of digital cable RGUs. Excluding the positive impact related to RGU mix, ARPU remained relatively unchanged due to the net effect of the following factors: (i) higher ARPU from digital cable services, (ii) higher ARPU due to semi-annual inflation and other price adjustments for video, broadband internet and telephony services, (iii) lower ARPU due to the impact of promotional and bundling discounts and (iv) lower ARPU from telephony services, due in part to the net effect of (a) the negative impact of a lower volume of calls subject to usage-based charges and (b) the positive impact of a higher proportion of customers on fixed-rate calling plans.

(c) The decrease in VTR's non-subscription revenue is primarily attributable to decreases in installation and interconnect revenue.

Revenue—2011 compared to 2010

	Year ended December 31,		Increase		Organic increase
	2011	2010	€	%	%
		in millions			
UPC Europe:					
The Netherlands	€ 914.9	€ 871.6	€ 43.3	5.0	5.0
Switzerland	921.3	804.9	116.4	14.5	2.2
Other Western Europe	641.8	624.9	16.9	2.7	2.7
Total Western Europe	2,478.0	2,301.4	176.6	7.7	3.4
Central and Eastern Europe	806.6	754.5	52.1	6.9	1.5
Central and other	89.3	81.4	7.9	9.7	9.8
Total UPC Europe	3,373.9	3,137.3	236.6	7.5	3.1
VTR (Chile)	639.4	602.6	36.8	6.1	5.8
Total	€4,013.3	€3,739.9	€273.4	7.3	3.5

The Netherlands. The increase in the Netherland's revenue during 2011, as compared to 2010, includes an organic increase of €43.3 million or 5.0% as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in subscription revenue due to change in:			
Average number of RGUs (a)	€31.0	€ —	€31.0
ARPU (b)	13.4	—	13.4
Decrease in non-subscription revenue (c)	—	(1.1)	(1.1)
Total	€44.4	€ (1.1)	€43.3

(a) The increase in the Netherlands' subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of digital cable, telephony and broadband internet RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in the Netherlands' average number of analog cable RGUs led to a decline in the average number of total video RGUs in the Netherlands during 2011, as compared to 2010.

(b) The increase in the Netherlands' subscription revenue related to a change in ARPU is due to an improvement in RGU mix, attributable to higher proportions of digital cable, broadband internet and telephony RGUs, that was only partially offset by a net decrease resulting primarily from the following factors: (i) lower ARPU due to a decrease in telephony call volume, including the impact of customers moving from usage-based to fixed-rate calling plans, (ii) lower ARPU due to an increase in the proportion of customers selecting lower-priced tiers of broadband internet services and (iii) higher ARPU due to January 2011 price increases for certain video, broadband internet and telephony services.

(c) The decrease in the Netherlands' non-subscription revenue is attributable to the net impact of (i) an increase in B2B revenue, due primarily to growth in B2B telephony and broadband internet services, and (ii) a net decrease resulting from individually insignificant changes in other non-subscription revenue categories.

Switzerland. The increase in Switzerland's revenue during 2011, as compared to 2010, includes (i) an organic increase of €17.5 million or 2.2% and (ii) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in subscription revenue due to change in:			
Average number of RGUs (a)	€ 8.5	€ —	€ 8.5
ARPU (b)	9.3	—	9.3
Decrease in non-subscription revenue (c)	—	(0.3)	(0.3)
Organic increase	17.8	(0.3)	17.5
Impact of FX	83.1	15.8	98.9
Total	€100.9	€15.5	€116.4

(a) The increase in Switzerland's subscription revenue related to a change in Switzerland's average number of RGUs is attributable to increases in the average numbers of digital cable, broadband internet and telephony RGUs that were only partially offset by a decrease in the average number of analog cable RGUs. The decline in the average numbers of Switzerland's analog cable RGUs led to a decline in the average number of total video RGUs in Switzerland during 2011, as compared to 2010.

(b) The increase in Switzerland's subscription revenue related to a change in ARPU is due to an improvement in RGU mix, attributable to higher proportions of digital cable, broadband internet and telephony RGUs, that was only partially offset by a net decrease resulting primarily from the following factors: (i) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans, (ii) lower ARPU from broadband internet services, (iii) higher ARPU due to price increases implemented in January 2011 and the second half of 2010 for certain analog and digital cable services and (iv) higher ARPU from digital cable services.

(c) The decrease in Switzerland's non-subscription revenue is primarily attributable to the net impact of (i) an increase in installation revenue, (ii) a decline in B2B revenue and (iii) higher revenue from the sale of customer premises equipment. The higher revenue from customer premises equipment sales is due largely to the second quarter 2010 introduction of common interface plus (CI+) modules, which enable authorized customers with CI+ enabled televisions to view our digital cable service without a set-top box. The decline in B2B revenue is due primarily to lower revenue of €6.0 million or 34.9% from construction and equipment sales that was only partially offset by modest growth in B2B telephony and broadband internet services.

Other Western Europe. The increase in Other Western Europe's revenue during 2011, as compared to 2010, includes an organic increase of €16.9 million or 2.7% as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase (decrease) in subscription revenue due to change in:			
Average number of RGUs (a)	€ 35.1	€—	€ 35.1
ARPU (b)	(16.2)	—	(16.2)
Decrease in non-subscription revenue (c)	—	(2.0)	(2.0)
Total	€ 18.9	€(2.0)	€ 16.9

(a) The increase in Other Western Europe's subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of telephony, broadband internet and digital cable RGUs in each of Ireland and Austria that were only partially offset by decreases in the average numbers of analog cable RGUs in each of Ireland and Austria and, to a lesser extent, MMDS video RGUs in Ireland. The declines in the average numbers of analog cable and MMDS video RGUs led to declines in the average numbers of total video RGUs in both Ireland and Austria during 2011, as compared to 2010.

(b) The decrease in Other Western Europe's subscription revenue related to a change in ARPU is primarily attributable to a decrease in ARPU in Austria, as ARPU in Ireland declined only slightly during 2011, as compared to 2010. The decrease in Austria's overall ARPU is primarily due to the net effect of (i) lower ARPU due to a higher proportion of customers selecting lower-priced tiers of broadband internet services, (ii) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans and a higher proportion of customers selecting such usage-based calling plans and (iii) higher ARPU due to the third quarter 2011 implementation of an additional charge for broadband internet services. Ireland's overall ARPU declined slightly during 2011, as compared to 2010, primarily due to the net impact of the following factors: (a) higher ARPU due to January 2011 price increases for certain digital and broadband internet services and (b) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans and a higher proportion of customers selecting such usage-based calling plans. In addition, Other Western Europe's overall ARPU was slightly impacted by adverse changes in RGU mix in both Austria and Ireland.

(c) The decrease in Other Western Europe's non-subscription revenue is due to (i) a decrease in B2B revenue and (ii) a net decrease resulting from individually insignificant changes in other non-subscription revenue categories. The decrease in B2B revenue is primarily attributable to the net effect of (a) growth in Ireland's B2B broadband internet services, (b) a decrease in Austria's B2B broadband internet and telephony services and (c) a decrease resulting from the impact of a first quarter 2010 favorable settlement with the incumbent telecommunications operator in Austria.

Central and Eastern Europe. The increase in Central and Eastern Europe's revenue during 2011, as compared to 2010, includes (i) an organic increase of €11.4 million or 1.5%, (ii) the impact of acquisitions and (iii) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase (decrease) in subscription revenue due to change in:			
Average number of RGUs (a)	€ 17.8	€ —	€ 17.8
ARPU (b)	(10.4)	—	(10.4)
Increase in non-subscription revenue (c)	—	4.0	4.0
Organic increase	7.4	4.0	11.4
Impact of acquisitions	35.9	13.5	49.4
Impact of FX	(7.8)	(0.9)	(8.7)
Total	€ 35.5	€16.6	€ 52.1

(a) The increase in Central and Eastern Europe's subscription revenue related to a change in the average number of RGUs is primarily attributable to increases in the average numbers of digital cable (mostly in Poland, Hungary and Romania), broadband internet (mostly in Poland, Hungary and the Czech Republic) and telephony RGUs (mainly in Poland and Hungary) that were only partially offset by declines in the average numbers of analog cable and, to a much lesser extent, MMDS video RGUs. The declines in the average numbers of analog cable RGUs led to declines in the average numbers of total video RGUs in each country within our Central and Eastern Europe segment during 2011, as compared to 2010.

(b) The decrease in Central and Eastern Europe's subscription revenue related to a change in ARPU is primarily due to the following factors: (i) lower ARPU due to increases in the proportions of video, broadband internet and telephony subscribers selecting lower-priced tiers of services and (ii) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans. The impacts of these negative factors were partially offset by an improvement in Central and Eastern Europe's RGU mix, primarily attributable to higher proportions of digital cable and broadband internet RGUs.

(c) The increase in Central and Eastern Europe's non-subscription revenue is primarily attributable to an increase in B2B revenue, largely driven by growth in B2B broadband internet and telephony services in the Czech Republic and Poland.

VTR (Chile). The increase in VTR's revenue during 2011, as compared to 2010, includes (i) an organic increase of €35.1 million or 5.8% and (ii) the impact of FX, as set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in subscription revenue due to change in:			
Average number of RGUs (a)	€22.8	€—	€22.8
ARPU (b)	10.9	—	10.9
Increase in non-subscription revenue (c)	—	1.4	1.4
Organic increase	33.7	1.4	35.1
Impact of FX	1.7	—	1.7
Total	€35.4	€ 1.4	€36.8

(a) The increase in VTR's subscription revenue related to a change in the average number of RGUs is primarily due to increases in the average numbers of digital cable, broadband internet and telephony RGUs that were only partially offset by a decline in the average number of analog cable RGUs.

(b) The increase in VTR's subscription revenue related to a change in ARPU is due to (i) an improvement in RGU mix, primarily attributable to a higher proportion of digital cable RGUs, and (ii) a net increase resulting primarily from the following factors: (a) higher ARPU due to inflation and other price adjustments, (b) lower ARPU from broadband internet services, (c) higher ARPU resulting from the estimated €3.1 million of revenue that was lost during the first quarter of 2010 as a result of an earthquake and tsunami in Chile and (d) higher ARPU from digital cable services.

(c) The increase in VTR's non-subscription revenue is primarily attributable to higher advertising revenue that was only partially offset by lower interconnect and installation revenue.

Operating Expenses of our Reportable Segments

Operating expenses—2012 compared to 2011

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2012	2011	€	%	%
		in millions			
UPC Europe:					
The Netherlands	€ 275.6	€ 269.8	€ 5.8	2.1	2.1
Switzerland	279.7	267.1	12.6	4.7	2.2
Other Western Europe	251.7	250.7	1.0	0.4	0.4
Total Western Europe	807.0	787.6	19.4	2.5	1.6
Central and Eastern Europe	325.3	312.9	12.4	4.0	(3.0)
Central and other	87.1	76.4	10.7	14.0	14.7
Total UPC Europe	1,219.4	1,176.9	42.5	3.6	1.2
VTR (Chile)	288.7	263.0	25.7	9.8	2.0
Total operating expenses excluding stock-based compensation expense	1,508.1	1,439.9	68.2	4.7	1.4
Stock-based compensation expense	0.5	1.3	(0.8)	N.M.	
Total	€1,508.6	€1,441.2	€67.4	4.7	

N.M.—Not Meaningful.

General. Operating expenses include programming, network operations, interconnect, customer operations, customer care, stock-based compensation expense and other direct costs. We do not include stock-based compensation in the following discussion and analysis of the operating expenses of our reportable segments as stock-based compensation expense is not included in the performance measures of our reportable segments. Stock-based compensation expense is discussed under *Discussion and Analysis of Our Consolidated Operating Results* below. Programming costs, which represent a significant portion of our operating costs, are expected to rise in future periods as a result of (i) growth in digital cable services, in combination with the introduction of Horizon TV, and (ii) price increases. In addition, we are subject to inflationary pressures with respect to our labor and other costs and foreign currency exchange risk with respect to costs and expenses that are denominated in currencies other than the respective functional currencies of our operating segments (non-functional currency expenses). Any cost increases that we are not able to pass on to our subscribers through service rate increases would result in increased pressure on our operating margins.

UPC Europe. UPC Europe's operating expenses (exclusive of stock-based compensation expense) increased €42.5 million or 3.6% during 2012, as compared to 2011. This increase includes €31.0 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's operating expenses increased €14.5 million or 1.2%. This increase includes the following factors:

- An increase in programming and related costs of €24.1 million or 6.5%, primarily due to growth in digital video services, predominantly in Switzerland, Austria and the Netherlands. The increase in programming and related costs also reflects a decrease of €2.7 million due to the net impact of accrual releases in Poland in the fourth quarter of 2012 and the Netherlands during 2012 and 2011. These accrual releases primarily relate to the settlement or reassessment of operational contingencies;
- An increase in network-related expenses of €10.3 million or 7.0%, due largely to (i) increased network maintenance costs, largely in Poland, the Netherlands, UPC DTH and Ireland, (ii) higher duct and pole rental costs, primarily in Romania, (iii) higher costs of €1.0 million due to the net impact of settlements in 2012 and 2011 of claims for costs incurred in connection with faulty customer premises equipment, primarily in the Netherlands, Switzerland and Poland, and (iv) increased encryption costs, due largely to increased numbers of installed digital cable set-top boxes in Switzerland. In addition, in UPC Europe's central operations, the impact of a fourth quarter 2011 settlement of a dispute with a third party contributed €2.1 million to the overall increase in network-related expenses;
- A decrease in bad debt and collection expenses of €5.5 million or 14.1%, primarily in Poland, the Czech Republic, Ireland and Austria. The decrease in bad debt and collection expenses is largely attributable to (i) improved collection experience and (ii) the €1.9 million impact of a nonrecurring increase to bad debt expense that was recorded in the Netherlands during the first quarter of 2011;

- An increase in personnel costs of €4.8 million or 2.2%, primarily due to (i) annual wage increases, with the largest impacts occurring in the Netherlands, Switzerland and Austria, and (ii) increased staffing levels in UPC Europe's central operations and the Netherlands. The increased staffing levels in UPC Europe's central operations are due in part to increased numbers of strategic initiatives;
- A decrease in outsourced labor and professional fees of €3.2 million or 3.0%, due in part to the net effect of (i) lower call center costs in Switzerland and (ii) higher outsourced labor costs associated with customer-facing activities in Ireland and Switzerland;
- A decrease of €1.0 million associated with lower taxes in Hungary. This decrease represents the net effect of (i) a decrease attributable to a change in our approach to determining the 2010 Hungarian Telecom Tax that was implemented on a retroactive basis during the second quarter of 2012 and (ii) an increase attributable to the initiation of the 2012 Hungarian Telecom Tax in July 2012. For additional information regarding the 2012 Hungarian Telecom Tax and the 2010 Hungarian Telecom Tax, see *Discussion and Analysis of our Reportable Segments—General*; and
- A net decrease resulting from individually insignificant changes in other operating expense categories.

VTR (Chile). VTR's operating expenses (exclusive of stock-based compensation expense) increased €25.7 million or 9.8% during 2012, as compared to 2011. Excluding the effects of FX, VTR's operating expenses increased €5.3 million or 2.0%. This increase includes the following factors:

- An increase in programming and related costs of €10.2 million or 10.7%, primarily associated with growth in digital cable services. Although a significant portion of VTR's programming contracts are denominated in U.S. dollars, the impact of foreign currency exchange rate fluctuations did not materially impact the increase in VTR's programming costs during 2012;
- A decrease in personnel costs of €5.2 million or 13.5%, primarily related to lower bonus costs;
- An increase in interconnect and access costs of €1.7 million or 3.9%, due primarily to higher costs associated with broadband internet services, as the impact of higher traffic was only partially offset by lower average rates; and
- A decrease in outsourced labor and professional fees of €0.8 million or 4.3%, due primarily to a decrease in customer-facing activities.

Operating expenses—2011 compared to 2010

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2011	2010	€	%	%
	in millions				
UPC Europe:					
The Netherlands	€ 269.8	€ 264.4	€ 5.4	2.0	2.0
Switzerland	267.1	243.4	23.7	9.7	(2.0)
Other Western Europe	250.7	245.0	5.7	2.3	2.3
Total Western Europe	787.6	752.8	34.8	4.6	0.8
Central and Eastern Europe	312.9	287.3	25.6	8.9	3.3
Central and other	76.4	74.3	2.1	2.8	2.8
Total UPC Europe	1,176.9	1,114.4	62.5	5.6	1.6
VTR (Chile)	263.0	251.7	11.3	4.5	4.1
Total operating expenses excluding stock-based compensation expense	1,439.9	1,366.1	73.8	5.4	2.0
Stock-based compensation expense	1.3	2.0	(0.7)	N.M.	
Total	€1,441.2	€1,368.1	€73.1	5.3	

N.M.—Not Meaningful.

UPC Europe. UPC Europe's operating expenses (exclusive of stock-based compensation expense) increased €62.5 million or 5.6% during 2011, as compared to 2010. This increase includes €19.9 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's operating expenses increased €17.6 million or 1.6%. This increase includes the following factors:

- An increase in programming and related costs of €22.9 million or 6.7%, due primarily to growth in digital video services, predominantly in the Netherlands, Poland and Ireland. The net impact of favorable copyright and programming fee settlements, primarily in the Netherlands, also contributed to the increase, as the €1.6 million favorable impact in 2011 was less than the €2.9 million favorable impact in 2010;
- A decrease in interconnect costs of €10.1 million or 8.9%, primarily attributable to the net effect of (i) decreased costs due to lower rates, primarily in Switzerland, the Netherlands and the Czech Republic, (ii) decreased costs due to lower call volumes, primarily in Switzerland and Austria, and (iii) a €2.3 million increase related to the impact of a favorable interconnect settlement during the third quarter of 2010 in Switzerland;
- An increase in outsourced labor and professional fees of €7.7 million or 8.2%, primarily attributable to increased call center costs due to higher call volumes in Switzerland, the Netherlands and the Czech Republic;
- A decrease of €5.2 million or 43.6%, due primarily to lower B2B construction and equipment sales in Switzerland;
- An increase in personnel costs of €4.5 million or 2.2%, due primarily to the net effect of (i) a decrease associated with higher levels of labor costs allocated to certain capital projects, including the development of our Horizon TV platform, (ii) annual wage increases, (iii) increased staffing levels, (iv) higher employee benefit related costs, primarily in the Netherlands, (v) increased bonus costs and (vi) lower costs related to temporary personnel, primarily in Switzerland;
- A decrease of €3.4 million at UPC DTH due to lower satellite costs resulting from (i) lower transponder rates and (ii) the impact of certain expenses incurred during 2010 related to UPC DTH's migration to a new satellite; and
- An increase in network related expenses of €0.3 million or 0.2%, due primarily to the net effect of (i) increased encryption costs, due largely to an increased number of installed digital set-top boxes, (ii) lower energy costs in the Czech Republic and the Netherlands, (iii) a €5.1 million decrease due to the 2011 settlement of a claim for costs incurred in connection with faulty customer premises equipment, primarily in the Netherlands and Switzerland, (iv) higher duct and pole rental costs due primarily to increased rates in the Czech Republic and Romania, (v) higher costs associated with the refurbishment of customer premises equipment and (vi) lower costs of €2.1 million in UPC Europe's central operations attributable to the favorable impact of the fourth quarter 2011 settlement of a dispute with a third-party regarding services rendered in 2010.

VTR (Chile). VTR's operating expenses (exclusive of stock-based compensation expense) increased €11.3 million or 4.5% during 2011, as compared to 2010. Excluding the effects of FX, VTR's operating expenses increased €10.3 million or 4.1%. This increase includes the following factors:

- An increase in programming and related costs of €11.0 million or 13.2%, as an increase associated with growth in digital cable services was only partially offset by a decrease arising from foreign currency exchange rate fluctuations with respect to VTR's U.S. dollar denominated programming contracts;
- An increase in outsourced labor and professional fees of €3.6 million or 22.4%, due largely to (i) increased call center costs due to efforts to improve service levels and (ii) a higher number of service calls; and
- A decrease in bad debt and collection expenses of €4.1 million, as improved economic conditions and customer retention efforts have resulted in better collection experience.

SG&A Expenses of our Reportable Segments

SG&A expenses—2012 compared to 2011

	Year ended December 31,		Increase		Organic increase
	2012	2011	€	%	%
		in millions			
UPC Europe:					
The Netherlands	€106.9	€102.6	€ 4.3	4.2	3.9
Switzerland	141.5	135.7	5.8	4.3	1.5
Other Western Europe	90.9	90.5	0.4	0.4	0.4
Total Western Europe	339.3	328.8	10.5	3.2	1.9
Central and Eastern Europe	110.5	100.2	10.3	10.3	4.5
Central and other	126.3	108.2	18.1	16.7	16.8
Total UPC Europe	576.1	537.2	38.9	7.2	5.4
VTR (Chile)	113.5	105.4	8.1	7.7	0.2
Total SG&A expenses excluding stock-based compensation expense	689.6	642.6	47.0	7.3	4.6
Stock-based compensation expense	17.3	12.2	5.1	N.M.	
Total	€706.9	€654.8	€52.1	8.0	

N.M.—Not Meaningful.

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

UPC Europe. UPC Europe's SG&A expenses (exclusive of stock-based compensation expense) increased €38.9 million or 7.2% during 2012, as compared to 2011. This increase includes €9.5 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's SG&A expenses increased €29.1 million or 5.4%. This increase includes the following factors:

- An increase in personnel costs of €22.6 million or 9.2%, due largely to (i) increased staffing levels at UPC Europe's central operations due largely to increased numbers of strategic initiatives and (ii) annual wage increases, predominantly in the Netherlands, UPC Europe's central operations and Switzerland. The increase in personnel costs also includes the impact of a new employee wage tax in the Netherlands, which tax is payable in 2013. This new employee wage tax, which was authorized in September 2012, is based on wages for the year ended December 31, 2012; and
- An increase in facilities expenses of €3.1 million or 6.4%, due primarily to increases in costs related to the rental of office space in UPC Europe's central operations and the Netherlands.

VTR (Chile). VTR's SG&A expenses (exclusive of stock-based compensation expense) increased €8.1 million or 7.7% during 2012, as compared to 2011. Excluding the effects of FX, VTR's SG&A expenses increased €0.2 million or 0.2%. This increase includes the following factors:

- A decrease in personnel costs of €2.8 million or 7.2%, primarily resulting from lower bonus costs and, to a lesser extent, lower staffing levels;
- An increase in facilities expenses of €2.6 million or 19.2%, due primarily to higher rental and related costs associated with increases in office and other space; and
- An increase in sales and marketing costs of €0.2 million or 0.7%, due primarily to the net effect of (i) higher sales commissions paid to third parties and (ii) decreased advertising campaigns. The higher sales commissions are primarily attributable to a higher proportion of sales generated by third-party dealers.

SG&A expenses—2011 compared to 2010

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2011	2010	€	%	%
		in millions			
UPC Europe:					
The Netherlands	€102.6	€ 99.4	€ 3.2	3.2	3.2
Switzerland	135.7	118.0	17.7	15.0	2.6
Other Western Europe	90.5	91.4	(0.9)	(1.0)	(1.0)
Total Western Europe	328.8	308.8	20.0	6.5	1.7
Central and Eastern Europe	100.2	92.9	7.3	7.9	3.8
Central and other	108.2	97.4	10.8	11.1	11.1
Total UPC Europe	537.2	499.1	38.1	7.6	3.9
VTR (Chile)	105.4	99.2	6.2	6.3	5.9
Total SG&A expenses excluding stock-based compensation expense	642.6	598.3	44.3	7.4	4.3
Stock-based compensation expense	12.2	15.3	(3.1)	N.M.	
Total	€654.8	€613.6	€41.2	6.7	

N.M.—Not Meaningful.

UPC Europe. UPC Europe's SG&A expenses (exclusive of stock-based compensation expense) increased €38.1 million or 7.6% during 2011, as compared to 2010. This increase includes €5.0 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, UPC Europe's SG&A expenses increased €19.6 million or 3.9%. This increase includes the following factors:

- An increase in personnel costs of €12.8 million or 5.9%, due primarily to (i) higher bonus costs, (ii) higher marketing staffing levels, mostly in Switzerland and the Netherlands, and (iii) annual wage increases;
- An increase in outsourced labor and professional fees of €4.3 million or 13.7%, due primarily to higher consulting costs for procurement, billing system and other initiatives within UPC Europe's central operations;
- An increase in sales and marketing costs of €5.3 million or 3.7% , due primarily to the net effect of (i) increased marketing activities, primarily in the Netherlands, Ireland and UPC DTH, and (ii) lower third-party sales commissions in the Czech Republic;
- An increase in information technology related expense of €3.3 million or 15.3%, due primarily to additional support and maintenance requirements; and
- A net decrease resulting from individually insignificant changes in other SG&A expense categories.

VTR (Chile). VTR's SG&A expenses (exclusive of stock-based compensation expense) increased €6.2 million or 6.3% during 2011, as compared to 2010. Excluding the effects of FX, VTR's SG&A expenses increased €5.8 million or 5.9%. This increase includes the following factors:

- An increase in sales and marketing costs of €5.1 million or 17.9%, due primarily to (i) increased costs associated with rebranding and other advertising campaigns and (ii) higher third-party sales commissions; and
- An increase in outsourced labor and professional fees of €1.1 million, due primarily to increased consulting costs related to a subscriber retention project.

Operating Cash Flow of our Reportable Segments

Operating cash flow is the primary measure used by our chief operating decision maker to evaluate segment operating performance. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding stock-based compensation, related-party fees and allocations, depreciation and amortization and impairment, restructuring and other operating items). For additional information concerning this performance measure and for a reconciliation of total segment operating cash flow to our loss before income taxes, see note 16 to the December 31, 2012 Consolidated Financial Statements.

Operating Cash Flow—2012 compared to 2011

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2012	2011	€	%	%
		in millions			
UPC Europe:					
The Netherlands	€ 573.1	€ 542.5	€ 30.6	5.6	5.6
Switzerland	558.4	518.5	39.9	7.7	5.1
Other Western Europe	316.9	300.6	16.3	5.4	5.4
Total Western Europe	1,448.4	1,361.6	86.8	6.4	5.4
Central and Eastern Europe	431.7	393.5	38.2	9.7	0.6
Central and other	(122.2)	(95.3)	(26.9)	(28.2)	(28.1)
Total UPC Europe	1,757.9	1,659.8	98.1	5.9	2.9
VTR (Chile)	316.0	271.0	45.0	16.6	8.2
Total	€2,073.9	€1,930.8	€143.1	7.4	3.7

Operating Cash Flow—2011 compared to 2010

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2011	2010	€	%	%
		in millions			
UPC Europe:					
The Netherlands	€ 542.5	€ 507.8	€ 34.7	6.8	6.8
Switzerland	518.5	443.5	75.0	16.9	4.4
Other Western Europe	300.6	288.5	12.1	4.2	4.2
Total Western Europe	1,361.6	1,239.8	121.8	9.8	5.3
Central and Eastern Europe	393.5	374.3	19.2	5.1	(0.4)
Central and other	(95.3)	(90.3)	(5.0)	(5.5)	(4.7)
Total UPC Europe	1,659.8	1,523.8	136.0	8.9	4.0
VTR (Chile)	271.0	251.7	19.3	7.7	7.5
Total	€1,930.8	€1,775.5	€155.3	8.7	4.5

Operating Cash Flow Margin—2012, 2011 and 2010

The following table sets forth the operating cash flow margins (operating cash flow divided by revenue) of each of our reportable segments:

	Year ended December 31,		
	2012	2011	2010
		%	
UPC Europe:			
The Netherlands	60.0	59.3	58.3
Switzerland	57.0	56.3	55.1
Other Western Europe	48.1	46.8	46.2
Total Western Europe	55.8	54.9	53.9
Central and Eastern Europe	49.8	48.8	49.6
Total UPC Europe, including central and other	49.5	49.2	48.6
VTR (Chile)	44.0	42.4	41.8

The operating cash flow margin of UPC Europe improved during 2012, as compared to 2011, as most of the cash flow margins of UPC Europe's operating segments improved or remained relatively unchanged. The increase in the operating cash flow margin of UPC Europe generally represents the net impact of (i) improved operational leverage, resulting from revenue growth that more than offset the accompanying increases in operating and SG&A expenses, and (ii) the negative effects of (a) competitive and economic factors and (b) an increase in the operating cash flow deficit of UPC Europe's central and other category, which increase is primarily attributable to higher personnel and consulting costs, due in part to increased levels of strategic initiatives. In the case of Chile, the increase in the operating cash flow margin is attributable to improved operational leverage.

The operating cash flow margin of UPC Europe increased during 2011, as compared to 2010, as increases in the margins of its reportable segments in western Europe were only partially offset by a decrease in the margin of its reportable segment in Central and Eastern Europe. The improvements in the operating cash flow margins of UPC Europe's western European segments are primarily attributable to improved operational leverage. In UPC Europe's Central and Eastern Europe segment, competitive, economic and other factors contributed to the decline in operating cash flow margin. In the case of Chile, margin improvement resulted in part from the adverse impacts of the February 2010 earthquake on VTR's margin during 2010.

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

We expect that the 2013 operating cash flow margin of UPC Europe will remain relatively unchanged and VTR will increase somewhat, each as compared to 2012. As discussed under *Overview* and *Discussion and Analysis of our Reportable Segments—General* above, most of our broadband communications operations are experiencing significant competition. Sustained or increased competition, particularly in combination with unfavorable regulatory, economic or political developments, could adversely impact the operating cash flow margins of our reportable segments.

Discussion and Analysis of our Consolidated Operating Results

General

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

2012 compared to 2011

Revenue

Our revenue by major category is set forth below:

	Year ended December 31,		Increase		Organic increase
	2012	2011 (a)	€	%	%
	in millions				
Subscription revenue (b):					
Video	€2,064.3	€1,981.0	€ 83.3	4.2	0.7
Broadband internet	1,131.6	1,023.4	108.2	10.6	7.0
Telephony	615.5	574.0	41.5	7.2	4.3
Total subscription revenue	3,811.4	3,578.4	233.0	6.5	3.1
Non-subscription revenue (c)	460.2	434.9	25.3	5.8	2.2
Total	€4,271.6	€4,013.3	€258.3	6.4	3.0

(a) Effective January 1, 2012, we began classifying the monthly revenue derived from certain SOHO subscribers as subscription revenue. SOHO subscribers pay a premium price to receive enhanced service levels along with video programming, internet or telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. Amounts have been conformed to the current period presentation by reclassifying the corresponding SOHO revenue from non-subscription revenue to subscription revenue.

(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 B2B, interconnect and installation revenue.

Total revenue. Our consolidated revenue increased €258.3 million during 2012, as compared to 2011. This increase includes €86.5 million attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, total consolidated revenue increased €120.2 million or 3.0%.

Subscription revenue. The details of the increase in our consolidated subscription revenue during 2012, as compared to 2011, are as follows (in millions):

Increase (decrease) due to change in:	
Average number of RGUs	€159.6
ARPU	(48.9)
Organic increase	110.7
Impact of acquisitions	75.7
Impact of FX	46.6
Total increase in subscription revenue	€233.0

Excluding the effects of acquisitions and FX, our consolidated subscription revenue increased €110.7 million or 3.1% during 2012, as compared to 2011. This increase is attributable to (i) an increase in subscription revenue from broadband internet services of €72.0 million or 7.0%, as the impact of an increase in the average number of broadband internet RGUs was only partially offset by lower ARPU from broadband internet services, (ii) an increase in subscription revenue from telephony services of €24.7 million or 4.3%, as the impact of an increase in the average number of telephony RGUs was only partially offset by lower ARPU from telephony services, and (iii) an increase in subscription revenue from video services of €14.0 million or 0.7%, as the impact of higher ARPU from video services was only partially offset by a decline in the average number of video RGUs.

Non-subscription revenue. Excluding the effects of acquisitions and FX, our consolidated non-subscription revenue increased €9.5 million or 2.2% during 2012, as compared to 2011. This increase is primarily attributable to the net impact of (i) an increase in revenue from late fees, (ii) a decrease in interconnect revenue, (iii) an increase in installation revenue and (iv) an increase in revenue from equipment sales.

For additional information concerning the changes in our subscription and non-subscription revenue, see *Discussion and Analysis of our Reportable Segments—Revenue—2012 compared to 2011* above. For information regarding the competitive environment in certain of our markets, see *Overview* above.

Operating expenses

Our operating expenses increased €67.4 million during 2012, as compared to 2011. This increase includes €31.0 million attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which decreased €0.8 million during 2012. For additional information, see the discussion following *SG&A expenses* below. Excluding the effects of acquisitions, FX and stock-based compensation expense, our operating expenses increased €19.8 million or 1.4% during 2012, as compared to 2011. This increase primarily reflects an increase in programming and other direct costs and, to a lesser extent, the net effect of (i) an increase in network related expenses, (ii) a decrease in bad debt and collection expenses, (iii) a decrease in outsourced labor and professional fees and (iv) a net decrease resulting from individually insignificant changes in other operating expense categories. For additional information regarding the changes in our operating expenses, see *Discussion and Analysis of our Reportable Segments—Operating Expenses—2012 compared to 2011* above.

SG&A expenses

Our SG&A expenses increased €52.1 million during 2012, as compared to 2011. This increase includes €9.5 million attributable to the impact of acquisitions. Our SG&A expenses include stock-based compensation expense, which increased €5.1 million during 2012. For additional information, see the discussion in the following paragraph. Excluding the effects of acquisitions, FX and stock-based compensation expense, our SG&A expenses increased €29.3 million or 4.6% during 2012, as compared to 2011. This increase primarily reflects increases in (i) personnel costs and (ii) facilities expenses. For additional information regarding the changes in our SG&A expenses, see *Discussion and Analysis of our Reportable Segments—SG&A Expenses—2012 compared to 2011* above.

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

Our stock-based compensation expense includes amounts allocated to our company by LGI and amounts that are based on stock incentive awards related to shares of one of our subsidiaries. The amounts allocated by LGI to our company represent the stock-based compensation associated with the LGI stock incentive awards held by certain employees of our subsidiaries. A summary of the aggregate stock-based compensation expense that is included in our operating and SG&A expenses is set forth below:

	Year ended December 31,	
	2012	2011
	in millions	
LGI common stock:		
LGI performance-based incentive awards (a)	€ 7.3	€ 5.6
Other LGI stock-based incentive awards	9.2	7.7
Total LGI common stock	16.5	13.3
Other (b)	1.3	0.2
Total	€17.8	€13.5
Included in:		
Operating expense	€ 0.5	€ 1.3
SG&A expense	17.3	12.2
Total	€17.8	€13.5

(a) Includes stock-based compensation expense related to the LGI PSUs and, during 2011, the LGI Performance Plans.

(b) The 2012 amount includes stock-based compensation expense related to performance-based awards granted pursuant to a liability-based plan of VTR. These awards were granted during the first quarter of 2012 and, based on the level of the specified performance criteria achieved during 2012, these awards will vest on December 31, 2013.

For additional information concerning our stock-based compensation, see note 11 to the December 31, 2012 Consolidated Financial Statements.

Depreciation and amortization expense

Our depreciation and amortization expense increased €67.1 million during 2012, as compared to 2011. Excluding the effects of FX, depreciation and amortization expense increased €56.8 million or 5.9%. This increase is due primarily to the net effect of (i) an increase associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives, (ii) a decrease associated with certain assets becoming fully depreciated, largely in Switzerland, Chile and the Netherlands, and (iii) an increase associated with acquisitions.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €8.2 million during 2012, as compared to €26.8 million during 2011. The 2012 amount primarily is related to restructuring charges associated with reorganization and integration activities in Europe. The 2011 amount includes (i) €5.7 million of direct acquisition costs, primarily attributable to the Aster Acquisition, and (ii) restructuring charges of €14.9 million, primarily related to reorganization and integration activities in Europe and Chile.

For additional information regarding our restructuring charges, see note 13 to the December 31, 2012 Consolidated Financial Statements.

If, among other factors, (i) LGI's equity values were to decline significantly or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill, and to a lesser extent, other long-lived assets. Any such impairment charges could be significant. For additional information, see *Critical Accounting Policies, Judgments and Estimates—Impairment of Property and Equipment and Intangible Assets*, below.

Interest expense—third-party

Our third-party interest expense increased €75.2 million during 2012, as compared to 2011. Excluding the effects of FX, interest expense increased €74.4 million or 14.3%. This increase is primarily attributable to (i) higher average outstanding debt balances and (ii) a slightly higher weighted average interest rate. The slight increase in our weighted average interest rate is primarily related to the net effect of (i) the completion of certain financing transactions that resulted in extended maturities, certain of which resulted in an increase to our weighted average interest rates, and (ii) decreases in certain of the base rates for our variable rate indebtedness. For additional information regarding our outstanding indebtedness, see note 8 to the December 31, 2012 Consolidated Financial Statements.

It is possible that (i) the interest rates on any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) the interest rates incurred on our variable-rate indebtedness could increase in future periods.

Interest expense—related-party

Our related-party interest expense primarily relates to the interest expense on our shareholder loan. Our related-party interest expense increased €193.5 million during 2012, as compared to 2011. This increase is primarily due to (i) an increase in the weighted average interest rate on our shareholder loan from 7.75% during 2011 to 9.79% during 2012 and (ii) an increase in the average outstanding balance of our shareholder loan during 2012, as compared to 2011. For additional information, see note 8 to the December 31, 2012 Consolidated Financial Statements.

Realized and unrealized losses on derivative instruments, net

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

	Year ended December 31,	
	2012	**2011**
	in millions	
Cross-currency and interest rate derivative contracts (a)	€(559.1)	€ 5.5
Foreign currency forward contracts	(3.4)	(9.0)
Embedded derivatives	2.8	(0.1)
Total	€(559.7)	€(3.6)

(a) The loss during 2012 is primarily attributable to the net effect of (i) losses associated with decreases in market interest rates in the Hungarian forint, euro, Polish zloty, Swiss franc and Czech koruna markets, (ii) losses associated with increases in the values of the Polish zloty, Hungarian forint, Chilean peso and Swiss franc relative to the euro, (iii) losses associated with increases in the values of the Chilean peso and Swiss franc relative to the U.S. dollar, (iv) gains associated with decreases in market interest rates in the U.S. dollar market and (v) losses associated with a decrease in the value of the U.S. dollar relative to the euro. In addition, the loss during 2012 includes a net loss of €60.2 million resulting from changes in our credit risk valuation adjustments. The gain during 2011 is primarily attributable to the net effect of (i) losses associated with decreases in market interest rates in the euro, Swiss franc, Chilean peso, Polish zloty and Czech koruna markets, (ii) gains associated with decreases in the values of the Polish zloty, Hungarian forint and Chilean peso relative to the euro, (iii) gains associated with a decrease in the value of the Chilean peso relative to the U.S. dollar, (iv) gains associated with an increase in the value of the U.S. dollar relative to the euro and (v) losses associated with an increase in the value of the Swiss franc relative to the euro. In addition, the gain during 2011 includes a net gain of €27.5 million resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see notes 5 and 6 to the December 31, 2012 Consolidated Financial Statements.

Foreign currency transaction gains (losses), net

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

	Year ended December 31,	
	2012	2011
	in millions	
Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a)	€159.6	€(214.2)
U.S. dollar denominated debt issued by European subsidiaries	32.7	(52.0)
Cash and restricted cash denominated in a currency other than the entity's functional currency	5.3	(0.1)
Other	0.3	(4.2)
Total	€197.9	€(270.5)

(a) Amounts primarily relate to (i) loans between our non-operating and operating subsidiaries in Europe, which generally are denominated in the currency of the applicable operating subsidiary, and (ii) a U.S. dollar denominated loan between a Chilean subsidiary and a non-operating subsidiary in Europe. Accordingly, these amounts are a function of movements of (i) the euro against (a) the U.S. dollar and (b) other local currencies in Europe and (ii) the U.S. dollar against the Chilean peso.

Realized and unrealized gains (losses) due to changes in fair values of certain investments, net

Our realized and unrealized gains (losses) due to changes in fair values of certain investments, net, include unrealized gains (losses) associated with changes in fair values that are non-cash in nature until such time as these gains (losses) are realized through cash transactions. We recognized realized and unrealized gains (losses) due to changes in fair values of certain investments, net of €0.2 million and (€9.5 million) during 2012 and 2011, respectively. The 2011 amount mostly reflects a decrease in the fair value of our investment in a broadband communications operator in Switzerland.

For additional information regarding our investments and fair value measurements, see notes 4 and 6 to the December 31, 2012 Consolidated Financial Statements.

Losses on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of €12.7 million and €11.7 million during 2012 and 2011, respectively. The loss during 2012 includes (i) a loss of €9.8 million associated with the write-off of deferred financing costs and an unamortized discount during the fourth quarter in connection with the prepayment of Facility AB under the UPC Broadband Holding Bank Facility, (ii) the incurrence of third-party costs of €1.5 million during the first quarter associated with the execution of Facility AE under the UPC Broadband Holding Bank Facility and (iii) the write-off of €1.5 million of deferred financing costs during the first quarter in connection with the prepayment of amounts outstanding under Facilities M, N and O under the UPC Broadband Holding Bank Facility. The loss during 2011 includes the write-off of €11.3 million of deferred financing costs and an unamortized discount during the first quarter in connection with the prepayment of amounts outstanding under Facilities M, P, T and U of the UPC Broadband Holding Bank Facility. For additional information, see note 8 to the December 31, 2012 Consolidated Financial Statements.

Income tax expense

We recognized income tax expense of €86.2 million and €241.4 million during 2012 and 2011, respectively.

The income tax expense during 2012 differs from the expected income tax benefit of €199.8 million (based on the Dutch 25.0% income tax rate) due primarily to the negative impacts of (i) certain permanent differences between the financial and tax accounting treatment of interest and other items, (ii) a net increase in valuation allowances and (iii) certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries. The negative impacts of these items were partially offset by the positive impact of an increase in certain net deferred tax assets due to an enacted increase in Chilean tax law.

The income tax expense during 2011 differs from the expected income tax benefit of €138.1 million (based on the Dutch 25.0% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances, including €169.3 million of valuation allowances that were recorded in France during the fourth quarter of 2011 due to a modification of our intercompany financing structure in that jurisdiction that resulted largely from a change in local tax law, (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items and (iii) certain permanent differences in the realization of foreign currency gains and losses between financial and tax accounting.

For additional information concerning our income taxes, see note 9 to the December 31, 2012 Consolidated Financial Statements.

Net loss

During 2012 and 2011, we reported net losses of €885.5 million and €793.9 million, respectively, including (i) operating income of €1,013.0 million and €914.4 million, respectively, (ii) non-operating expense of €1,812.3 million and €1,466.9 million, respectively, and (iii) income tax expense of €86.2 million and €241.4 million, respectively.

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

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

Net earnings attributable to noncontrolling interests

Net earnings attributable to noncontrolling interests increased €14.2 million during 2012, as compared to 2011, due primarily to improvements in the results of operations of VTR during 2011.

2011 compared to 2010

Revenue

Our revenue by major category is set forth below:

	Year ended December 31,		Increase		Organic increase
	2011 (a)	2010 (a)	€	%	%
		in millions			
Subscription revenue (b):					
Video	€1,981.0	€1,860.5	€120.5	6.5	2.9
Broadband internet	1,023.4	940.6	82.8	8.8	5.4
Telephony	574.0	535.6	38.4	7.2	4.5
Total subscription revenue	3,578.4	3,336.7	241.7	7.2	3.9
Non-subscription revenue (c)	434.9	403.2	31.7	7.9	0.8
Total	€4,013.3	€3,739.9	€273.4	7.3	3.5

(a) Effective January 1, 2012, we began classifying the monthly revenue derived from certain SOHO subscribers as subscription revenue. SOHO subscribers pay a premium price to receive enhanced service levels along with video programming, internet or telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. Amounts have been conformed to the 2012 presentation by reclassifying the corresponding SOHO revenue from non-subscription revenue to subscription revenue.

(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 B2B, interconnect and installation revenue.

Total revenue. Our consolidated revenue increased €273.4 million during 2011, as compared to 2010. This increase includes €49.4 million, attributable to the impact of acquisitions. Excluding the effects of acquisitions and FX, total consolidated revenue increased €132.2 million or 3.5%.

Subscription revenue. The details of the increase in our consolidated subscription revenue for 2011, as compared to 2010, are as follows (in millions):

Increase due to change in:	
Average number of RGUs	€125.0
ARPU	3.9
Organic increase	128.9
Impact of acquisitions	35.9
Impact of FX	76.9
Total increase in subscription revenue	€241.7

Excluding the effects of acquisitions and FX, our consolidated subscription revenue increased €128.9 million or 3.9% during 2011, as compared to 2010. This increase is attributable to (i) an increase in subscription revenue from video services of €53.9 million or 2.9%, as the impact of higher ARPU from video services was only partially offset by a decline in the average number of video RGUs, (ii) an increase in subscription revenue from broadband internet services of €51.0 million or 5.4%, as the impact of an increase in the average number of broadband internet RGUs was only partially offset by lower ARPU from broadband internet services, and (iii) an increase in subscription revenue from telephony services of €24.0 million or 4.5%, as the impact of an increase in the average number of telephony RGUs was only partially offset by lower ARPU from telephony services.

Non-subscription revenue. Excluding the effects of acquisitions and FX, our consolidated non-subscription revenue increased €3.3 million or 0.8% during 2011, as compared to 2010. This increase is primarily attributable to increases in (i) B2B revenue and (ii) interconnect revenue.

For additional information concerning the changes in our subscription and non-subscription revenue, see *Discussion and Analysis of our Reportable Segments—Revenue—2011 compared to 2010* above.

Operating expenses

Our operating expenses increased €73.1 million during 2011, as compared to 2010. This increase includes €19.9 million attributable to the impact of acquisitions. Our operating expenses include stock-based compensation expense, which decreased €0.7 million during 2011. For additional information, see the discussion following *SG&A expenses* below. Excluding the effects of acquisitions, FX and stock-based compensation expense, our operating expenses increased €27.9 million or 2.0% during 2011, as compared to 2010. This increase primarily is attributable to a net increase in programming and other direct costs. In addition, the net impact of (i) a net increase in outsourced labor and professional fees, (ii) a net decrease in interconnect charges and (iii) a decrease of €5.2 million due primarily to lower B2B construction and equipment sales in Switzerland contributed to the overall increase in our operating expenses. For additional information regarding the changes in our operating expenses, see *Discussion and Analysis of our Reportable Segments—Operating Expenses—2011 compared to 2010* above.

SG&A expenses

Our SG&A expenses increased €41.2 million during 2011, as compared to 2010. This increase includes €5.0 million attributable to the impact of acquisitions. Our SG&A expenses include stock-based compensation expense, which decreased €3.1 million during 2011. For additional information, see the discussion in the following paragraph. Excluding the effects of acquisitions, FX and stock-based compensation expense, our

SG&A expenses increased €25.5 million or 4.3% during 2011, as compared to 2010. This increase generally reflects (i) a net increase in personnel costs and (ii) an increase in marketing and advertising costs. For additional information regarding the changes in our SG&A expenses, see *Discussion and Analysis of our Reportable Segments—SG&A Expenses—2011 compared to 2010* above.

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

Our stock-based compensation expense includes amounts allocated to our company by LGI and amounts that are based on stock incentive awards related to shares of one of our subsidiaries. The amounts allocated by LGI to our company represent the stock-based compensation associated with the LGI stock incentive awards held by certain employees of our subsidiaries. A summary of the aggregate stock-based compensation expense that is included in our operating and SG&A expenses is set forth below:

	Year ended December 31,	
	2011	**2010**
	in millions	
LGI common stock:		
LGI performance-based incentive awards (a)	€ 5.6	€ 6.7
Other LGI stock-based incentive awards	7.7	9.0
Total LGI common stock	13.3	15.7
Other	0.2	1.6
Total	€13.5	€17.3
Included in:		
Operating expense	€ 1.3	€ 2.0
SG&A expense	12.2	15.3
Total	€13.5	€17.3

(a) Includes stock-based compensation expense related to the LGI Performance Plans and the LGI PSUs.

For additional information concerning our stock-based compensation, see note 11 to the December 31, 2012 Consolidated Financial Statements.

Depreciation and amortization expense

Our depreciation and amortization expense decreased €3.8 million during 2011 as compared to 2010. Excluding the effects of FX, depreciation and amortization expense decreased €27.5 million or 2.8%. This decrease is due primarily to the net effect of (i) increases associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives, (ii) decreases associated with certain assets becoming fully depreciated, primarily in the Netherlands, Switzerland, Chile and Austria, and (iii) net decreases associated with changes in the useful lives of certain assets, primarily in the Netherlands and Romania.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €26.8 million during 2011, as compared to €16.0 million during 2010. The 2011 amount includes (i) €5.7 million of direct acquisition costs, primarily attributable to the Aster Acquisition, and (ii) restructuring charges of €14.9 million, primarily related to reorganization and integration activities in Europe and Chile. The 2010 amount includes aggregate restructuring charges of €14.9 million associated with (i) dish-turning and duplicate satellite costs incurred in connection with the migration of UPC DTH's operations in the Czech Republic, Hungary and Slovakia to a new satellite and (ii) employee severance and termination costs related to reorganization and integration activities, primarily in Europe.

For additional information regarding our restructuring charges, see note 13 to the December 31, 2012 Consolidated Financial Statements.

Interest expense—third-party

Our third-party interest expense increased €62.1 million during 2011, as compared to 2010. Excluding the effects of FX, interest expense increased €61.9 million or 13.5%. This increase is primarily attributable to

(i) higher average outstanding debt balances and (ii) higher weighted average interest rates. The increase in our weighted average interest rate is primarily related to (a) the completion of refinancing transactions that generally resulted in extended maturities and higher interest rates and (b) increases in the base borrowing rates for certain of our variable-rate indebtedness. For additional information regarding our outstanding indebtedness, see note 8 to the December 31, 2012 Consolidated Financial Statements.

Interest expense—related-party

Our consolidated related-party interest expense relates to the interest expense on our shareholder loan. Our total consolidated related-party interest expense increased €249.0 million during 2011, as compared to 2010. This increase reflects (i) an increase in the weighted average interest rate on our shareholder loan from 4.80% during 2010 to 7.75% during 2011 and (ii) a slight increase in the average outstanding balance of our shareholder loan. For additional information, see notes 8 and 12 to the December 31, 2012 Consolidated Financial Statements.

Realized and unrealized losses on derivative instruments, net

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

	Year ended December 31,	
	2011	2010
	in millions	
Cross-currency and interest rate derivative contracts (a)	€ 5.5	€(808.7)
Foreign currency forward contracts	(9.0)	(6.2)
Embedded derivatives	(0.1)	1.4
Total	€(3.6)	€(813.5)

(a) The 2011 gain is primarily attributable to the net effect of (i) losses associated with decreases in market interest rates in the euro, Swiss franc, Chilean peso, Polish zloty and Czech koruna markets, (ii) gains associated with decreases in the values of the Polish zloty, Hungarian forint and Chilean peso relative to the euro, (iii) gains associated with a decrease in the value of the Chilean peso relative to the U.S. dollar, (iv) gains associated with an increase in the value of the U.S. dollar relative to the euro and (v) losses associated with an increase in the value of the Swiss franc relative to the euro. In addition, the gain during 2011 includes a net gain of €27.5 million resulting from changes in our credit risk valuation adjustments. The 2010 loss is primarily attributable to the net effect of (i) losses associated with increases in the values of the Swiss franc, Chilean peso, Czech koruna and Polish zloty relative to the euro, (ii) losses associated with decreases in market interest rates in the euro, Romanian lei, Swiss franc, Czech koruna, Polish zloty and Hungarian forint markets, (iii) losses associated with increases in the values of the Swiss franc and Chilean peso relative to the U.S. dollar and (iv) gains associated with an increase in the value of the U.S. dollar relative to the euro. In addition, the loss during 2010 includes a net gain of €73.9 million resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see notes 5 and 6 to the December 31, 2012 Consolidated Financial Statements.

Foreign currency transaction gains (losses), net

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

	Year ended December 31,	
	2011	**2010**
	in millions	
Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a)	€(214.2)	€ 202.6
U.S. dollar denominated debt issued by European subsidiaries	(52.0)	(156.4)
Cash and restricted cash denominated in a currency other than the entity's functional currency	(0.1)	13.0
U.S. dollar denominated debt issued by a Chilean subsidiary	—	(13.0)
Other	(4.2)	1.6
Total	€(270.5)	€ 47.8

(a) Amounts primarily relate to (i) loans between our non-operating and operating subsidiaries in Europe, which generally are denominated in the currency of the applicable operating subsidiary, and (ii) a U.S. dollar denominated loan between a Chilean subsidiary and a non-operating subsidiary in Europe. Accordingly, these amounts are a function of movements of (i) the euro against (a) the U.S. dollar and (b) other local currencies in Europe and (ii) the U.S. dollar against the Chilean peso.

Realized and unrealized gains (losses) due to changes in fair values of certain investments, net

Our realized and unrealized gains (losses) due to changes in fair values of certain investments, net, include unrealized gains (losses) associated with changes in fair values that are non-cash in nature until such time as these gains (losses) are realized through cash transactions. We recognized realized and unrealized gains (losses) due to changes in fair values of certain investments, net of (€9.5 million) and €0.2 million during 2011 and 2010, respectively. The 2011 amount mostly reflects a decrease in the fair value of our investment in a broadband communications operator in Switzerland.

For additional information concerning our investments and fair value measurements, see notes 4 and 6 to the December 31, 2012 Consolidated Financial Statements.

Losses on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of €11.7 million and €17.8 million during 2011 and 2010, respectively. The loss during 2011 includes the write-off of €11.3 million of deferred financing costs and an unamortized discount during the first quarter of 2011 in connection with the prepayment of amounts outstanding under Facilities M, P, T and U of the UPC Broadband Holding Bank Facility. The loss during 2010 includes the payment of €12.4 million of debt redemption premiums and the write-off of €6.8 million of deferred financing costs in connection with the third quarter 2010 repurchase and redemption of certain of UPC Holding's senior notes. For additional information, see note 8 to the December 31, 2012 Consolidated Financial Statements.

Income tax benefit (expense)

We recognized income tax expense of €241.4 million and income tax benefit of €100.9 million during 2011 and 2010, respectively.

The income tax expense during 2011 differs from the expected income tax benefit of €138.1 million (based on the Dutch 25.0% income tax rate) due primarily to the negative impacts of (i) a net increase in valuation allowances, including €169.3 million of valuation allowances that were recorded in France during the fourth quarter of 2011 due to a modification of our intercompany financing structure in that jurisdiction that resulted largely from a change in local tax law, (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items and (iii) certain permanent differences in the realization of foreign currency gains and losses between financial and tax accounting.

The income tax benefit during 2010 differs from the expected income tax benefit of €228.1 million (based on the Dutch 25.5% income tax rate) due primarily to the negative impacts of (i) certain permanent differences between the financial and tax accounting treatment of interest and other items, (ii) a net increase in valuation allowances which included tax benefits of €159.3 million recognized in France upon the release of valuation allowances during the fourth quarter of 2010 in connection with an internal financial restructuring and (iii) a reduction in certain deferred tax assets due to an enacted change in tax law.

For additional information concerning our income taxes, see note 9 to the December 31, 2012 Consolidated Financial Statements.

Net loss

During 2011 and 2010, we reported net losses of €793.9 million and €793.8 million, respectively, including (i) operating income of €914.4 million and €750.1 million, respectively, (ii) net non-operating expenses of €1,466.9 million and €1,644.8 million, respectively, and (iii) income tax benefit (expense) of (€241.4 million) and €100.9 million, respectively.

Net earnings attributable to noncontrolling interests

Net earnings attributable to noncontrolling interests decreased €0.8 million during 2011, as compared to 2010, due primarily to a decline in the results of operations of VTR.

Liquidity and Capital Resources

Sources and Uses of Cash

As a holding company, UPC Holding's primary assets are its investments in consolidated subsidiaries. UPC Holding's primary subsidiary is UPC Broadband Holding, which owns all of the operating subsidiaries that are consolidated by UPC Holding. Although our consolidated operating subsidiaries have generated cash from operating activities, the terms of the instruments governing the indebtedness of UPC Broadband Holding may restrict our ability to access the assets of these subsidiaries. As set forth in the table below, these subsidiaries accounted for substantially all of our consolidated cash and cash equivalents at December 31, 2012. In addition, our ability to access the liquidity of these and other subsidiaries may be limited by tax considerations, the presence of noncontrolling interests and other factors.

Cash and cash equivalents

The details of the euro equivalent balances of our consolidated cash and cash equivalents at December 31, 2012 are set forth in the following table. With the exception of UPC Holding, which is reported on a standalone basis, the amounts presented below include the cash and cash equivalents of the named entity and its subsidiaries unless otherwise noted (in millions):

Cash and cash equivalents held by:	
UPC Holding	€ 0.3
UPC Broadband Holding (excluding VTR)	31.3
VTR	26.7
Total cash and cash equivalents	€58.3

Liquidity of UPC Holding

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

The ongoing cash needs of UPC Holding include corporate general and administrative expenses and interest payments on the UPC Holding Senior Notes. From time to time, UPC Holding may also require cash in connection with (i) the repayment of outstanding debt (including the purchase or exchange of outstanding debt securities in the open market or privately-negotiated transactions and net repayments to LGE Financing pursuant to the shareholder loan), (ii) the funding of loans or distributions to LGE Financing (and ultimately LGI and other LGI subsidiaries), (iii) the satisfaction of contingent liabilities, (iv) acquisitions or (v) other investment opportunities.

Liquidity of Subsidiaries

The cash and cash equivalents of our significant subsidiaries are detailed in the table above. In addition to cash and cash equivalents, the primary sources of liquidity of our subsidiaries are cash provided by operations and, in the case of UPC Broadband Holding, borrowing availability under the UPC Broadband Holding Bank Facility. For the details of the borrowing availability under the UPC Broadband Holding Bank Facility at December 31, 2012, see note 8 to the December 31, 2012 Consolidated Financial Statements. Our subsidiaries' liquidity generally is used to fund capital expenditures and debt service requirements. From time to time, our subsidiaries may also require funding in connection with (i) acquisitions and other investment opportunities, (ii) loans to UPC Holding or other LGI subsidiaries or (iii) capital distributions to UPC Holding. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all. For information concerning the Aster Acquisition, see note 3 to the December 31, 2012 Consolidated Financial Statements.

For additional information concerning our consolidated capital expenditures and cash provided by operating activities, see the discussion under *Consolidated Cash Flow Statements* below.

Capitalization

We seek to maintain our debt at levels that provide for attractive equity returns without assuming undue risk. In this regard, we generally seek to cause our operating subsidiaries to maintain their debt at levels that result in a consolidated debt balance that is between four and five times our consolidated operating cash flow. However, the timing of our acquisitions and financing transactions may temporarily cause this ratio to exceed our targeted range. The ratio of our December 31, 2012 Senior Debt to our annualized EBITDA (last two quarters annualized) for UPC Holding was 3.64x. In addition, the ratio of our December 31, 2012 Total Debt to our annualized EBITDA (last two quarters annualized) was 4.66x, with each ratio defined and calculated in accordance with the UPC Broadband Holding Bank Facility.

When it is cost effective, we generally seek to match the denomination of the borrowings of our subsidiaries with the functional currency of the operations that are supporting the respective borrowings. As further discussed in note 5 to the December 31, 2012 Consolidated Financial Statements, we also use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in our and certain of our subsidiaries credit agreements and indentures is dependent primarily on our ability to maintain or increase the operating cash flow of our operating subsidiaries and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in our and UPC Broadband Holding's debt instruments. For example, if the operating cash flow of UPC Broadband Holding were to decline, we could be required to partially repay or limit our borrowings under the UPC Broadband Holding Bank Facility in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment. The ability to access available borrowings under the UPC Broadband Holding Bank Facility and/or our ability to complete additional financing transactions can also be impacted by the interplay of average and spot foreign currency rates with respect to leverage calculations under the indentures for UPC Holding's senior notes. At December 31, 2012, we and each of our borrowing subsidiaries were in compliance with our and our subsidiaries' debt covenants. In addition, we do not anticipate any instances of non-compliance with respect to our or our subsidiaries' debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

At December 31, 2012, our outstanding consolidated third-party debt and capital lease obligations aggregated €9,593.7 million, including €85.4 million that is classified as current in our consolidated balance sheet and €7,511.9 million that is due in 2017 or thereafter.

We believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our maturing debt grows in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete these refinancing transactions or otherwise extend our debt maturities. In this regard, it is difficult to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments will impact the credit and equity markets we access and our future financial position. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

With the exception of the UPC Holding Senior Notes, all of our consolidated third-party debt and capital lease obligations had been borrowed or incurred by our subsidiaries at December 31, 2012.

For additional information concerning our debt and capital lease obligations, see note 8 to the December 31, 2012 Consolidated Financial Statements.

Consolidated Cash Flow Statements

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

Consolidated Cash Flow Statement—2012 compared to 2011

Summary. The 2012 and 2011 consolidated cash flow statements are summarized as follows:

	Year ended December 31,		
	2012	2011	Change
		in millions	
Net cash provided by operating activities	€1,237.3	€ 1,149.8	€ 87.5
Net cash used by investing activities	(761.3)	(1,369.6)	608.3
Net cash provided (used) by financing activities	(551.2)	229.4	(780.6)
Effect of exchange rate changes on cash	7.0	(6.2)	13.2
Net increase (decrease) in cash and cash equivalents	€ (68.2)	€ 3.4	€ (71.6)

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

Investing Activities. The decrease in net cash used by our investing activities is primarily attributable to (i) a decrease in cash used of €561.8 million due to lower cash paid in connection with acquisitions, net of cash acquired, and (ii) a decrease in cash used of €57.8 million due to lower capital expenditures. Capital expenditures decreased from €781.6 million during 2011 to €723.8 million during 2012, due primarily to a net decrease in the local currency capital expenditures of our subsidiaries that was only partially offset by increases due to FX and acquisitions.

The capital expenditures that we report in our consolidated cash flow statements do not include (i) amounts that are financed under vendor financing or capital lease arrangements or (ii) purchased assets transferred to our company by another entity under the common control of LGI in exchange for non-cash increases to our shareholder loan or non-cash contributions from our parent (non-cash related-party capital additions). Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and in the case of vendor financing and capital lease arrangements, 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 non-cash related-party capital additions and amounts financed under vendor financing or capital lease arrangements, and (ii) our total property and equipment additions, which include changes in current liabilities associated with capital expenditures, non-cash related-party capital additions and amounts that are financed under vendor financing or capital lease arrangements. For additional information, see notes 7 and 8 to the December 31, 2012 Consolidated Financial Statements.

UPC Europe accounted for (i) €571.6 million and €663.6 million of our consolidated capital expenditures during 2012 and 2011, respectively, and (ii) €755.1 million and €741.1 million of our consolidated property and equipment additions during 2012 and 2011, respectively. The increase in UPC Europe's property and equipment additions is due primarily to the net effect of (i) an increase in expenditures for the purchase and installation of customer premises equipment, (ii) a decrease in expenditures for new build and upgrade projects to expand services, (iii) an increase in expenditures for support capital, such as information technology upgrades and general support systems, and (iv) an increase due to FX. During 2012 and 2011, UPC Europe's (a) capital expenditures represented 16.1% and 19.7% of its revenue, respectively, and (b) property and equipment additions represented 21.3% and 22.0% of its revenue, respectively.

VTR accounted for (i) €152.2 million and €118.0 million of our consolidated capital expenditures during 2012 and 2011, respectively, and (ii) €160.6 million and €132.1 million of our consolidated property and equipment additions during 2012 and 2011, respectively. The increase in the property and equipment additions of VTR is due primarily to the net effect of (i) an increase in expenditures for the purchase and installation of customer premises equipment, (ii) an increase in expenditures for new build and upgrade projects, (iii) an increase due to FX and (iv) a decrease in expenditures for support capital, such as information technology upgrades and general support systems. During 2012 and 2011, VTR's (a) capital expenditures represented 21.2% and 18.5% of its revenue, respectively, and (b) property and equipment additions represented 22.4% and 20.7% of its revenue, respectively.

We expect the percentage of revenue represented by our aggregate 2013 consolidated property and equipment additions to decline slightly as compared to 2012, with the 2013 percentage expected to range from (i) 21% to 23% for UPC Europe and (ii) 18% to 20% for VTR. The actual amount of our 2013 consolidated property and equipment additions and the 2013 property and equipment additions of UPC Europe and VTR may vary from expected amounts for a variety of reasons, including (i) changes in (a) the competitive or regulatory environment, (b) business plans or (c) our current or expected future operating results and (ii) the availability of sufficient capital. Accordingly, no assurance can be given that our actual property and equipment additions will not vary materially from our expectations.

Financing Activities. The decrease in net cash provided (used) by our financing activities is primarily attributable to the net effect of (i) a decrease in cash of €495.4 million related to higher net repayments of related-party debt, (ii) a decrease in cash of €329.9 million related to lower net borrowings of third-party debt, (iii) an increase in cash of €98.7 million related to changes in cash collateral and (iv) a decrease in cash of €61.0 million due to lower equity contributions from a related party.

Consolidated Cash Flow Statement—2011 compared to 2010

Summary. The 2011 and 2010 consolidated cash flow statements are summarized as follows:

	Year ended December 31, 2011	Year ended December 31, 2010	Change
	in millions		
Net cash provided by operating activities	€ 1,149.8	€1,162.8	€ (13.0)
Net cash used by investing activities	(1,369.6)	(801.7)	(567.9)
Net cash provided (used) by financing activities	229.4	(406.3)	635.7
Effect of exchange rate changes on cash	(6.2)	8.6	(14.8)
Net increase (decrease) in cash and cash equivalents	€ 3.4	€ (36.6)	€ 40.0

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

Investing Activities. The increase in net cash used by our investing activities is due primarily to the net effect of (i) an increase in cash used associated with higher cash paid in connection with acquisitions of €600.5 million and (ii) a decrease in cash used associated with lower capital expenditures of €14.4 million. Capital expenditures decreased from €796.0 million during 2010 to €781.6 million during 2011, due to a net decrease in the local currency capital expenditures of our subsidiaries, which was only partially offset by increases due to FX and acquisitions.

UPC Europe accounted for (i) €663.6 million and €659.3 million of our consolidated capital expenditures during 2011 and 2010, respectively, and (ii) €741.1 million and €670.8 million of our consolidated property and equipment additions during 2011 and 2010, respectively. The increase in UPC Europe's property and equipment additions is due primarily to (i) an increase in expenditures for new build and upgrade projects to expand services, (ii) an increase due to FX, (iii) an increase in expenditures for support capital, such as information technology upgrades and general support systems, and (iv) an increase in expenditures for the purchase and installation of customer premises equipment. During 2011 and 2010, UPC Europe's (a) capital expenditures represented 19.7% and 21.0% of its revenue, respectively, and (b) property and equipment additions represented 22.0% and 21.4% of its revenue, respectively.

VTR accounted for (i) €118.0 million and €136.7 million of our consolidated capital expenditures during 2011 and 2010, respectively, and (ii) €132.1 million and €131.6 million of our consolidated property and equipment additions during during 2011 and 2010, respectively. The increase in VTR's property and equipment additions is due primarily to the net effect of (i) a decrease in expenditures for the purchase and installation of customer premises equipment, (ii) an increase in expenditures for support capital, such as information technology upgrades and general support systems, (iii) an increase due to FX and (iv) an increase in expenditures for new build and upgrade projects. During 2011 and 2010, VTR's (a) capital expenditures represented 18.5% and 22.7% of its revenue, respectively, and (b) property and equipment additions represented 20.7% and 21.8% of its revenue, respectively.

Financing Activities. The increase in net cash provided (used) by our financing activities is due primarily to the net effect of (i) an increase in cash related to higher net borrowings of third-party debt of €881.2 million, (ii) a decrease in cash related to higher net repayments of the shareholder loan of €219.5 million and (iii) an increase in cash of €61.0 million due to higher equity contributions from a related party.

Off Balance Sheet Arrangements

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. We have also 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.

We are a party to various stockholder and similar agreements pursuant to which we could be required to make capital contributions to the entity in which we have invested or purchase another investor's interest. We do not expect any payments made under these provisions to be material in relation to our financial position or results of operations.

Contractual Commitments

As of December 31, 2012, the euro equivalents (based on December 31, 2012 exchange rates) of our consolidated contractual commitments are as follows:

	Payments due during:						
	2013	2014	2015	2016	2017	Thereafter	Total
	in millions						
Debt (excluding interest):							
Third-party	€ 83.1	€ —	€290.7	€1,701.6	€1,541.0	€ 6,001.9	€ 9,618.3
Related-party	—	—	—	—	—	8,727.5	8,727.5
Capital leases (excluding interest)	2.3	1.9	1.6	1.7	1.7	16.0	25.2
Operating leases	80.4	49.4	46.4	38.1	32.3	147.9	394.5
Programming obligations	76.5	34.9	32.7	32.0	31.6	—	207.7
Other commitments	229.8	50.8	41.0	27.5	19.6	39.9	408.6
Total (a)	€472.1	€137.0	€412.4	€1,800.9	€1,626.2	€14,933.2	€19,381.8
Projected cash interest payments on third-party debt and capital lease obligations (b)	€511.2	€578.7	€582.1	€ 588.8	€ 509.5	€ 1,254.0	€ 4,024.3

(a) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2012 balance sheet other than debt and capital lease obligations. Our liability for uncertain tax positions in the various jurisdictions in which we operate (€8.5 million at December 31, 2012) has been excluded from the table as the amount and timing of any related payments are not subject to reasonable estimation.

(b) Amounts are based on interest rates, interest payment dates and contractual maturities in effect as of 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, discounts or commitment fees, all of which affect our overall cost of borrowing. Amounts associated with related-party debt are excluded from the table.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. 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. In this regard, during 2012, 2011 and 2010, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €515.4 million, €467.0 million and €423.1 million, respectively.

Other commitments relate primarily to (i) satellite commitments associated with satellite carriage services provided to our company, (ii) unconditional purchase obligations associated with commitments to purchase customer premises and other equipment and services that are enforceable and legally binding on us, including €98.5 million related to related-party purchase obligations, and (iii) certain fixed minimum contractual commitments associated with our agreements with franchise or municipal authorities. Commitments arising from acquisition agreements are not reflected in the above table.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments pursuant to which we expect to make payments in future periods. For information concerning projected cash flows associated with these derivative instruments, see *Projected Cash Flows Associated with Derivatives* below. For information concerning our derivative instruments, including the net cash paid or received in connection with these instruments during 2012, 2011 and 2010, see note 5 to the December 31, 2012 Consolidated Financial Statements.

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

Projected Cash Flows Associated with Derivatives

The following table provides information regarding the projected cash flows associated with our derivative instruments. The euro equivalents presented below are based on interest rates and exchange rates that were in effect as of December 31, 2012. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. For additional information regarding our derivative instruments, see note 5 to the December 31, 2012 Consolidated Financial Statements.

	Payments (receipts) due during:						
	2013	2014	2015	2016	2017	Thereafter	Total
				in millions			
Projected derivative cash payments (receipts), net:							
Interest-related (a)	€222.8	€395.9	€61.3	€150.4	€ 24.1	€ 7.4	€ 861.9
Principal-related (b)	—	369.2	27.8	154.4	7.2	2.1	560.7
Other	0.4	—	—	(0.8)	(1.6)	(16.7)	(18.7)
Total	€223.2	€765.1	€89.1	€304.0	€ 29.7	€ (7.2)	€1,403.9

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

(b) Includes the principal-related cash flows of our cross-currency and cross-currency interest rate swap contracts.

Critical Accounting Policies, Judgments and Estimates

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

- Impairment of property and equipment and intangible assets (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 our significant accounting policies, see note 2 to the December 31, 2012 Consolidated Financial Statements.

Impairment of Property and Equipment and Intangible Assets

Carrying Value. The aggregate carrying value of our property and equipment and intangible assets (including goodwill) that were held for use comprised 89% of our total assets at December 31, 2012.

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

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

When required, considerable management judgment is necessary to estimate the fair value of reporting units and underlying long-lived and indefinite-lived assets. We typically determine fair value using an income-based approach (discounted cash flows) based on assumptions in our long-range business plans and, in some cases, a combination of an income-based approach and a market-based approach. With respect to our discounted cash flow analysis used in the income-based approach, the timing and amount of future cash flows under these business plans require estimates, among other items, of subscriber growth and retention rates, rates charged per product, expected gross margin and operating cash flow margins and expected capital expenditures. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. Our determination of the discount rate is based on a weighted average cost of capital approach, which uses a market participant's cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows. Based on the results of our 2012 qualitative assessment of our reporting unit carrying values, we determined that it was more likely than not that fair value exceeded carrying value for all but one small reporting unit. Upon our determination of the implied fair value of the goodwill and other long-lived assets of this reporting unit, we concluded that the goodwill and long-lived assets of this reporting unit were not impaired.

During 2012, 2011 and 2010, we recorded no impairments of our property and equipment and intangible assets (including goodwill).

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

Costs Associated with Construction and Installation Activities

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

The nature and amount of labor and other costs to be capitalized with respect to construction and installation activities involves significant judgment. In addition to direct external and internal labor and materials, we also capitalize other costs directly attributable to our construction and installation activities, including dispatch costs, quality-control costs, vehicle-related costs, and certain warehouse-related costs. The capitalization of these costs is based on time sheets, time studies, standard costs, call tracking systems and other verifiable means that directly link the costs incurred with the applicable capitalizable activity. We continuously monitor the appropriateness of our capitalization policies and update the policies when necessary to respond to changes in facts and circumstances, such as the development of new products and services, and changes in the manner that installations or construction activities are performed.

Useful Lives of Long-Lived Assets

We depreciate our property and equipment on a straight-line basis over the estimated economic useful life of the assets. The determination of the economic useful lives of property and equipment requires significant management judgment, based on factors such as the estimated physical lives of the assets, technological changes, changes in anticipated use, legal and economic factors, rebuild and equipment swap-out plans, and other factors. Our intangible assets with finite lives primarily consist of customer relationships. Customer relationship intangible assets are amortized on a straight-line basis over the estimated weighted average life of the customer relationships. The determination of the estimated useful life of customer relationship intangible assets requires significant management judgment, and is primarily based on historical and forecasted churn rates, adjusted when necessary for risk associated with demand, competition, technological changes and other economic factors. We regularly review whether changes to estimated useful lives are required in order to accurately reflect the economic use of our property and equipment and intangible assets with finite lives. Any changes to estimated useful lives are reflected prospectively. Depreciation and amortization expense during 2012, 2011 and 2010 was €1,037.3 million, €970.2 million and €974.0 million, respectively. A 10% increase in the aggregate amount of the depreciation and amortization expense during 2012 would have resulted in a €103.7 million or 10.2% decrease in our 2012 operating income.

Fair Value Measurements

U.S. GAAP provides guidance with respect to the recurring and nonrecurring fair value measurements and for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Recurring Valuations. We perform recurring fair value measurements with respect to our derivative instruments and fair value method investments, each of which are carried at fair value. We use cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments. We use quoted market prices when available and, when not available, we use a combination of an income approach (discounted cash flows) and a market approach (market multiples of similar businesses) to determine the fair value of our fair value method investments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments and fair value method investments, see note 6 to the December 31, 2012 Consolidated Financial Statements. See also notes 4 and 5 to the December 31, 2012 Consolidated Financial Statements for information concerning our fair value method investments and derivative instruments, respectively.

Changes in the fair values of our derivative instruments and fair value method investments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During 2012, 2011 and 2010, our results of operations included net losses of €559.5 million, €13.1 million and €813.3 million, respectively, attributable to changes in the fair values of these items.

As further described in note 6 to the December 31, 2012 Consolidated Financial Statements, actual amounts received or paid upon the settlement of our derivative instruments or disposal of our fair value method investments may differ materially from the recorded fair values at December 31, 2012.

Nonrecurring Valuations. Our nonrecurring valuations are primarily associated with (i) the application of acquisition accounting and (ii) impairment assessments, both of which require that we make fair value determinations as of the applicable valuation date. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, market comparables and discount rates, remaining useful lives of long-lived assets, replacement or reproduction costs of property and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. To assist us in making these fair value determinations, we may engage third-party valuation specialists. Our estimates in this area impact, among other items, the amount of depreciation and amortization, impairment charges and income tax expense or benefit that we report. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain. A significant portion of our long-lived assets were initially recorded through the application of acquisition accounting and all of our long-lived assets are subject to impairment assessments. For additional information, see notes 3, 6 and 7 to the December 31, 2012 Consolidated Financial Statements.

Income Tax Accounting

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

Net deferred tax assets are reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Establishing or reducing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. At December 31, 2012, the aggregate valuation allowance provided against deferred tax assets was €1,580.7 million. The actual amount of deferred income tax benefits realized in future periods will likely differ from the net deferred tax assets reflected in our December 31, 2012 balance sheet due to, among other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any of such factors could have a material effect on our current and deferred tax position as reported in our consolidated financial statements. A high degree of judgment is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we operate are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. The determination of whether the tax position meets the more-likely-than-not threshold requires a facts-based judgment using all information available. In a number of cases, we have concluded that the more-likely-than-not threshold is not met, and accordingly, the amount of tax benefit recognized in our consolidated financial statements is different than the amount taken or expected to be taken in our tax returns. As of December 31, 2012, the amount of unrecognized tax benefits for financial reporting purposes, but taken or expected to be taken on tax returns, was €17.9 million, of which €13.9 million would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

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

For additional information concerning our income taxes, see note 9 to the December 31, 2012 Consolidated Financial Statements.

BUSINESS

We provide video, broadband internet and telephony services in nine countries in Europe through UPC Europe and in Chile through our 80%-owned subsidiary VTR. In terms of video subscribers, we operate the largest cable network in each of Austria, the Czech Republic, Hungary, Ireland, Poland, Slovakia and Switzerland and the second largest cable network in the Netherlands and Romania. VTR is Chile's largest multi-channel television provider in terms of the number of video cable subscribers.

Provided below is an overview of our broadband communications services followed by country specific information. Unless otherwise indicated, the operational data provided below is as of December 31, 2012.

Residential Services

Video

Our cable operations offer a full range of video services, including basic and premium programming and incremental product and service offerings, such as high definition ("HD") channels, digital video recorder ("DVR"), HD DVR, an electronic programming guide and, in certain markets, video-on-demand ("VoD"). In several of our markets, we also have enhanced pay-per-view programming and/or programming in 3D format on channels we distribute and through VoD. To receive our digital services, a subscriber must either purchase or rent a set-top box, and obtain a conditional access security card, or a "smart card", from our operators. Neither a set-top box nor a smart card is required to receive basic digital television channels in our unencrypted footprints. Accordingly, where our basic digital television channels are unencrypted, subscribers who pay the monthly subscription fee for our analog package are able to also watch our basic digital television channels. The basic digital television channels in our entire footprints in Switzerland, Austria, Romania and the Czech Republic are unencrypted as of February 1, 2013. It is possible that we will decide to unencrypt the digital versions of our basic analog tier in additional markets in 2013 and future periods. Regardless of whether basic digital channels are offered on an unencrypted basis, expanded channel packages and premium channels and services continue to be available for an incremental monthly fee in all of our markets.

In some of our markets, in lieu of a set-top box, a subscriber may use a common interface plus ("CI+") in combination with a smart card to access our digital services. A CI+ is a small device that allows customers with CI+ enabled television set, which 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 required to receive our analog or unencrypted basic digital services.

Our cable operations generally offer two or three tiers of digital video programming and audio services. Subscribers to our basic digital video service pay a fixed monthly fee and generally receive at least 55 video channels and several audio services. In most of our markets, our basic digital service is at an incremental cost over the monthly fee for our basic analog service. For an additional monthly charge, a subscriber may upgrade to one of our extended digital tier services and receive an increased number of video channels, including the channels in the basic tier service. A limited number of HD channels are generally included in our basic tiers of service. Digital subscribers may also subscribe to one or more packages of premium channels, including additional HD channels. In all digital tiers of service, a subscriber also has the option for an incremental monthly charge to upgrade the digital set-top box to one with DVR or HD DVR capabilities, which may be rented or purchased. In certain of our operations, VoD services are available on a subscription basis or a transaction basis, depending on location and the tier of digital service selected by the subscriber.

In addition to our digital video services, we offer limited analog services in all of our broadband markets. Subscribers to our analog video service typically receive 18 to 67 channels of video service, depending on their location. Subscribers to our digital services also receive the channels available through our analog service. We offer in certain of our markets a lifeline tier with limited video channels. In Ireland and Slovakia, we offer a limited number of video channels through MMDS.

Discounts to our monthly service fees are available to any subscriber who selects a bundle of one or more of our services ("bundled services"): video, internet, telephony and, in certain markets, mobile telephony. Bundled services are referred to as "double-play" for two services, "triple-play" for three services and "quadruple-play" for four services.

We tailor our tiers of video services in each country of operation based on programming preferences, culture, demographics and local regulatory requirements. Our channel offerings include general entertainment, sports, movies, documentaries, lifestyles, news, adult, children and ethnic and foreign channels. In each of our markets, we also offer a variety of premium channel packages to meet the special interests of our subscribers. In all of our broadband operations we continue to upgrade our systems to expand our digital services and encourage our analog subscribers to convert to a digital service.

We offer digital video services through DTH satellite in the Czech Republic, Hungary, Romania and Slovakia. We offer these services through UPC DTH, a subsidiary of Liberty Global Europe organized in Luxembourg, which also has a management arrangement with another subsidiary, FocusSat Romania Srl ("FocusSat"), to provide these services in Romania. Similar to our video cable services, we offer a lifeline tier of service (excluding Romania), a basic video tier of service and, for an additional monthly charge, subscribers may upgrade to an extended tier of service and may subscribe to various premium channel packages.

Broadband Internet

We offer multiple tiers of broadband internet service in all of our broadband communications markets. Such service has maximum download speeds ranging from 100 Mbps to 150 Mbps for our ultra-high speed internet service. Our operations in Ireland, Poland and Romania offer a download speed of up to 150 Mbps. Our ultra high-speed internet service is based primarily on Euro DOCSIS 3.0 technology. In Switzerland, it is based on US DOCSIS 3.0 technology. We also offer value-added broadband services through certain of our operations for an incremental charge. These services include security and online storage solutions. As described under "*—Telephony*" below, we offer mobile broadband services in certain of our markets.

Our residential subscribers generally access the internet via cable modems connected to their personal computers at various speeds depending on the tier of service selected. This standard means of access is changing as we expand our services to offer wireless networks for the home, see "*—Technology*" below. In the Netherlands, Romania and Switzerland, a subscriber must subscribe to our video service in order to subscribe to our internet service. In our other markets, our broadband internet service is available on a stand-alone basis or in combination with one or more of our other services. Subscribers to our internet service pay a monthly fee based on the tier of service selected. We determine pricing for each different tier of internet service through analysis of speed, data limits, market conditions and other factors.

Telephony

Multi-feature telephony services are available through VoIP in all of our broadband communication markets. In Austria, Chile and Hungary, we also provide circuit-switched telephony services. We are also offering mobile services, both internet and voice, as a mobile virtual network operator ("MVNO") over third-party networks in Poland. In Chile, we began providing mobile services in May 2012 through our affiliate VTR Wireless SA. In addition, we plan to add MVNO arrangements in certain of our other broadband communication markets as a complement to our fixed-line telephony services.

Our telephony service may be selected on a stand-alone basis or in combination with one or more of our other services. Our telephony service includes a basic telephony product for line rental and various calling plans, which may consist of any of the following: unlimited network, national or international calling, unlimited off-peak calling and minute packages, including calls to fixed and mobile phones. In some of our markets, we also include legacy price plans. We also offer value-added services, such as a second phone line, a personal call manager, unified messaging and caller ID, at an incremental cost.

We offer mobile services using third party networks in Poland. In Poland, we provide mobile telephony service as a light MVNO, where we lease the core network as well as the radio access network from a mobile network operator. This arrangement permits our customers in Poland to have access to the third party mobile communications services and allows us to maintain customer relationships. We offer our mobile service throughout Poland. Subscribers pay varying monthly fees depending on whether the mobile service is included with our fixed-line telephony service or includes mobile data services via mobile phones or laptops. Calls within the network and calls out of network incur a charge or are covered under a post paid monthly service plan.

Business Services

In addition to our residential services, we offer a range of voice, broadband internet and data services to business customers in most of our service areas where our network is two-way capable. Our B2B services are designed with a wide variety of options to meet the specific demands of the business customer, including increased data transmission speeds and virtual private networks. Our business customers range from SOHO (generally fewer than 20 employees) to medium and large enterprises. All of our broadband operations offer B2B services and several of our operations also offer hosting services. In addition, certain of our operations offer their B2B services on a wholesale basis.

Our business services are provided to business subscribers at contractually established fees based on the size of the business, customer and type of services received. SOHO subscribers pay a premium price to receive enhanced service levels along with video, internet or telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. For medium to large enterprises, we enter into individual agreements that address their needs. These agreements are for a period of one or more years and cannot be terminated during the term of the agreement. In addition to providing B2B services over our networks, we also have agreements to provide these services to our B2B customers over dedicated fiber lines and third party fiber networks.

Technology

In almost all of our markets, our video, broadband internet and telephony services are transmitted over a hybrid fiber coaxial cable network. When upgraded, this network allows for two-way communications and is flexible enough to support our current services, as well as new services. In addition, the capacity available on our network increases as our analog subscribers switch to a digital service. This is because multiple digital channels can be compressed into the same space as one analog channel in the broadcast spectrum. The available space can then be used for other purposes such as VoD services and high broadband speeds.

We continue to explore new technologies that will enhance our customer's television experience, such as:

- recapturing bandwidth and optimizing our networks by increasing the number of nodes in our markets and using digital compression technologies;
- expanding our network to accommodate additional B2B services;
- using wireless technologies to extend our services outside the home;
- offering remote access to our video services through personal computers, tablets and smart phones; and
- offering a multimedia home gateway based on an internet protocol-based digital television-platform, which we refer to as "Horizon TV," that is capable of distributing video, voice and data content throughout the home and to multiple devices.

In September 2012 and January 2013, we launched Horizon TV in the Netherlands and Switzerland, respectively. 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, timeshifted, 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 offer applications for various services. We intend to expand the availability of Horizon TV to other markets within our footprint, with launches planned in Ireland during 2013 and in certain additional markets during 2014 and 2015.

Supply Sources

For our video services, we license most of our programming and on-demand offerings from broadcast and cable programming networks, as well as DTH content providers. For such licenses, we generally pay a monthly fee on a per channel or per subscriber basis. We generally enter into long-term programming licenses with volume discounts and marketing support. For on-demand programming, we generally enter into shorter-term agreements. We purchase each type of customer premises equipment from a number of different suppliers. Customer premises equipment includes set-top boxes, DVRs, tuners and similar devices. For each type of equipment, we retain specialists to provide customer support.

We license software products, including email and security software, and content, such as news feeds, from several suppliers for our internet services. The agreements for these products require us to pay on a per subscriber basis for software licenses and a share of advertising revenue for content licenses. For our telephony services, we license software products, such as voice mail and caller ID, from a variety of suppliers. For these licenses we attempt to enter into long-term contracts, which generally require us to pay based on usage of the services.

The following table presents certain penetration and network data as of December 31, 2012, with respect to the cable systems of our consolidated subsidiaries in Europe and Chile. The table reflects 100% of the data applicable to each of our subsidiaries regardless of our ownership percentage. Percentages are rounded to the nearest whole number.

	Netherlands	Switzerland	Austria	Ireland	Poland	Hungary	Czech Republic	Romania	Slovakia	Chile
UPC Holding Network Data:										
Two-way homes passed (HP) percentage (1)	99	88	99	85	95	99	92	82	94	81
Digital video availability percentage (2)	99	87 (9)	96	97	96	96	92	88	91	81
Broadband internet availability percentage	100	88 (9)	99	85	95	99	92	82	88	81
Fixed-line telephony availability percentage (2)	100	90 (9)	96	83	95	99	92	79	87	81
Bandwidth percentage (3):										
at least 860 MHz	100	96	89	54	99	16	93	84	96	35
750 MHz to 859 MHz	—	— (10)	—	28	— (10)	55	—	2	—	50
Less than 750 MHz	—	4	11	18	— (10)	29	7	14	4	15
UPC Holding Product Penetration:										
Cable television penetration (4)	61	70	41	46	49	42	36	41	42	33
Digital cable penetration (5)	62	42	63	84	58	52	84	50	59	82
HD, DVR & HD DVR penetration (6)	68	89	60	76	87	45	35	99	18	32
Broadband internet penetration (7)	36	26	38	41	34	32	36	19	24	35
Fixed telephony penetration (7):	33	18	30	33	18	26	16	14	14	29
Double-play penetration (8):	9	16	19	24	24	25	39	22	11	21
Triple-play penetration (8):	52	25	36	30	27	34	17	21	24	46

(1) Percentage of total HP that are two-way HP.
(2) Percentage of total HP to which digital video (including digital MMDS), broadband internet or fixed telephony services, as applicable, are made available.
(3) Percentage of total HP served by a network with the indicated bandwith. HP for Ireland excludes MMDS HP.
(4) Percentage of total HP that subscribe to cable television services (Analog Cable or Digital Cable).
(5) Percentage of cable television subscribers (Analog Cable and Digital Cable Subscribers) that are Digital Cable Subscribers.
(6) Percentage of Digital Cable Subscribers with HD, DVR or HD DVR. This percentage would not include 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 due to the fact that our basic digital cable channels are not encrypted in certain portions of our footprint.

(7) Percentage of Internet Homes Serviceable and Telephony Homes Serviceable that subscribe to broadband internet or fixed-telephony services, as applicable.
(8) Percentage of total customers that subscribe to two services (double-play customers) or three services (triple-play customers) offered by our operations (video, broadband internet and fixed-line telephony).
(9) Assuming the contractual right to serve the building exists in the case of multiple dwelling units.
(10) Less than 1%.

The following table provides information on the products and services available to our cable customers. Percentages are rounded to the nearest whole number.

	Video, Broadband Internet & Telephony Services at December 31, 2012									
	Netherlands	Switzerland	Austria	Ireland	Poland	Hungary	Czech Republic	Romania	Slovakia	Chile
Video services (excluding DTH):										
VoD	X	X	X	X	X	X				X
DVR	X	X	X	X	X	X	X	X	X	X
HD	X	X	X	X	X	X	X	X	X	X
Electronic programming guide	X	X	X	X	X	X	X	X	X	X
Number of channels in basic digital tier	69	55	83	57	151	71	92	128	87	83
Number of channels in basic analog tier (1)	32	36	38	18	45	30	41	59	48	67
Number of unique channels in basic digital tier (2)	37	18	45	39	106	43	72	59	36	16
Number of HD channels	29	35	35	35	35	15	18	18	14	25
Broadband internet service:										
Maximum download speed offered (Mbps)	120	100	100	150	150	120	120	150	120	120
Percentage of Internet Homes serviceable with 3.0 speeds of at least 100 Mbps (3)	99	98	92	91	100	92	97	100	97	100
Telephony service:										
VoIP	X	X	X	X	X	X	X	X	X	X
Mobile (4)	X				X	X				X

(1) Excludes the lifeline tier.
(2) Excludes the channels that are also included in basic analog tier.
(3) Percentage of total two-way HP to which broadband internet service with download speeds of 100 Mbps or greater is available.
(4) With the exception of VTR's arrangement with our affiliate VTR Wireless, we offer our mobile services as MVNOs.

Operations

Provided below is country-specific information with respect to the broadband communications and DTH services of our subsidiaries.

UPC Europe

The Netherlands

UPC Europe's operations in the Netherlands ("UPC Netherlands") are located in six broad regional clusters, including the major cities of Amsterdam and Rotterdam. UPC Netherlands offers video, internet and fixed telephony throughout its footprint. For information regarding UPC Netherlands' obligation to resell its television services pursuant to laws that became effective January 1, 2013, see *"Regulatory Matters—The Netherlands"* below.

UPC Netherlands' VoD service, including catch-up television, is available to subscribers to its digital tiers on a transaction basis. A subscription-based VoD service is included in the extended digital tier for no additional charge. The subscription-based VoD service includes various programming, such as catch-up television, music, kids, documentaries, adult, sports or series and a limited amount of 3D programming. Digital cable customers may also subscribe to premium channels, such as Film 1, Sport 1 NL and the premium football league channel, Eredivisie Live, alone or in combination, for additional monthly charges. In September 2012, UPC Netherlands launched Horizon TV and at December 31, 2012, it had over 80,000 connected subscribers. In addition to Horizon TV, UPC Netherlands offers an application that allows its subscribers to record a program remotely through an iPhone or iPad mobile digital device or an internet browser. UPC Netherlands also offers a CI+ module for an incremental monthly charge. A CI+ module in combination with a smart card allows the customer to view their full digital video service on a second television that has a CI+ slot, without the need for a set-top box.

In April 2010, Ziggo 4 BV, a joint venture between UPC Netherlands and Ziggo BV (the largest cable operator in the Netherlands), acquired licenses in the 2.6 GHz spectrum bands. This band is suited for long-term evolution wireless service, the next generation of ultra high-speed mobile data ("LTE").

Switzerland

UPC Europe's operations in Switzerland ("UPC Cablecom") are located in 24 of the 26 member states (Cantons) of Switzerland, including major cities such as Bern, Zürich, Lausanne and Geneva. UPC Cablecom's basic video service (digital or analog) is available in any one of three languages (French, German or Italian). In addition to its video, broadband internet and telephony services, UPC Cablecom has entered into a partnership with a mobile communications provider, which will allow it to offer mobile service as a full MVNO and market quadruple-play packages. UPC Cablecom plans to offer such service in 2013.

In each of its digital cable packages, UPC Cablecom includes the functionality for transaction-based VoD service (depending on location), including catch-up television and pay-per-view services, and HD channels. UPC Cablecom offers a CI+ module to its customers. Until November 2012, a customer purchasing the CI+ module together with a smart card could, for a one-time fee, view UPC Cablecom's digital entry tier service without an additional monthly charge. Commencing November 1, 2012, no set-top box, CI+ module or smart card is, however, required to receive UPC Cablecom's basic digital service because its basic digital service is no longer encrypted. The unencrypting of the basic digital service was part of an agreement with the Swiss Price Regulator that also provided for other changes in services and rate increases. For information on this agreement, see the discussion in *"Regulatory Matters—Switzerland."* A CI+ module or set-top box in combination with a smart card may be used to view any of UPC Cablecom's other digital packages with the customer paying the incremental charge over the digital entry tier's applicable rate.

For 65% of its video subscribers, UPC Cablecom maintains billing relationships with landlords or housing associations, which typically provide basic video service for an entire building and do not terminate service each time there is a change of tenant in the landlord's or housing association's premises.

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

Other Western Europe

UPC Europe also operates cable and DSL networks in Austria ("UPC Austria") and cable and MMDS networks in Ireland ("UPC Ireland"). The DSL services are provided over an unbundled loop or, in certain cases, over a shared access network. UPC Austria's DSL operations are available in the majority of Austria, wherever the incumbent telecommunications operator has implemented DSL technology.

- *Austria*. UPC Austria's cable operations are located in regional clusters encompassing the capital city of Vienna, the regional capitals of Graz, Innsbruck, Klagenfurt and Vorarlberg, and two smaller cities. Three of these cities (Vienna, Wr. Neustadt and Baden), directly or indirectly, own 5% of the local operating subsidiary of UPC Austria serving the applicable city. UPC Austria's video service (digital and analog) is available primarily in the German language. Its premium packages include ethnic channels (such as Serb, Bosnian and Turkish channels), music, adult and international channels. In addition, through an agreement with Sky Deutschland AG, UPC Austria offers its digital subscribers a number of premium channels, including HD channels, from Sky Deutschland AG. UPC Austria offers its broadband internet service over cable and over DSL.

- *Ireland*. UPC Ireland's operations are located in five regional clusters, including the capital city of Dublin and other cities, including Cork, Galway and Limerick. In its extended tiers of service for digital video, UPC Ireland includes two premium channels (both ESPN sports channels) for no additional charge. To complement its digital offering, UPC Ireland also offers its digital subscribers several premium channels (sports, movies, adult, ethnic and kids) and a pay-per-view service and, in 2012, introduced VoD service. UPC Ireland also offers an application that allows a subscriber to record a program remotely through a web-connected device such as a personal computer or mobile phone.

Central and Eastern Europe

UPC Europe also operates cable networks in the Czech Republic ("UPC Czech"), Hungary ("UPC Hungary"), Poland ("UPC Poland"), Romania ("UPC Romania"), and Slovakia ("UPC Slovakia"). VoD service, including catch-up television, is available to our subscribers in Hungary and in major metropolitan areas in Poland. UPC Europe also has DTH operations in certain of these countries, which it provides through UPC DTH.

- *Czech Republic*. UPC Czech's operations are located in cities and towns throughout the Czech Republic, including Prague, Brno, Ostrava, Plzen and Liberec. Subscribers to UPC Czech's digital video service may also receive such service through a CI+ module in combination with a smartcard without the need of a set-top box. UPC Czech offers a lifeline tier and basic tier of digital programming, as well as extended tiers and premium packages. Approximately 54% of UPC Czech's digital cable subscribers receive the lifeline service. UPC Czech's analog service is offered only in areas where its digital service is not available.

- *Hungary.* UPC Hungary's operations are located in 23 major Hungarian towns and cities, including the capital city of Budapest and the cities of Debrecen, Miskolc, Pécs and Székesfehérvár. For its digital video subscribers, UPC Hungary offers a CI+ module, which in combination with a smart card, allows the subscriber to view the digital service without the need for a set-top box. In each of its digital cable packages, UPC Hungary includes the functionality for transaction based VoD services, which include various programming such as recent movies, music and 3D programming. UPC Hungary offers its telephony services through circuit-switched telephony to subscribers on its twisted copper pair network and through VoIP over its two-way capable cable network.

- *Poland.* UPC Poland's operations are located in regional clusters encompassing eight of the 10 largest cities in Poland, including the capital city Warsaw, Krakow and Katowice. In addition to its digital and analog services, UPC Poland offers a lifeline tier of analog service. Approximately 56% of UPC Poland's analog cable subscribers receive the lifeline service. UPC Poland also offers an application that allows users to record a program remotely through a web-connected device, such as a personal computer or mobile phone.

- *Romania.* UPC Romania's operations are located primarily in two regional clusters, which include nine of the 12 largest cities (each with more than 150,000 inhabitants) in Romania, including the capital city of Bucharest and the cities of Cluj-Napoca, Timisoara, Iasi and Constanta. UPC Romania's video service includes Romanian terrestrial broadcast channels, selected European satellite programming and other programming. In addition to its standard broadband internet service offerings, UPC Romania also offers a 256 Kbps service at no incremental charge as an inducement for customers to subscribe to bundled services.

- *Slovakia.* UPC Slovakia's operations are located in seven regions in Slovakia, including the five largest cities of Bratislava, Kosice, Presov, Banská Bystrica and Zilina. Besides its video cable services, UPC Slovakia offers video services in certain areas over its MMDS network. UPC Slovakia offers all Slovakian terrestrial, cable and local channels, selected European satellite and other programming, and audio channels. Subscribers to UPC Slovakia's digital video services may receive such service through a CI+ module in combination with a smartcard without the need of a set-top box. UPC Slovakia's analog service, which is not available to its MMDS subscribers, includes a lifeline tier of service. Of UPC Slovakia's analog cable subscribers, approximately 50% subscribe to the lifeline analog service.
- *UPC DTH.* UPC DTH provides DTH services in the countries of the Czech Republic, Hungary and Slovakia and manages the Romania DTH provider FocusSat. UPC DTH and FocusSat together provide DTH services to over 700,000 customers. UPC DTH offers a lifeline tier and also offers directly or through FocusSat, a basic tier, an extended tier and premium channel options, as well as over 40 free-to-air ("FTA") television and audio channels. A subscriber to its basic tier may receive 50 to 73 digital video channels depending on their location. Its premium channel offerings cover a range of interests (such as movies, adventure, sports, adult and comedy). DVRs are also available and a subscriber to the extended tier will receive six to 13 HD channels depending on their location. Subscribers to the DTH services may pay either an annual fee and receive an activation card for the lifeline tier of video service or pay a monthly fee for a basic or extended tier of service. UPC DTH provides DTH services to 17% of our total video subscribers in the Czech Republic, 28% of our total video subscribers in Hungary, 21% of our total video subscribers in Slovakia and, through FocusSat, 27% of our total video subscribers in Romania.

  UPC DTH and FocusSat have agreements with Telenor Satellite Broadcasting for the lease of transponder space, including expansion capacity, on the Thor satellites. These agreements will expire on December 31, 2017, unless extended as provided in such agreements. All of UPC DTH services are on the Thor satellite system. UPC DTH offers both standard definition and HD services to all its customers in Hungary, the Czech Republic, Slovakia and, through FocusSat, in Romania.

Chile

Our broadband distribution business in Chile is conducted primarily through UPC Holding's 80%-owned subsidiary VTR. We have a shareholders' agreement with Comm Corp S.A., our partner in VTR.

VTR provides video, broadband internet and fixed telephony services in 64 cities, including Santiago, Chile's largest city, the large regional cities of Iquique, Antofagasta, Concepción, Viña del Mar, Valparaiso and Rancagua, and smaller cities across Chile. VTR obtains programming from the United States, Europe, Argentina and Mexico. There is also domestic cable programming in Chile, based on local events such as football (soccer) matches and regional content. Digital cable customers may subscribe to one or more premium video channels, including HD channels for an additional monthly charge. The premium channels include movies, sports, kids, international and adult channels. VTR's analog service is offered only in areas where its digital service is not available.

VTR offers its broadband internet services in 32 communities within Santiago and 41 communities outside Santiago. VTR also offers multi-feature telephony service over its cable network to customers in 32 communities within Santiago and 41 communities outside Santiago via either circuit-switched telephony or VoIP, depending on location.

Through an agreement with its affiliate VTR Wireless, VTR also offers a mobile service as part of its bundle offerings commencing in May 2012.

Competition

The markets for video, broadband internet and telephony services are highly competitive and rapidly evolving. Consequently, our businesses have faced and are expected to continue to face significant competition in these markets in the countries in which they operate and specifically, as a result of deregulation, in the EU. The percentage information, including our operations, provided below for the various countries in Europe is based on information from the subscription based website DataXis for the third quarter of 2012, and for Chile is based on information from DataXis for the third quarter of 2012 and information on Chilean telephony provided by the Chilean Subsecretary of Telecommunications ("SubTel") as of September 30, 2012. The competition in certain countries in which we operate is described more specifically after the respective competition overview on video, broadband internet and telephony.

Broadband Communications

Video Distribution

Our businesses compete directly with a wide range of providers of communication and entertainment services to consumers. Depending upon the country and market, these may include: (1) traditional FTA broadcast television services; (2) DTH satellite service providers; (3) digital terrestrial television ("DTT") broadcasters, which transmit digital signals over the air providing a greater number of channels and better quality than traditional analog broadcasting; (4) other cable operators in the same communities that we serve; (5) other fixed-line telecommunications carriers and broadband providers, including the incumbent telephony operators, offering (a) DTH satellite services, (b) internet protocol television ("IPTV") through broadband internet connections using DSL, asymmetric digital subscriber line ("ADSL") or very high-speed DSL technology (which we refer to as "DSL-TV"), or (c) IPTV over fiber optic lines of fiber-to-the-building and fiber-to-the-node networks (fiber-to-the-home/-building/-node is referred to as "FTTx"); (6) over-the-top video content aggregators utilizing our or our competitors' high-speed internet connections; (7) satellite master antenna television systems, commonly known as "SMATVs", which generally serve condominiums, apartment and office complexes and residential developments; (8) MMDS operators; and (9) movie theaters, video stores, video websites and home video products. Our businesses also compete to varying degrees with other sources of information and entertainment, such as online entertainment, newspapers, magazines, books, live entertainment/ concerts and sporting events.

Europe. In the European countries in which we operate, over 92% of the households own at least one television set. Our principal competition in the provision of video services in our European markets has historically been from traditional FTA broadcasters; DTH satellite providers in many markets, such as Austria, the Czech Republic, Ireland and Slovakia, where we compete with long-established satellite platforms; and cable operators in various markets where portions of our systems have been overbuilt. Mobile broadband has gained a noticeable share of subscribers, and competition from SMATV or MMDS could also be a factor. In addition, as accessibility to video content on the internet increases, over-the-top viewing is becoming a competitive factor. Our operations in Hungary, Romania and Slovakia are significantly overbuilt by other cable operators. Based on research of various telecommunication publications, including the Organization for Economic Cooperation and Development, and internal estimates, approximately 51%, 31% and 46% of our operations in Hungary, Romania and Slovakia, respectively, are overbuilt by other cable providers. In Poland, approximately 41% of our operations are overbuilt by other cable providers. In all of these areas competition is particularly intense.

Over the last several years, competition has increased significantly from both new entrants and established competitors using advanced technologies, aggressively priced services and exclusive channel offerings. DTT is a significant part of the competitive market in Europe as a result of a number of different business models that range from full blown encrypted pay television to FTA television. Similarly DSL-TV, which is either provided directly by the owner of the network or by a third party, is a significant part of the competitive environment in many of our markets and FTTx networks are also becoming more prevalent. The number of providers of DTH satellite services has grown, particularly in the Central and Eastern European markets. Our ability to continue to attract and retain customers will depend on our continued ability to acquire appealing program content and third party programming services on acceptable financial or other terms. Some competitors, such as British Sky Broadcasting Group plc in Ireland and Swisscom AG ("Swisscom") in Switzerland, have obtained long-term exclusive contracts for certain popular programs, which limits the opportunities for other providers, including our operations, to offer such programs. If exclusive content offerings increase through other providers, programming options could be a deciding factor for subscribers on selecting a video service.

Portions of our systems have been overbuilt by FTTx networks, primarily in the Czech Republic, Romania and Slovakia and to a lesser extent, in Hungary, the Netherlands and Switzerland. Based on research of various telecommunication publications, including by the Organization for Economic Cooperation and Development, and internal estimates, approximately 55%, 56% and 68% of our cable networks in the Czech Republic, Romania and Slovakia, respectively, have been overbuilt by FTTx networks. Also, 12% of our footprint in Hungary, 26% of our footprint in the Netherlands and 25% of our footprint in Switzerland are overbuilt by FTTx networks. In addition, there continues to be a willingness by government and quasi-government entities in Europe to invest in such networks, creating another source of competition.

In most of our Central and Eastern European markets, we are also experiencing significant competition from Digi TV, the DTH platform of RCS & RDS S.A. ("Digi TV"), a Romanian cable, telephony and internet service provider that is targeting our analog cable, MMDS and DTH customers with aggressively priced DTH packages, in addition to overbuilding portions of our cable network in Hungary, Romania and Slovakia. In the Czech

Republic and Slovakia, SkyLink and CSLink, the brand names of M7 Group SA, a European provider of DTH services, are also aggressive DTH competitors, providing a substantial package of video content for a one-time upfront fee and premium services, including a rich HD offering, for an additional fee. The incumbent telecommunications operator in Romania also operates a competing DTH platform. UPC DTH offers advanced services and functionality, including DVR and premium content, to most of our Central and Eastern Europe markets. UPC DTH's share of the subscription-based television market is 7% for Hungary, 3% for the Czech Republic, 3% for Slovakia, and through FocusSat, 6% for Romania.

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

To meet the challenges in this competitive environment, we tailor our packages in each country in line with one or more of three general strategies: attractive channel offerings, recurring discounts for bundled services and loyalty contracts. Discounts for bundled services are available in all our Europe operations. In addition, we seek to compete by accelerating the migration of our customers from analog to digital services, using advanced digital features such as HD, DVRs, VoD, catch-up television and offering attractive content packages and bundles of services at reasonable prices. HD and DVRs are an integral part of our digital services in all of our markets and VoD and catch-up television are an integral part of our digital services in most of our markets. In addition, from time to time, digital channel offerings are modified by our operations to improve the quality of our programming. Also, in Europe, the triple-play bundle is used as a means of driving video, as well as other products where convenience and price can be leveraged across the portfolio of services. Recently, we have expanded our services in certain markets to include mobile voice and data. We also continue to explore new technologies that will enhance our customers' television experience. In this regard, to further enhance our digital video services, Horizon TV was launched in the Netherlands in September 2012 and in Switzerland in January 2013.

The Netherlands. We are the second largest cable television provider in the Netherlands based on the number of video cable subscribers. UPC Netherlands' video cable services are available to approximately 38% of the television households in the Netherlands and it serves approximately 24% of the total television market. Competition from the DTT and DSL-TV services offered by the incumbent telecommunications provider, Royal KPN NV ("KPN"), is strong with KPN providing subscription video services to approximately 21% of the total television households. KPN is the majority owner of the Netherlands DTT service, Digitenne. It also offers a DSL-TV service that includes VoD and DVR functionality. In addition, the FTTx networks of Reggefiber TTH Company Ltd. (a subsidiary of KPN) are a competitive factor in a number of cities. Future expansion of these networks is expected within our service area as Reggefiber TTH Company Ltd has announced plans to reach three million of the households in the Netherlands by year-end 2016. With its ability to offer bundled triple-play and quadruple-play services, KPN is a significant competitor. KPN targets our customers with attractive offers for its IPTV services and its triple-play and quadruple-play bundles.

To enhance its competitive position, UPC Netherlands launched Horizon TV, giving subscribers more options and an enhanced television experience. This service, together with its VoD service and DVR functionality, allow UPC Netherlands subscribers to personalize their programming. UPC Netherlands also gives its subscribers the ability to watch linear and VoD programming through a second screen application and to record programs remotely. UPC Netherlands continues to improve the quality of its programming through the type of programs available. In 2012, UPC Netherlands realigned its channel packages and expanded its VoD portfolio, as well as realigned its bundle options from which subscribers can select various combinations of services, including high-speed internet and telephony options, to meet their needs. Such realignment included increasing the broadband internet speed to 60 Mbps for its mass market bundle. Promotional discounts are also available.

Switzerland. We are the largest cable television provider in Switzerland based on the number of video cable subscribers and the sole provider in substantially all of our network area. UPC Cablecom's video cable services are available to approximately 65% of the television households in Switzerland and it serves approximately 46% of the total television market. Due to a small Swiss program offering, competition from terrestrial television in Switzerland is limited, with DTT available primarily along the borders with France and Italy. DTH satellite services are also limited due to various legal restrictions such as construction and zoning regulations or rental agreements that prohibit or impede installation of satellite dishes. Our main competitor is Swisscom, the incumbent telecommunications operator, which provides IPTV services over DSL or FTTx networks to approximately 22% of all television households in Switzerland. Swisscom offers VoD services, DVR functionality, HD channels, as well as the functionality to allow remote access to it video services, and has exclusive rights to distribute certain sports programming. Swisscom is aggressively expanding its FTTx network with plans to reach about 80% of Switzerland households by 2020. With respect to subscribers on partner networks, UPC Cablecom competes with other service providers for the contracts to serve these subscribers. To effectively compete, UPC Cablecom's basic digital service includes 2 Mbps internet service and it recently launched Horizon TV, which combines television, internet and telephony on one device. UPC Cablecom also has a broad range of program options and realigned its bundles to include Horizon TV.

Other Western Europe. In Austria, we are the largest cable television provider based on the number of video cable subscribers. UPC Austria's video cable service is available to approximately 35% of the television households in Austria and it serves approximately 14% of the total television market. UPC Austria's primary competition is from FTA television received via satellite. Approximately 46% of the Austrian television households receive only FTA television. Competition from the DSL-TV services provided by the incumbent telecommunications operator, Telekom Austria AG (A1) ("Telekom Austria"), and from DTH satellite services offered by Sky Deutschland AG also continue to increase. Telekom Austria offers its DSL-TV service, which includes advanced features, such as VoD, at a heavy discount to the video cable subscription price within the market. It also offers competitively priced bundles. In addition, Telekom Austria has launched an FTTx network in parts of our footprint. To stay competitive, UPC Austria will begin offering its basic digital service unencrypted in February 2013 and continues to improve the quality of its program offerings, including programs from Sky Deutschland. UPC Austria includes these services in its bundles, which it realigned in 2012 to include increased internet speeds. Many bundles are offered at a discount when subscribers select the services for twelve or more months.

UPC Ireland is the sole provider of video cable services in Ireland. UPC Ireland's video cable service is available to approximately 53% of the television households in Ireland and it serves approximately 25% of the total television market. UPC Ireland's primary competition for video customers is from British Sky Broadcasting Group plc, which provides DTH satellite services to 39% of the television households in Ireland and is expected to launch triple-play services in 2013. We also face potential competition from smaller video providers, including providers using FTTx networks. Although DTT is now available in most of Ireland, primarily through Ireland's national public broadcaster, Raidió Teilifís Éireann, competition is limited due to its small programming offering. To enhance its competitive position, UPC Ireland continues to expand its channel offerings, including its launch of 21 new HD channels, the addition of VoD service (including catch- up television), and certain popular premium channels at no additional charge. It also offers an application for its subscribers to record programs remotely via the internet. It uses its broadband internet download speeds to market it various bundled services. In addition, UPC Ireland plans to launch Horizon TV in 2013.

Central and Eastern Europe. We are the largest cable television provider in Poland based on the number of video cable subscribers. UPC Poland's video cable services are available to approximately 18% of the television households in Poland and it serves approximately 9% of the total television market. In providing video services, UPC Poland competes primarily with DTH service providers, including the largest DTH provider, Cyfrowy Polsat SA. Cyfrowy Polsat SA serves approximately 24% of the television households in Poland. Cyfrowy Polsat SA also offers a mobile broadband service and in 2012 launched a mobile television service. With their December 2012 merger, another significant DTH service provider is the combined companies of Canal+ Cyfrowy SA and TVN Group (to be branded nc+), which serves approximately 17% of the television households in Poland. The DTH service provider Orange Poland, an indirect subsidiary of France Telecom S.A., is another significant competitor. Orange Poland also offers IPTV and a mobile broadband service. In addition, UPC Poland competes with other cable operators with triple-play services, who have overbuilt portions of UPC Poland's operations and are aggressively promoting triple-play bundles. To enhance its competitive position, UPC Poland enhanced its video offers with additional HD channels. It also uses its broadband internet download speeds to market its bundled services and provides customers the ability to record programs remotely via the internet. In addition, it offers mobile service for a quadruple-play. Promotional discounts are available, including discounts to bundled prices for subscribers who select bundled services for a period of at least 24 months.

UPC Hungary's video cable service is available to approximately 38% of the television households in Hungary and it serves approximately 16% of the total television market. Our subsidiary, UPC DTH, also provides satellite services in Hungary, in competition with other DTH providers. One of these, Digi TV, is an aggressive competitor. Digi TV's DTH services can reach up to 100% of our DTH and cable service areas and it has overbuilt approximately half of UPC Hungary's cable service areas with its own cable network. Digi TV is targeting UPC Hungary's video cable subscribers and UPC DTH's subscribers with low-priced triple-play packages. To meet the competition, UPC Hungary has an aggressive price plan and targeted bundle offers for the areas in which Digi TV is operating its cable service. UPC Hungary also faces competition from the incumbent telecommunications company Magyar Telekom, a subsidiary of Deutsche Telekom. Magyar Telekom offers a DSL-TV service, including a VoD service, to its internet subscribers and triple-play and, with mobile, quadruple-play packages, as well as a DTH service with bundled options. Both Magyar Telekom and DigiTV also provide IPTV services over FTTx networks. To meet such competition, UPC Hungary emphasizes its competitively priced bundles, including discounts for subscribers who select services for either one or two years. It also offers DVR functionality and HD and VoD services. Of the television households in Hungary, approximately 9% subscribe to Digi TV's DTH service, approximately 10% subscribe to Digi TV's cable service and approximately 15% subscribe to Magyar Telekom's DTH or DSL-TV service. UPC DTH serves approximately 6% of the television households in Hungary with its DTH service.

With the discontinuation of FTA analog services in the Czech Republic and Slovakia, DTH services have increased significantly in popularity with M7 Group SA (SkyLink and CSLink) being the main provider. This company provides DTH services to approximately 49% and 34% of the television households in the Czech Republic and Slovakia, respectively. As in Hungary, Digi TV is also an aggressive competitor in Romania, the Czech Republic and Slovakia. Digi TV provides DTH services to approximately 7%, 4% and 10% of the television households in Romania, the Czech Republic and Slovakia, respectively. UPC DTH provides DTH services to approximately 4%, 2% and 2% of the television households in Romania, the Czech Republic and Slovakia, respectively. UPC DTH offers a prepaid product, through FocusSat, in Romania. In Romania, competition also comes from DTH services offered by Rom Telecom SA, the incumbent telecommunications company, as well as alternative distributors of television signals.

Of the television households in Romania, Czech Republic and Slovakia, 11%, 11% and 9%, respectively, subscribe to our video cable service. Our cable services are available to the television households in each of these countries as follows: 27% in Romania, 31% in the Czech Republic and 22% in Slovakia. In addition to its DTH services, Digi TV continues to overbuild portions of our cable network with its own cable network and expanded its channel offerings in 2012. Of the television households in Romania, 22% subscribe to Digi TV's cable service. UPC Czech Republic competes with the incumbent telephone company's DSL-TV service and several other operators that provide DTH services and a number of local internet service providers ("ISP") that provide IPTV services over FTTx networks. Providers of IPTV services over FTTx networks can reach approximately 55% of the households passed by our cable network in the Czech Republic. In Slovakia, a number of ISPs make video services available to a majority of the homes passed by our cable networks. In particular, Slovak Telekom a.s., a subsidiary of Deutsche Telekom, and Orange Slovensko a.s., a subsidiary of France Telecom S.A., have overbuilt homes passed by our cable network with their FTTx networks and offer triple-play packages through these networks. FTA broadcasters are also significant competitors in the Czech Republic and in Slovakia.

In Central and Eastern Europe, competition from DTT providers has also increased significantly. Subscribers in these countries tend to be more price sensitive than in other European markets. In particular, almost 100% of the Czech Republic can receive DTT or satellite services for free. This makes the market for television subscribers in the Czech Republic extremely competitive with price often the deciding factor. To address such sensitivity and meet competition, our operations in Central and Eastern Europe offer a variety of bundled service packages and enhanced digital services, such as expanded VoD services, HD channel offerings and certain premium channels at no additional charge. Promotional discounts are available, particularly on bundled options. Also, CI+ cards for DTH only products are available in the Czech Republic and Slovakia.

Latin America—Chile. In Chile, we are the largest cable television provider based on number of video cable subscribers. VTR's video cable services are available to approximately 60% of the Chilean television households and it serves approximately 20% of the total television market in Chile. VTR competes primarily with DTH service providers in Chile, including the incumbent Chilean telecommunications operator Compañia de Telecomunicaciones de Chile SA using the brand name Movistar ("Telefónica"), Claro Chile S.A., a subsidiary of América Móvil, S.A.B. de C.V. ("Claro"), and DirecTV Chile. Telefónica offers double-play and triple-play packages using DTH for video and ADSL for internet and telephony and, with mobile telephony, quadruple-play packages. Telefónica launched IPTV services over FTTx networks in 2012 in Chile. Claro is offering triple-play packages using DTH and, in certain areas of Santiago, through a hybrid fiber coaxial cable network. It also offers mobile telephony for quadruple-play packages. Claro is also expanding its hybrid fiber coaxial cable network in certain regional cities of Chile. Claro is an aggressive competitor targeting video subscribers, including VTR subscribers, with low priced video packages. Other competition comes from video services offered by or over the networks of fixed-line telecommunications operators using DSL or ADSL technology. Of the Chilean television households, approximately 9%, 6% and 6% subscribe to the DTH services of Telefónica, Claro and DirecTV Chile, respectively. To enhance its competitive position, VTR includes VoD, catch-up television, DVR and HD services as key components of its video packages. These services, plus expanded program options and the marketing of a variety of bundle options, including internet and telephony, enhance VTR's competitive position.

Internet

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

Our strategy is speed leadership and we seek to outperform on speed, including increasing the maximum speed of our connections and offering varying tiers of service and varying prices, as well as a variety of bundled product offerings and a range of value added services. In most of our operations we have launched new bundling strategies, including speeds of 25 Mbps or more at mass market price points and ultra high-speed internet with speeds of up to 120 Mbps, and in Ireland, Poland and Romania up to 150 Mbps, to compete with FTTx initiatives. The focus continues to be on high-end internet products to safeguard our high-end customer base and allow us to become more aggressive at the low and medium-end of the internet market. By fully utilizing the technical capabilities of DOCSIS 3.0 technology, we can compete with local FTTx initiatives and create a competitive advantage compared to DSL infrastructures on a national level and LTE initiatives as they expand to a national level.

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

In the Netherlands, we face competition from KPN, the largest broadband internet provider, and to a lesser extent, the telecommunications company, Tele2 Netherlands Holding NV, as well as operators using the unbundled local loop. KPN offers ultra high-speed internet services with download speeds of up to 80 Mbps over its DSL network, with its download speeds of up to 40 Mbps available to almost all the households in the Netherlands. In addition, KPN is the leading mobile broadband provider with its competitively priced mobile internet products. KPN serves approximately 43% and UPC Netherlands serves approximately 15%, respectively, of the total broadband internet market in the Netherlands. To keep competitive, UPC Netherlands is promoting faster speeds than its DSL competitors at competitive prices. It also launched mobile data in February 2012.

In Switzerland, Swisscom is the largest provider of broadband internet services, with an estimated market share of 61% of all broadband internet customers. It is also expanding its FTTx network, through which it can offer download speeds of up to 100 Mbps. The next significant competitor is Sunrise Communications AG with 9% of broadband internet customers. UPC Cablecom serves 19% of broadband internet subscribers in Switzerland. In connection with the launch of Horizon TV, UPC Cablecom increased its download speeds to 150 Mbps in January 2013 and seeks to distinguish itself through competitively priced bundled offerings, including digital video, telephony services and its ultra high-speed internet services.

UPC Austria's largest competitor with respect to broadband internet services is the incumbent telecommunications company, Telekom Austria, with approximately 60% of the broadband internet subscribers in Austria. UPC Austria's share of such market is approximately 22%. The mobile broadband services of Telekom Austria are also a competitive factor. Telekom Austria is the largest mobile broadband provider serving approximately 40% of the mobile broadband subscribers that use a 3G network. In addition, UPC Austria faces competition from unbundled local loop access and other mobile broadband operators. As a result, the competition in the broadband internet market is intense. Competitors in the Austrian broadband internet market are focusing on speed and pricing to attract customers. To compete, UPC Austria has launched bundled offers specifically aimed at these market segments. UPC Austria uses its ultra high-speed internet services and competitively priced bundles to encourage customers from other providers to switch to UPC Austria's services. It also offers promotional discounts for its mid-tier services.

Mobile data card providers have gained market share throughout Europe. For example, in Ireland, Telefónica O2 Ireland Limited, a leading mobile telephony provider, offers a range of mobile internet products at competitive prices. The trend towards mobile internet is visible throughout Europe. Outside of mobile internet, UPC Ireland's most significant competitor is the fixed-line incumbent, Eircom Limited, with approximately 66% of the broadband internet market in Ireland. UPC Ireland's share of total broadband internet subscribers is approximately 29%. To effectively compete, UPC Ireland promotes its high-speed internet services and bundles these services with its other services at attractive prices.

In Central and Eastern Europe, our principal competitors are DSL operators and cable companies that are overbuilding our cable network. In Poland, our principal competitors are Orange Poland and Netia SA. In Hungary, the primary competitors are the incumbent telecommunications company, Magyar Telekom and Digi TV. In addition, in these countries, as well as in our other Central and Eastern Europe operations, we face increased competition from mobile broadband operators. Intense competition coupled with challenging economic conditions has caused existing low-end options to be more prominent in these markets. In all of our Central and Eastern European markets, we are using our ultra high-speed internet service to attract and retain customers.

Latin America—Chile. In Chile, VTR faces competition primarily from non-cable-based internet service providers such as Telefónica (under the brand name Movistar) and Claro. VTR is experiencing increased pricing and download speed pressure from Telefónica and Claro and more effective competition from these companies with the bundle of their internet service with other services. Mobile broadband competition has become stronger as well. In March 2013, Claro launched its LTE network for high-speed mobile data. In response to the availability of mobile data in Chile, VTR has more than doubled its internet speeds with a high-speed internet offering of up to 120 Mbps. VTR's share of the broadband internet market in Chile is approximately 34%, compared to approximately 39% for Telefónica. To effectively compete, VTR is expanding its two-way coverage and offering attractive bundling with telephony and digital video service.

Telephony

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

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

Our telephony strategy in Europe is focused around value leadership, and we position our services as "anytime" or "any destination." Our portfolio of calling plans includes a variety of options designed to meet the needs of our subscribers. Such options include unlimited network, national or international calling, unlimited off-peak calling and minute packages, including calls to fixed and mobile phones. We also use our bundled offerings to help promote our telephony services.

In the Netherlands, KPN is the dominant telephony provider and is significantly expanding its mobile services as well. It began rolling out 4G services in February 2013, which services are expected to be available throughout the Netherlands in the summer of 2014. All of the large multiple system operators, including UPC Netherlands, as well as ISPs, offer VoIP services and continue to gain market share from KPN's fixed-line services. In Switzerland, we are the largest VoIP service provider, but Swisscom is the dominant fixed-line telephony service provider. Sunrise Communications AG, which offers carrier pre-select services, is also a strong competitor. Each of these competitors also operate their own mobile telephony service and are increasingly offering mobile products in bundles with fixed-line services, a trend that we expect will continue to increase in the coming year. To meet the competition for fixed-line services, UPC Cablecom enhanced its portfolio with attractive bundle options. The market share of the fixed-line telephony market for UPC Netherlands is approximately 12% and UPC Cablecom is approximately 10%.

In Austria, Ireland and in our Central and Eastern European markets, the incumbent telephone companies dominate the telephony market. Most of the fixed-line competition to the incumbent telephone operators in these countries is from entities that provide carrier pre-select or wholesale line rental services. We also compete with ISPs that offer VoIP services and mobile operators. In Austria, we serve our subscribers with VoIP over our cable network, circuit-switched telephony services and DSL technology service over an unbundled loop. In Hungary, we provide VoIP telephony services over our cable network and circuit-switched telephony services over our copper wire telephony network. To gain market share, we promote our VoIP telephony service offerings in almost all of our European markets and in some markets we have enhanced our telephony services through unlimited calling options.

Latin America—Chile. In Chile, VTR faces competition from the incumbent telecommunications operator, Telefónica, and other telecommunications operators. Telefónica has substantial experience in providing telephony services, resources to devote to the provision of telephony services and long-standing customer relationships. Competition in both the residential and business telephony markets is increasing as a result of market trends and regulatory changes affecting general price competition, number portability, and the growth of VoIP services. Also, use of mobile telephony is increasing. Claro, Telefónica Moviles Chile SA and Entel PCS Telecomunicaciones SA are the primary companies that offer mobile telephony in Chile. VTR offers circuit-switched and VoIP telephony services over its cable network. To enhance its competitive position, VTR entered into an agreement with its affiliate VTR Wireless SA, which allows VTR to offer VTR Wireless mobile telephony as part of its bundled offerings. Such arrangement allows VTR to offer, in effect, quadruple play services. In the residential and commercial markets, VTR's share of the fixed-line telephony market in Chile is approximately 21% (approximately 35% for residential).

Regulatory Matters

Overview

Video distribution, internet, telephony and content businesses are regulated in each of the countries in which we operate. The following section provides a summary of certain of our regulatory requirements and obligations in our key markets. 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. The scope of regulation varies from country to country. In some significant respects, however, regulation in European markets, with the exception of Switzerland, is harmonized under the regulatory structure of the EU.

Adverse regulatory developments could subject our businesses to a number of risks. Regulation could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and capital expenditures. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content. Failure to comply with current or future regulation could expose our businesses to penalties.

Europe

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

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

EU Communications Regulation

The body of EU law that deals with communications regulation consists of a variety of legal instruments and policies (collectively referred to as the "Regulatory Framework"). The key elements of the Regulatory Framework are various legal measures, which we refer to as the "Directives," that require Member States to harmonize their laws, as well as certain regulations that have effect without any transposition into national law.

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

On December 18, 2009, the Official Journal of the EU published revisions to the Regulatory Framework. Such revisions should have been transposed into the laws of the Member States before May 25, 2011, although in practice this is an ongoing process. Despite their limited nature, the changes to the Regulatory Framework will affect us. Some changes are administrative. For example, a new body of European regulators has been created. Some new powers, however, have been given to national regulators, such as the right to mandate access to ducts without finding operators or service providers to have "Significant Market Power" (defined below). This power, in particular, could require us to open our ducts to competitors and not allow us to make use of all capacity in our ducts for our own needs, or could mean we get access to ducts of third parties instead of building our own ducts. Also, there will be enhanced powers for Member States to impose transparency obligations and quality of service requirements on ISPs, which may restrict our flexibility in respect of our broadband services.

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

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

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

As part of the implementation of certain provisions of the Regulatory Framework, each Member State's National Regulatory Authority (NRA) is required to analyze certain markets predefined by the EU Commission to determine if any operator or service provider has Significant Market Power. Until November 2007, there were 18 such markets but then the EU Commission adopted a new recommendation reducing the list of predefined markets to seven, subject to periodic review. This recommendation led to a reduction in regulation. Some countries, however, continue to maintain their analysis of some of the markets from the original list and this will likely continue for some time. In October 2012, the EU published a questionnaire for public consultation on whether the recommendation should be revised. It is not known whether any changes will be made as a result of this process. We have been found to have Significant Market Power in certain markets in which we operate and further findings are possible. In particular, in those markets where we offer telephony services, we have been found to have Significant Market Power in the termination of calls on our own network.

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

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

Net Neutrality/Traffic Management. Other current regulatory debates at the EU and national level include net neutrality/traffic management, as well as responsibilities for ISPs on illegal content or activities on the internet. With respect to net neutrality/traffic management, the EU Commission confirmed in April 2011 that no additional EU regulation is needed to preserve net neutrality. The EU Commission made this decision after concluding that the existing provisions of the Regulatory Framework on consumer transparency and the ability of regulators to impose a minimum quality of service on an operator should be given time to be tested by Member States. In December 2011, the Body of European Regulators for Electronic Communications ("BEREC"), the joint body of European telecommunications regulators, published non-binding guidelines on net neutrality and transparency. BEREC believes that transparency and the ability for end-users to easily switch providers is vital and recommends that operators should provide clear end-user information about service limitations and actual speeds. This decision, however, is still subject to ongoing political debate, and European or national regulation in this area may occur. If such regulations are adopted, our ability to offer our own internet services may be restricted.

EU Broadcasting Law

Although the distribution of video channels by a cable operator is within the scope of the Regulatory Framework, the activities of a broadcaster are harmonized by other elements of EU law, in particular the Audiovisual Media Services Directive ("AVMS"). AVMS, which was published in its final form on March 10, 2010, replaced the pre-existing EU regime in this area. Generally, broadcasts originating in and intended for reception within an EU Member State must respect the laws of that Member State. Pursuant to AVMS, however, EU Member States are required to allow broadcast signals of broadcasters established in another EU Member State to be freely transmitted within their territory so long as the broadcaster complies with the law of their home state. This is referred to as the country of origin principle. Under AVMS (a change from pre-existing rules), the country of origin principle applies also to non-linear services, such as VoD. Accordingly, we should be able, if we so elect, to offer our own VoD services across the European Economic Area based on the regulation of the country of origin. As a result, we could structure our business to have a single regulatory regime for all of our VoD service offered in Europe. In addition, when we offer third party VoD services on our network, it should be the business of the third party, in its capacity as provider of the services, and not us as the local distributor, that is regulated in respect of these services.

Although Member States should have transposed the requirements of AVMS into national law, and this has generally been completed, the practical effect is still not clear. Uncertainty still remains about the proper treatment of VoD from a practical perspective. Thus, there can be no assurance that the requirements on VoD will, in fact, operate in the manner described above in any individual Member State. As a result, we may face inconsistent and uncertain regulation of our VoD service in Europe.

AVMS also establishes quotas for the transmission of European-produced programming and programs made by European producers who are independent of broadcasters.

Other European Level Regulation

In addition to the industry-specific regimes discussed above, our European operating companies must comply with both specific and general legislation concerning, among other matters, data protection, data retention and electronic commerce. Many of these regimes are, or will be, reviewed at the EU level.

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

The EU Commission is imposing more mandatory requirements and encouraging voluntary solutions regarding energy consumption of the telecommunications equipment we provide our customers. We have been participating in discussions and studies regarding energy consumption with various parts of the EU Commission and with experts working on their behalf. In addition, we are working with suppliers of our digital set-top boxes to lower power consumption, as well as looking at possibilities through software to lower the power consumption of the existing fleet of digital set-top boxes. We also worked with a large group of companies to create a voluntary agreement on set-top box power consumption as an alternative to regulation. The European Commission formally recognized this voluntary agreement as a valid alternative to regulation on November 22, 2012. Nevertheless, legislation in this area may be adopted in the near future and could adversely affect the cost and/or the functionality of equipment we deploy in customer homes.

Pursuant to an EU regulation on standby power effective January 7, 2010, many devices are required to have either a low power standby mode or off mode unless it is inappropriate to have either such mode on the device. For this purpose, our set-top boxes and certain other equipment are equipped with an off switch. Beginning in January 2013, this regulation imposed further requirements on power management on certain devices we purchase, and these devices will need to comply with such requirements, unless it can be argued such further requirements are inappropriate. These additional requirements may increase costs or reduce functionality of the equipment we buy.

As part of the EU's Radio Spectrum Policy Program, spectrum made available through the switch off of analog television has been approved for mobile broadband use beginning January 1, 2013. This spectrum, known as the "digital dividend," is in the 700 – 862 MHz band. The terms under which this spectrum will become available will vary among the European countries in which we operate. Certain uses of this spectrum may interfere with services carried on our cable networks. If this occurs, we may need to: (1) avoid using certain frequencies on our cable networks for certain or all of our services, (2) make some changes to our networks, or (3) change the equipment which we deploy. In approving mobile broadband, however, the Radio Spectrum Policy Program states that the new mobile services must co-exist with existing services, such as cable and DTT, to avoid harmful interference. As a result, we have taken steps to be part of the Member States' LTE mobile trials in order to develop mitigation techniques and to engage NRAs to launch regulatory dialogs with equipment manufacturers and mobile operators to develop co-existing networks. We have also requested Member States to prepare comprehensive national impact assessments when spectrum conditions are changed to ensure that the costs to prevent interference between the various services are balanced.

The Netherlands

The Netherlands has an electronic communications law that broadly transposes the Regulatory Framework. According to this electronic communications law, Onafhankelijke Post en Telecommunicatie Autoriteit ("OPTA"), the Netherlands NRA, should perform a market analysis to determine which, if any, operator or service provider has Significant Market Power. OPTA has completed its first, second and third round of market analysis. As part of the latter, on December 20, 2011, OPTA published its final assessment of its regulatory view on fixed telephony, television, internet access and business network services in the period from 2012 up to and including 2014. OPTA's final assessment of the television market concluded that there are no grounds for regulation. This is because competition in the television market has increased, providing consumers more providers from which to choose. This final assessment is not open for appeal. As a result, no new regulations relating to the television market may be proposed without a new analysis. In particular, OPTA rejected previously filed requests from a number of providers to perform a new market analysis of the television market and this decision by OPTA was upheld by the Dutch Supreme Administrative Court, College van Beroep voor het bedrijfsleven ("CBb"), in November 2012.

In May 2012, the Dutch Senate adopted laws that (1) provide OPTA the power to impose an obligation for the mandatory resale of television services and the Commissariaatvoor de Media the power to supervise a newly introduced resale by law obligation and (2) provide for "net neutrality" on the internet, including limitations on the ability of broadband service providers to delay, choke or block traffic except under specific circumstances. These laws became effective on January 1, 2013, notwithstanding the above-described November 5, 2012 decision of the CBb. On October 24, 2012, the European Commission opened formal infringement proceedings against the Dutch government on the basis that the new laws pertaining to resale breach EU law. We agree with the EU that the new laws pertaining to resale are contrary to EU law and we, along with other market participants, will contest their application. We have received requests from certain of our competitors under the new Commissariaatvoor de Media resale regulation and are in early negotiations with these competitors. We cannot predict the outcome of these negotiations nor whether or when we will begin selling our television services in the Netherlands pursuant to the new resale regulation. In this regard, any implementation of a resale regime would likely take several months or more and, if implemented, its application may strengthen our competitors by granting them resale access to our network to offer competing products and services notwithstanding our substantial historical financial outlays in developing the infrastructure. In addition, any resale access granted to our competitors could (1) limit the bandwidth available to us to provide new or expanded products and services to the customers served by our network and (2) adversely impact our ability to maintain or increase our revenue and cash flows. The new regulation concerning “net neutrality” needs to work within a broader EU framework, requires some implementation by relevant authorities and is subject to challenge by market participants. It is unclear therefore what its impact on our business and the industry in general will be at this stage, if any.

OPTA’s market analysis decision on call termination, which combines both the fixed termination market and the mobile termination market, became effective July 7, 2010. All providers of call termination on fixed and mobile networks in the Netherlands have been found to have Significant Market Power and a schedule or glidepath for the reduction of fixed and mobile termination rates, with a last step for mobile termination rates, through September 1, 2012 was imposed. Following an appeal, the CBb rendered a decision on August 31, 2011, confirming OPTA’s market definition and finding of Significant Market Power but rejecting the costing methodology used by OPTA in setting the tariff schedule. Application of the costing methodology approved by the CBb would, among other things, result in a higher mobile termination rate in the final step of the glidepath. CBb obliged OPTA to make an adjusted decision by January 1, 2012. Following a national consultation, OPTA submitted the adjusted draft decision to the European Commission on January 12, 2012. On February 13, 2012, the European Commission expressed serious doubts on OPTA’s adjusted draft decision, noting concern about the change in the costing methodology used by OPTA. Despite the position of the European Commission and BEREC, in July 2012, OPTA published its final decision on costing methodology, which caused higher termination rates. UPC Netherlands appealed OPTA’s decision and the hearing is scheduled for March 25, 2013. OPTA started a fourth round of market analysis on call termination and intends to publish a draft decision in the first quarter of 2013. This draft decision will be open for national consultation and European notification.

Switzerland

Switzerland has a regulatory system which partially reflects the principles of the EU, but otherwise is distinct from the European regulatory system of telecommunications. The Telecommunications Act (Fernmeldegesetz) regulates, in general, the transmission of information, including the transmission of radio and television signals. Most aspects of the distribution of radio and television, however, are regulated under the Radio and Television Act (Radio und Fernsehgesetz). In addition, the Competition Act and the Act on Price Surveillance are potentially relevant to our business. With respect to energy consumption of electronic home devices, the Energy Act and the revised Energy Ordinance have been applicable since January 2010 to television set-top boxes as described below.

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

In 2008, after various municipalities announced plans to rollout a fiber-to-the-home network, Swisscom announced its intention to roll out a national fiber-to-the-home network following the completion of its fiber-to-the-node networks in Switzerland. As a result, Swisscom is building its fiber-to-the-home network in several cities in cooperation with municipality-owned utility companies. These cities include Zurich, Berne, Basle, Geneva, St. Gallen, Lucerne, Winterthur, Bellinzona, Freiburg and some very small municipalities. Where no cooperation agreement has been reached, Swisscom is building its own fiber-to-the-home network. Swisscom has also announced, in late 2012, an extensive deployment of fiber-to-the-street network. Further, Swisscom has announced that it will introduce on its fiber-to-the-node network and fiber-to-the-street network vectoring, which allows Swisscom to offer speeds comparable to those offered by UPC Cablecom. Following a review of the telecommunications landscape, the Federal Government has determined that it is necessary to revise current regulations and announced plans to publish a draft of a revised telecommunications act by the end of 2015. Any such fiber roll out could lead to increased competition for UPC Cablecom.

Under the Radio and Television Act and the corresponding ordinance, cable network operators are obliged to distribute certain programs that contribute in a particular manner to media diversity ("must carry" programs). The Federal Government and the Federal Office of Communications can select up to 25 programs that have to be distributed in analog without the cable operator being entitled to compensation. Currently, 17 programs have must carry status; however, a new Radio and Television ordinance became effective August 1, 2012, which allows cable operators to decrease the number of must carry channels to be broadcasted in analog. This could free up network capacity. Also, there is no legal obligation to broadcast digital and analog in parallel as long as the digital offer is comparable to analog and does not force customers to incur additional costs.

UPC Cablecom's retail customer prices are subject to review by the Swiss Price Regulator. In October 2012, UPC Cablecom announced an agreement with the Swiss Price Regulator, pursuant to which UPC Cablecom will make certain changes to its service offerings in exchange for progressive increases in the price of its basic cable connection over the next two years. In this regard, (1) effective November 1, 2012, UPC Cablecom began offering a basic tier of digital television channels on an unencrypted basis in its footprint and (2) effective January 3, 2013, for video subscribers who pay the required upfront activation fee, UPC Cablecom has made available, at no additional monthly charge, a 2.0 Mbps internet connection, which was an increase from the previously-offered 300 Kbps internet connection. In addition, the price for a cable connection increased by CHF 0.90 ($0.98) effective January 1, 2013 and a further increase of CHF 0.60 ($0.66) will take effect on January 1, 2014.

Effective October 1, 2011, the Federal Council has introduced as a new initiative a new regulation imposing power thresholds for set-top boxes. There are some exemptions and transition periods which apply in the short term to the set-top boxes we import into Switzerland. Notwithstanding, it appears that the Swiss ordinance is not in line with European regulation. Therefore, the ordinance may be reconsidered as Switzerland tries to align itself with EU norms. If, however, such regulation remains in force, it may have an adverse effect on the business of UPC Cablecom as UPC Cablecom may face restrictions regarding the import of set-top boxes. Horizon TV currently does not comply with this ordinance. The authorities, however, can grant higher power consumption thresholds for devices with innovative functionalities. UPC Cablecom received such a higher power consumption threshold for Horizon TV, which will remain in effect until December 31, 2014, when it will be reconsidered or extended.

Chile

In addition to the regulations described below, VTR is subject to certain regulatory conditions that were imposed by the Chilean Antitrust Court in connection with VTR's combination with Metrópolis Intercom SA in April 2005. These conditions include, among others, (1) prohibiting VTR and its control group from participating, directly or indirectly through a related person, in Chilean satellite or microwave television businesses, (2) prohibiting VTR from obtaining exclusive broadcast rights, except for specific events, and (3) requiring VTR to offer its broadband capacity for resale of internet services on a wholesale basis.

Video. Cable television services are regulated in Chile by the Ministry of Transportation and Telecommunications (the "Ministry"). VTR has permits to provide wireline cable television services in the major cities, including Santiago, and in most of the medium-sized markets in Chile. Wireline cable television permits are granted for an indefinite term and are non-exclusive. As a result, more than one operator may be in the same geographic area. As these permits do not use the radio-electric spectrum, they are granted without ongoing duties or royalties. Wireless cable television services are also regulated by the Ministry and similar permits are granted for these services. Wireless cable permits have a 10-year term and are renewable for additional 10-year terms at the request of the permit holder.

Cable television service providers in Chile are not required to carry any specific programming, but some restrictions may apply with respect to allowable programming. The National Television Council has authority over programming content, and it may impose sanctions on providers who are found to have run programming containing excessive violence, pornography or other objectionable content.

Cable television providers have historically retransmitted programming from broadcast television, without paying any compensation to the broadcasters. Certain broadcasters, however, have filed lawsuits against VTR claiming that by retransmitting their signals VTR has breached either their intellectual property rights or the Chilean antitrust laws. The lawsuits concerning antitrust laws have been settled. In one action, the Court of Appeals of Santiago determined that no compensation or authorization is required as long as VTR retransmits the signal simultaneously, without modifying it, and in the same geographic area where the over-the-air signal is transmitted. This decision was appealed to the Supreme Court with a decision expected in the second quarter of 2013. In another action, a lower court determined that the broadcaster has the right to consent and require payment for the retransmission of its signal by VTR. VTR has appealed this decision to the Court of Appeals. A decision is expected on this appeal in the second quarter of 2013.

In November 2008, the Chilean Government introduced a bill related to DTT regarding stricter content standards and new rules for granting and operating DTT concessions (among other matters), which are still pending. Must carry and retransmission consent obligations have been added to this bill. Broadcasters are claiming that this bill should authorize them to offer pay television services and some programmers argue that this authorization will allow them to provide their premium content directly to customers, but the final version of the bill does not include these provisions and it is not likely that they will be included. Other provisions of the bill require pay television operators to use a percentage of their capacity to carry cultural programming and prohibit advertising on cable television services. This bill is expected to become law in the second quarter of 2013.

Internet. Internet services are considered complementary telecommunication services and, therefore, do not require concessions, permits, or licenses. Pursuant to a condition imposed on VTR as a result of its 2005 combination with Metrópolis Intercom SA, VTR offers its broadband capacity for resale of internet services on a wholesale basis. After a three-year long discussion, the law on Intellectual Property was amended in May 2010. The amendment included a new chapter limiting the liability of ISPs for copyright infringements over their networks, provided the ISPs fulfill certain conditions, which vary depending on the service provided. In general, the limitation of liability of ISPs will require the ISPs to fulfill the following conditions: (1) establish public and general terms upon which the ISP may exercise its right to terminate its agreements with content providers that are judicially qualified as repeat offenders against intellectual property rights protected by law; (2) not interfere with the technological measures of protection and rights management of protected works; and (3) not generate nor select the content or its addressees. Since its enactment in May 2010, these rules apply without prejudice to the application of the general civil rules of liability.

In order to protect the constitutional rights of privacy and safety of communications, ISPs are prohibited from undertaking surveillance measures over data content on their networks. Also, special summary proceedings have been created in order to safeguard intellectual property rights against violations committed through networks or digital systems. These proceedings include measures designed to withdraw, disqualify or block infringing content in the ISP's network or systems. The law also provides for the right of intellectual property owners to judicially request from ISPs the delivery of necessary information to identify the provider of infringing content.

On June 13, 2010, the Chilean Senate approved a Bill on Net Neutrality, which became effective in August 2010. This Bill prohibits "arbitrary blockings" and the provision of differentiated service conditions according to the origin or ownership of the content or service provided through the internet. The Bill authorizes ISPs to take measures to ensure the privacy of their users, virus protection and safety of the net, as long as these measures do not entail traffic shaping with anticompetitive means. Certain consumer information obligations related to the characteristics of each internet access plan and the traffic management policies applied by each ISP were imposed on March 18, 2011. A ruling requiring internet quality of service measurements was issued on July 25, 2011. On November 17, 2011, the Ministry issued a new ruling establishing new obligations, such as the obligation to inform the effective maximum and minimum traffic speed offered in each internet access plan.

Telephony and Mobile Services. The Ministry also regulates telephony services. The provision of fixed and mobile telephony services requires a public telecommunications service concession. VTR has telecommunications concessions to provide wireline fixed telephony in most major and medium-sized markets in Chile. Telephony concessions are non-exclusive and have renewable 30-year terms. The original term of VTR's wireline fixed telephony concessions expires in November 2025. Long distance telephony services are considered intermediate telecommunications services and, as such, are also regulated by the Ministry. VTR has concessions to provide this service, which is non-exclusive, for a 30-year renewable term expiring in September 2025. In October 2011, the SubTel implemented the first phase of a ruling for the elimination of domestic long distance (for calls within the country) and reducing the local exchange zones from 24 to 13. The second stage, which will eliminate all local zones, is expected in 2014, subject to approval by the Chilean Antitrust Court.

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

In January 2008, the Ministry requested the Chilean Antitrust Court to review the telephony market. In January 2009, the Chilean Antitrust Court concluded that, although the local service telephony market cannot be characterized as competitive, it has enhanced its level of competition since it was reviewed in 2003. As a result, the Chilean Antitrust Court determined that incumbent local telephone operators will no longer be subject to price regulation for most services at a retail level. The Chilean Antitrust Court recommended that the Ministry, for the incumbent operators only, take measures avoiding fixed/mobile bundles and differential prices for on net and off net traffic. The Chilean Antitrust Court also recommended that the Ministry set forth rules, for all operators, forbidding tied sales of telecommunication services included in a bundle, and imposing effective network unbundling and number portability. The Chilean Antitrust Court also declared some ancillary services and network unbundling services to be subject to price regulation for all companies, including VTR.

Interconnect charges (including access charges and charges for network unbundling services) are determined by the regulatory authorities, which establish the maximum rates that may be charged by each operator for each type of service. This rate regulation is applicable to incumbent operators and all local and mobile telephony companies, including VTR. The maximum rates that may be charged by each operator for the corresponding service are made on a case-by-case basis and are effective for five years. VTR's interconnection and unbundling rates were effective until June 2012. In July 2011, the SubTel started a new ordinary tariff process, that did not include a tariff regulation for bitstream services. This tariff process was suspended while the National General Comptroller Office considers the legality of the exclusion of bitstream services. The interconnection tariffs included in this tariff process should have started in June 2012 for a five year period.

In April 2007, a Bill regarding Telecommunications Antennas Towers was introduced in the Chilean House of Representatives. It includes stricter restrictions on the construction of new telecommunications towers, including (1) the requirement to obtain prior authorization from local authorities to build antennas in new sites; (2) the prohibition of the placement of towers in sites smaller than 400 square meters; (3) the camouflage of towers exceeding certain heights or clustered together; (4) payments towards community improvements based on a percentage of the value of a new tower; and (5) height and distance restrictions for towers located near certain buildings (schools, hospitals, etc.). The Bill also includes provisions about co-localization of telecommunications antennas. A strong opposition to this Bill has been raised by the incumbent mobile operators on constitutional grounds. This Bill was approved by the Chilean Congress and became law in June 2012.

Other Chilean Regulation

- *Rate Adjustments*. With respect to VTR's ability to increase the price of their different telecommunication services to its subscribers, the General Consumer Protection Laws contain provisions that may be interpreted by the National Consumer's Service ("Sernac") to require that any increase in rates—over the inflation rate—to existing subscribers must be previously accepted and agreed to by those subscribers, impairing VTR's capacity to rationalize their pricing policies over current customers. VTR disagrees with this interpretation and is evaluating its options for adjusting or increasing their subscriber rates in compliance with applicable laws.
- *Channel Lineup*. With respect to VTR's ability to modify its channel lineup without the previous consent of the subscribers, Sernac expressed that such action may be against certain provisions of the applicable Consumer Protection Law, including those provisions prohibiting misleading advertisements, unilateral modification of the clients' contracts and abusive clauses. Sernac filed several lawsuits against VTR. In June 2008, the Court of Appeals of Santiago ruled against VTR in one of these lawsuits. The Supreme Court rejected an appeal of this decision. Based on nine favorable rulings recently obtained by VTR, granting the company the right to modify its channel lineup, VTR disagrees with Sernac's interpretation. To prevent future conflicts with Sernac, VTR negotiated with Sernac to establish common acceptable criteria to enable modifications of VTR's channel lineup, resulting in an agreement in July 2012 that VTR establish a set of channels for customers that can only be modified once a year.

- *On-Off Net Traffic/Bundling*. The Chilean Antitrust Court launched a consultation to determine whether or not to impose restrictions on calling price differentiation (on net/off net) and bundling (including resale and regulatory accounting). On December 18, 2012, the Antitrust Court issued General Regulation N°2/2012, which governs the on-net/off-net pricing practice in the mobile telephone industry, and the offering of bundled telecommunication services. The Court decided that:
    1. The commercial plans offered from March 2013 until January 2014 can contemplate an on-net/off-net pricing scheme, but subject to a maximum threshold on the difference between the on-net/off-net prices. New commercial plans offered from January 2014 should not differentiate between on-net and off-net calls. This decision will allow VTR's mobile offering to be more competitive as incumbents may no longer lower tariffs for on net calls.
    2. Until LTE internet services (in 2,505 – 2,565 MHz and 2,625 – 2,685 MHz bands) start operating, bundles between mobile and fixed services cannot offer discounts or other favorable conditions, of any kind. After the launch of LTE internet services, this prohibition shall expire. This restriction affects our ability to make an attractive and innovative offering in our mobile business. However, this is a temporary restriction that will end during 2014.
    3. Services over the same platform or network, fixed or mobile, may be sold jointly. In that case, the price charged for the bundled services must be greater, at least, than the price charged for the most expensive product included in the bundle in a stand-alone basis. Also, when three or more services are sold bundled, the price charged for the bundle shall be greater than the sum of the individual prices charged for every service included in the bundle in a stand-alone basis, excluding the cheapest. This restriction should not have a significant impact on our fixed supply.
- *Telecommunication Services Proposal*. In November 2011, SubTel published a proposal for a General Telecommunication Services Ruling. The purpose of this proposal is to regulate the offer of telecommunication services (voice, internet access, and pay television, either alone or in bundles) from a consumer protection point of view. If enacted, the new regulation could involve significant changes in contracts with customers; new requirements regarding compensation in case of service failure; and new rules regarding treatment of customers' personal information.

Legal Proceedings

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

The Netherlands Regulatory Developments

For a description of current regulatory developments in the Netherlands which affect UPC Nederland B.V., see "*—Regulatory Matters—The Netherlands*" in this offering memorandum.

Chilean Antitrust Matter

For a description of current regulatory developments in Chile which affect VTR, see "*—Regulatory Matters—Chile*" in this offering memorandum.

Other

In addition to the foregoing items, we have contingent liabilities related to (i) legal proceedings, (ii) wage, property, sales and other tax issues, (iii) disputes over interconnection fees and (iv) other matters arising in the ordinary course of business. We expect that the amounts, if any, which may be required to satisfy these contingencies will not be material in relation to our financial condition or results of operations.

Employees

As of December 31, 2012, we, including our consolidated subsidiaries, have an aggregate of approximately 14,600 full-time equivalent employees, certain of whom belong to organized unions and works councils. Certain of our subsidiaries also use contract and temporary employees, which are not included in this number, for various projects. We believe that our employee relations are good.

Financial Information About Geographic Areas

Financial information related to the geographic areas in which we do business appears in note 16 to the December 31, 2012 Consolidated Financial Statements.

MANAGEMENT AND GOVERNANCE

Management of UPC Holding

The managing director of UPC Holding is Liberty Global Europe Management, which is a wholly-owned subsidiary of LGE, Inc. The address for the managing director is Boeing Avenue 53, 1119 PE Schiphol-Rijk, the Netherlands. The managing director is authorized to conduct the day-to-day business of UPC Holding and its subsidiaries within the governance of LGI and its subsidiaries.

Principal Shareholders of UPC Holding

UPC Holding is a wholly-owned direct subsidiary of LGE Financing, a wholly-owned indirect subsidiary of LGE, Inc. LGE, Inc. is in turn wholly-owned through a series of intermediate holding companies by LGI. LGI is a leading international cable company, with operations in 13 countries. Its market-leading television, broadband internet, and telephony services are provided through next-generation networks and innovative technology platforms that connect 19.5 million customers as of December 31, 2012. LGI's consumer brands include UPC, Unitymedia, KabelBW, Telenet and VTR. LGI's operations also include Chellomedia, its content division, UPC Business, its commercial services division and Liberty Global Ventures, its investment fund. LGI is listed on NASDAQ and had a market capitalization as of December 31, 2012 of approximately $15.9 billion. On February 5, 2013, LGI and certain of its direct and indirect wholly owned subsidiaries (the "LGI Merger Subs") entered into an agreement and plan of merger (as amended on March 6, 2013, the "Merger Agreement") with Virgin Media Inc. ("Virgin Media"), providing for the combination of LGI and Virgin Media under a new parent company called Liberty Global Corporation Limited ("New LGI"). New LGI will be re-registered as a U.K. public limited company prior to the completion of the transaction. The Merger Agreement provides that LGI and Virgin Media will become wholly owned subsidiaries of New LGI through a series of mergers involving the LGI Merger Subs (the "Mergers"), and, following the transaction, the shares of New LGI will be owned by the current LGI shareholders and Virgin Media shareholders. The ordinary shares of New LGI will trade on the NASDAQ Global Select Market. The consummation of the Mergers pursuant to the Merger Agreement is subject to regulatory approval, the affirmative approval of the shareholders of both LGI and Virgin Media and other customary closing conditions.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Related Party Transactions Impacting Our Operating Results

General

We have various related-party transactions with certain of our and LGI's affiliates and with other LGI subsidiaries, including Unitymedia KabelBW and Chellomedia. The transactions with Chellomedia generally involve the provision of programming channels to our operating subsidiaries. These related-party transactions are reflected in our revenue, operating expenses, SG&A expenses, allocated stock-based compensation expense, fees and allocations, net, interest income and interest expense in the December 31, 2012 Consolidated Financial Statements.

Revenue

Related-party revenue includes (i) construction and programming services provided to our affiliates, (ii) programming services provided to Chellomedia, (iii) backbone capacity provided to Unitymedia KabelBW and (iv) backbone capacity provided to VTR Wireless during 2012 and 2011. Total related-party revenue was €12.9 million, €11.0 million and €10.2 million during the years ended December 31, 2012, 2011 and 2010, respectively.

Operating Expenses

Related-party operating expenses are recognized primarily for programming and digital interactive services provided by Chellomedia of €58.7 million, €56.8 million and €56.3 million during the years ended December 31, 2012, 2011 and 2010, respectively. Operating expenses include costs for programming and interconnect fees charged by certain of LGI's affiliates of €12.3 million, €10.2 million and €9.2 million during the years ended December 31, 2012, 2011 and 2010, respectively. In addition, the 2012, 2011 and 2010 amounts are net of (i) €7.4 million, €4.0 million and €1.3 million, respectively, of cash settled encryption and other operating expenses charged to Unitymedia KabelBW, (ii) €2.0 million, €0.5 million and nil, respectively, of net cash settled facilities and other operating expenses charged by VTR to VTR Wireless and (iii) €1.4 million, nil and nil, respectively, of net cash settled network and maintenance expenses charged to LG Europe, a subsidiary of LGI outside of UPC Holding.

SG&A Expenses

Our recorded aggregate net SG&A expenses, consisted of (i) net cash settled SG&A expenses between VTR and VTR Wireless that resulted in credits of €3.5 million and €1.6 million during the years ended December 31, 2012 and 2011, respectively, and (ii) net cash settled administrative expenses, primarily between UPC Holding, Chellomedia and LG Europe of €2.0 million, €3.0 million and €3.5 million during the years ended December 31, 2012, 2011 and 2010, respectively.

Allocated Stock-Based Compensation

LGI allocates stock-based compensation to us associated with the LGI stock incentive awards held by certain employees of our subsidiaries. This allocation totalled €16.5 million, €13.3 million and €15.7 million during the years ended December 31, 2012, 2011 and 2010, respectively.

Fees and Allocations, Net

Fees and allocations, net, represent the aggregate net effect of charges between our subsidiaries and various LGI subsidiaries outside of UPC Holding, including, during 2012, 2011 and 2010, (i) aggregate charges from LG Europe and Liberty Global Europe Ltd. of €61.6 million, €56.8 million and €52.6 million, respectively, (ii) charges to Unitymedia KabelBW of €53.7 million, €35.8 million and €23.8 million, respectively, and (iii) charges to LGI and certain other LGI subsidiaries of €10.3 million, €15.1 million and €10.7 million, respectively. These charges generally relate to management, finance, legal, technology and other corporate and administrative services provided to or by our subsidiaries and, in the case of charges to Unitymedia KabelBW, also include charges related to marketing and other services that support Unitymedia KabelBW's broadband communications operations, including the use of the UPC trademark. The amounts charged generally are based on the respective subsidiary's estimated share of the applicable costs incurred (including personnel and other costs related to the services provided) plus a mark-up. The quarterly charges are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year.

Interest Income

Related-party interest income relates to a loan receivable from Unitymedia Hessen GmbH & Co. KG (Unitymedia Hessen), a subsidiary of Unitymedia KabelBW, as discussed below. We recorded related-party interest income of €1.1 million during the year ended December 31, 2012.

Interest Expense

Related-party interest expense represents interest accrued on the UPC Holding Subordinated Shareholder Loans, as discussed below. The interest expense is not paid in cash, but accrued and included in other long-term liabilities during the year and then added to the UPC Holding Subordinated Shareholder Loans balance at the end of the year. We recorded related-party interest expense of €848.5 million, €655.0 million and €406.0 million during the years ended December 31, 2012, 2011 and 2010, respectively.

UPC Holding Subordinated Shareholder Loans

UPC Holding and LGE Financing are parties to a master (loan) agreement under which LGE Financing from time to time provides unsecured shareholder loans. The UPC Holding Subordinated Shareholder Loans are scheduled to be repaid in 2030 and are subordinated in right of payment to the prior payment in full of the UPCH Notes in the event of (a) a total or partial liquidation, dissolution or winding up of UPC Holding, (b) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (c) an assignment for the benefit of creditors or (d) any marshaling of UPC Holding's assets or liabilities. Accrued interest is included in other long-term liabilities until the end of each fiscal year and then it is transferred to the loan balance. The interest rate on the UPC Holding Subordinated Shareholder Loans is reviewed annually, with adjustments effective on January 1 of each year. The interest rate was 9.79%, 7.75% and 4.80% for the years ended December 31, 2012, 2011 and 2010, respectively. The net increase in the UPC Holding Subordinated Shareholder Loans balance during 2012 includes (i) cash payments of €2,272.6 million, (ii) cash borrowings of €1,265.0 million, (iii) additions of €847.8 million in non-cash accrued interest, (iv) an increase of €110.3 million in non-cash settlement of related-party capital additions and (v) a €68.0 million non-cash increase related to the settlement of related-party charges and allocations. The net increase in the UPC Holding Subordinated Shareholder Loans balance during 2011 includes (i) cash payments of €3,868.1 million, (ii) cash borrowings of €3,371.1 million, (iii) additions of €652.8 million in non-cash accrued interest and (iv) a €26.6 million non-cash increase related to the settlement of related-party charges and allocations. The net increase in the UPC Holding Subordinated Shareholder Loans balance during 2010 includes (i) cash payments of €2,325.9 million, (ii) cash borrowings of €2,048.4 million, (iii) additions of €406.0 million in non-cash accrued interest, (iv) a €59.5 million non-cash increase related to the settlement of related-party charges and allocations and (v) individually insignificant net non-cash decreases aggregating €8.0 million. During the three-year period ended December 31, 2012, none of the debt repayments were payments of interest.

Other Related-Party Loan

At December 31, 2012, we owed €15.2 million under a loan agreement between a subsidiary of LGI and UPC Equipment B.V., an unrestricted subsidiary of UPC Broadband Holding, as contemplated by the UPC Broadband Holding Bank Facility. The interest rate on this loan was 9.29% at December 31, 2012 and amounts owed pursuant to this loan mature in March 2032. The interest rate on this note is reviewed annually, with adjustments effective on January 1 of each year.

Contribution from Unitymedia KabelBW

During 2011, Unitymedia KabelBW invested €61.0 million in Unitymedia International GmbH (UMI). UMI was formed for the purpose of effecting certain asset purchase and related leasing transactions involving certain of our subsidiaries, including certain purchase and leaseback transactions that were initiated in December 2011. Although we have no equity or voting interest in UMI, the transactions between UMI and certain of our subsidiaries create a variable interest in UMI for which we are the primary beneficiary, as contemplated by U.S. GAAP. As such, we are required by the provisions of U.S. GAAP to consolidate UMI. As a result, in our consolidated financial statements, Unitymedia KabelBW's investment in UMI is reflected as an equity contribution, and the transactions between UMI and our subsidiaries are eliminated.

Loan Receivable from Unitymedia Hessen

UMI has a loan receivable from Unitymedia Hessen, a subsidiary of LGI that is outside of UPC Holding. All principal (€11.4 million at December 31, 2012) outstanding under this loan is due and payable on

December 31, 2025. This loan bears interest at an agreed rate (10.00% per annum as at December 31, 2012) that is subject to adjustment. 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.

Tax Losses of Dutch Entities

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

Subject to certain limitations with respect to pre-fiscal unity losses, our net operating losses for tax purposes can be offset with taxable income of non-UPC Holding subsidiaries within the Dutch Fiscal unity. Pre-fiscal unity losses in the Netherlands of Liberty Global Europe and of us and our subsidiaries can only be offset by profits that occur within these groups. We and Liberty Global Holding do not operate under a tax sharing agreement and no cash payments are made between the companies related to Dutch tax liabilities. The net operating losses of the Dutch fiscal unity began to expire on December 31, 2011.

Conflicts of Interest

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

DESCRIPTION OF OTHER INDEBTEDNESS

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

UPC Broadband Holding Bank Facility

The UPC Broadband Holding Bank Facility is a senior secured credit facility agreement entered into on January 16, 2004, as amended or supplemented from time to time, including as amended and restated pursuant to a deed of amendment and restatement dated May 10, 2006 and further amended pursuant to amendment letters dated December 11, 2006, April 16, 2007, April 30, 2009 and June 9, 2009, between, among others, UPC Broadband Holding, as borrower, The Bank of Nova Scotia as facility agent and security agent, and certain banks and financial institutions as lenders, also referred to in this offering memorandum as the "UPC Broadband Holding Bank Facility".

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

Except as the context otherwise requires, the summary of the UPC Broadband Holding Bank Facility below does not include discussion of the terms of Facility V, Facility Y, Facility Z, Facility AC and Facility AD. For a discussion of Facility V, Facility Y, Facility Z, Facility AC and Facility AD under the UPC Broadband Holding Bank Facility, see "*—UPCB Senior Secured Notes and Facility V under the UPC Broadband Holding Bank Facility*", "*—UPCB II Senior Secured Notes and Facility Y under the UPC Broadband Holding Bank Facility*", "*—UPCB III Senior Secured Notes and Facility Z under the UPC Broadband Holding Bank Facility*", "*—UPCB V Senior Secured Notes and Facility AC under the UPC Broadband Holding Bank Facility*" or "*—UPCB VI Senior Secured Notes and Facility AD under the UPC Broadband Holding Bank Facility*" respectively, below.

Structure

The details of borrowings under the UPC Broadband Holding Bank Facility, as of December 31, 2012 are summarized in the table below. The following table does not give effect to the March 2013 UPC Broadband Holding Bank Facility Refinancing. See "*Summary—Recent Developments—Potential Refinancing of Certain Facilities under the UPC Broadband Holding Bank Facility.*"

		December 31, 2012			
Facility	**Final maturity date**	**Interest rate**	**Facility amount (in borrowing currency) (a)**	**Unused borrowing capacity (b)**	**Carrying value (c)**
				in millions	
Q	July 31, 2014	EURIBOR + 2.75%	€ 30.0	€ 30.0	€ —
R	December 31, 2015	EURIBOR + 3.25%	€ 290.7	—	290.7
S	December 31, 2016	EURIBOR + 3.75%	€1,204.5	—	1,204.5
T	December 31, 2016	LIBOR + 3.50%	$ 260.2	—	196.1
U	December 31, 2017	EURIBOR + 4.00%	€ 750.8	—	750.8
V (d)	January 15, 2020	7.625%	€ 500.0	—	500.0
W	March 31, 2015	EURIBOR + 3.00%	€ 144.1	144.1	—
X	December 31, 2017	LIBOR + 3.50%	$1,042.8	—	790.2
Y (d)	July 1, 2020	6.375%	€ 750.0	—	750.0
Z (d)	July 1, 2020	6.625%	$1,000.0	—	757.7
AA	July 31, 2016	EURIBOR + 3.25%	€ 904.0	904.0	—
AC (d)	November 15, 2021	7.250%	$ 750.0	—	568.3
AD (d)	January 15, 2022	6.875%	$ 750.0	—	568.3
AE	December 31, 2019	EURIBOR + 3.75%	€ 535.5	—	535.5
AF	January 31, 2021	LIBOR + 3.00% (e)	$ 500.0	—	374.7
Elimination of Facilities V, Y, Z, AC and AD in consolidation (d)				—	(3,144.3)
Total				**€1,078.1**	**€ 4,142.5**

(a) Except as described in (d) below, amounts represent total third-party facility amounts at December 31, 2012 without giving effect to the impact of discounts.

(b) At December 31, 2012, our availability under the UPC Broadband Holding Bank Facility was limited to €467.7 million. When the December 31, 2012 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €789.2 million. Facility Q, Facility W and Facility AA have commitment fees on unused and uncanceled balances of 0.75%, 1.2% and 1.3% per year, respectively.

(c) The carrying values of Facilities T and AB include the impact of discounts.

(d) The UPCB Notes were issued by certain special purpose entities (the UPCB SPEs) that were created for the primary purpose of facilitating the offering of UPCB Notes. The proceeds from the UPCB Notes were used to fund additional Facilities V, Y, Z, AC and AD (each a UPCB SPE Funded Facility), with UPC Financing, a wholly owned subsidiary of UPC Holding, as the borrower. Each UPCB SPE is dependent on payments from UPC Financing under the applicable UPCB SPE Funded Facility in order to service its payment obligations under its UPCB Notes. Although UPC Financing has no equity or voting interest in any of the UPCB SPEs, each of the UPCB SPE Funded Facility loans creates a variable interest in the respective UPCB SPE for which UPC Financing is the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Financing and its parent entities, including UPC Holding and LGI, are required by the provisions of U.S. GAAP to consolidate the UPCB SPEs. As a result, the amounts outstanding under Facilities V, Y, Z, AC and AD are eliminated in our consolidated financial statements.

(e) Facility AF has a LIBOR floor of 1.00%.

Interest Rates

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

Guarantees and Security

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

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

Prepayment

In addition to scheduled repayments of principal, the UPC Broadband Holding Bank Facility must be prepaid (if the majority of lenders so require) on the occurrence of any of the following events: (i) change of control; (ii) issuance of Relevant Convertible Preference Shares; (iii) receipt of Excess Cash Flow; or (iv) receipt of net proceeds of asset sales, each as defined therein.

Further, the indebtedness under the UPC Broadband Holding Bank Facility may be voluntarily prepaid in whole or in part, on giving at least five business days' prior written notice and in a minimum amount of €10,000,000 (or its equivalent in U.S. dollars or other currency), subject to the payment of (i) prepayment premiums (if any) and (ii) break funding costs (if any such prepayment is not made on an interest payment date). Any such voluntary prepayment is to be applied against the facilities in such proportions as stipulated by UPC Broadband Holding B.V. in the notice of prepayment.

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

Undertakings

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

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

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

Financial Covenants

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

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

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

Events of Default

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

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

Security Deeds

A security deed executed in October 2000 (the "October Security Deed"), and a security deed executed in January 2004 (the "January Security Deed"), which together with the October Security Deed, are referred to as (the "Security Deeds"), were entered into in connection with a senior credit agreement between UPC Broadband Holding B.V. as borrower, TD Bank Europe Limited (subsequently replaced by The Bank of Nova Scotia), as facility agent and certain other banks and financial institutions and was executed on October 26, 2000 (the "October Facility") and the UPC Broadband Holding Bank Facility, respectively. The October Security Deed regulates the sharing and enforcement of the security as between the lenders, their agent, and the relevant hedge providers and is still in force notwithstanding the fact that the October Facility has now been repaid in full. The January Security Deed, which is substantially in the same form as the October Security Deed, regulates the sharing and enforcement of the security as between the lenders under the UPC Broadband Holding Bank Facility, their agent and the relevant hedge providers. The main difference between the two Security Deeds is that the senior hedging banks and senior hedging counterparties are not party to the January Security Deed since their interests are already secured and are covered in the October Security Deed. However, the high yield hedging counterparties and high yield hedging banks under the October Security Deed are party to the January Security Deed, which provides that the high yield hedging banks shall share, pro rata with the lenders and the senior hedging banks, up to €200,000,000 on any enforcement (as opposed to €100,000,000 under the October Security Deed). High yield hedging covers any agreement that hedges interest rate or currency exposure in relation to high yield notes or any other form of subordinated debt raised outside of the Borrower Group and on-lent to the Borrower Group for application (in whole or in part) in prepayment of the facilities.

Any sums advanced as an additional facility (under the UPC Broadband Holding Bank Facility) will benefit from the security granted in connection with the UPC Broadband Holding Bank Facility on a pari passu basis with other lenders and the lenders of any such additional facility will accede to the January Security Deed.

UPCB Senior Secured Notes and Facility V under the UPC Broadband Holding Bank Facility

On January 20, 2010, UPCB Finance Limited, a special purpose financing company created for the primary purpose of issuing senior notes and owned 100% by a charitable trust, issued €500.0 million principal amount of 7⅝% senior secured notes at an original issue discount of 0.862%, resulting in cash proceeds before commissions and fees of €495.7 million. UPCB Finance Limited used the proceeds from the UPCB Senior Secured Notes to fund a new Facility V under the UPC Broadband Holding Bank Facility, with UPC Financing, a indirectly wholly owned subsidiary of UPC Holding, as the borrower. UPC Financing used the proceeds from Facility V to reduce outstanding amounts under Facilities M and Q under the UPC Broadband Holding Bank Facility through (i) the novation of €152.7 million of commitments under Facility M to Liberty Global Services B.V. (formally UPC Broadband Operations B.V.) and (ii) the use of the remaining €347.3 million to repay borrowings under Facility Q.

UPCB Finance Limited is dependent on payments from UPC Financing under Facility V in order to service its payment obligations under the UPCB Senior Secured Notes. Although UPC Financing has no equity or voting interest in UPCB Finance Limited, the Facility V loan creates a variable interest in UPCB Finance Limited for which UPC Financing is the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Financing and its parent entities, including UPC Holding, are required by the provisions of U.S. GAAP to consolidate UPCB Finance Limited following the issuance of the UPCB Senior Secured Notes. Accordingly, the amounts outstanding under Facility V are eliminated within UPC Holding's consolidated financial statements.

The UPCB Senior Secured Notes have been issued pursuant to an indenture, dated January 20, 2010. Facility V is made pursuant to an Additional Facility V Accession Agreement (the "Facility V Accession Agreement"). Pursuant to the Facility V Accession Agreement, the call provisions, maturity and applicable interest rate for Facility V are the same as those of the UPCB Senior Secured Notes. UPCB Finance Limited, as a lender under the UPC Broadband Holding Bank Facility, will be treated the same as the other lenders under the UPC Broadband Holding Bank Facility and will have benefits, rights and protections that are similar to those benefits, rights and protections afforded to the other lenders. Through the covenants in the indenture governing the UPCB Senior Secured Notes and the security interests over (i) all of the issued shares of UPCB Finance Limited and (ii) Facility V, granted to secure UPCB Finance Limited's obligations under the UPCB Senior Secured Notes, the holders of the UPCB Senior Secured Notes will be provided indirectly with the benefits, rights, protections and covenants, granted to UPCB Finance Limited as a lender under the UPC Broadband Holding Bank Facility.

UPCB Finance Limited is prohibited from incurring any additional indebtedness, subject to certain exceptions under the indenture governing the UPCB Senior Secured Notes.

The UPCB Senior Secured Notes are non-callable until January 15, 2015. At any time prior to January 15, 2015, upon the occurrence of an Early Redemption Event (being a voluntary prepayment of all or a portion of

Facility V), UPCB Finance Limited will redeem an aggregate principal amount of the UPCB Senior Secured Notes equal to the amount of Facility V prepaid, at a redemption price equal to the sum of (i) 100% of the principal amount thereof, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price on January 1, 2015, plus (2) all required remaining scheduled interest payments due through January 1, 2015, computed using the discount rate specified in the indenture, over (b) the principal amount of the UPCB Senior Secured Notes on the redemption date and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date. On or after January 15, 2015, upon the occurrence of an Early Redemption Event (as defined in the indenture), UPCB Finance Limited will redeem an aggregate principal amount of the UPCB Senior Secured Notes equal to the principal amount of Facility V prepaid at the redemption prices set forth in the indenture governing the UPCB Senior Secured Notes, plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date.

UPCB II Senior Secured Notes and Facility Y under the UPC Broadband Holding Bank Facility

On January 31, 2011, UPCB Finance II Limited, a special purpose financing company created for the primary purpose of issuing senior notes and owned 100% by a charitable trust, issued €750.0 million principal amount of 6⅜% senior secured notes (the "UPCB II Senior Secured Notes") resulting in gross proceeds of €750.0 million. UPCB Finance II Limited used the proceeds from the UPCB II Senior Secured Notes to fund a new Facility Y under the UPC Broadband Holding Bank Facility, with UPC Financing, an indirectly wholly owned subsidiary of UPC Holding, as the borrower. UPC Financing used the proceeds from Facility Y to reduce outstanding amounts under Facilities M and U under the UPC Broadband Holding Bank Facility.

UPCB Finance II Limited is dependent on payments from UPC Financing under Facility Y in order to service its payment obligations under the UPCB II Senior Secured Notes. Although UPC Financing has no equity or voting interest in UPCB Finance II Limited, the Facility Y loan creates a variable interest in UPCB Finance II Limited for which UPC Financing is the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Financing and its parent entities, including UPC Holding, are required by the provisions of U.S. GAAP to consolidate UPCB Finance II Limited following the issuance of the UPCB II Senior Secured Notes. Accordingly, the amounts outstanding under Facility Y are eliminated within UPC Holding's consolidated financial statements.

The UPCB II Senior Secured Notes have been issued pursuant to an indenture, dated January 31, 2011. Facility Y is made pursuant to an Additional Facility Y Accession Agreement (the "Facility Y Accession Agreement"). Pursuant to the Facility Y Accession Agreement, the call provisions, maturity and applicable interest rate for Facility Y are the same as those of the UPCB II Senior Secured Notes. UPCB Finance II Limited, as a lender under the UPC Broadband Holding Bank Facility, will be treated the same as the other lenders under the UPC Broadband Holding Bank Facility and will have benefits, rights and protections that are similar to those benefits, rights and protections afforded to the other lenders. Through the covenants in the indenture governing the UPCB II Senior Secured Notes and the security interests over (i) all of the issued shares of UPCB Finance II Limited and (ii) Facility Y, granted to secure UPCB Finance II Limited's obligations under the UPCB II Senior Secured Notes, the holders of the UPCB II Senior Secured Notes are provided indirectly with the benefits, rights, protections and covenants, granted to UPCB Finance II Limited as a lender under the UPC Broadband Holding Bank Facility.

UPCB Finance II Limited is prohibited from incurring any additional indebtedness, subject to certain exceptions under the indenture governing the UPCB II Senior Secured Notes.

The UPCB II Senior Secured Notes are non-callable until July 1, 2015. At any time prior to July 1, 2015, upon the occurrence of an Early Redemption Event (being a voluntary prepayment of all or a portion of Facility Y), UPCB Finance II Limited will redeem an aggregate principal amount of the UPCB II Senior Secured Notes equal to the amount of Facility Y prepaid, at a redemption price equal to the sum of (i) 100% of the principal amount thereof, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price on July 1, 2015, plus (2) all required remaining scheduled interest payments due through July 1, 2015, computed using the discount rate specified in the indenture, over (b) the principal amount of the UPCB II Senior Secured Notes on the redemption date and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date. On or after July 1, 2015, upon the occurrence of an Early Redemption Event (as defined in the indenture), UPCB Finance II Limited will redeem an aggregate principal amount of the UPCB II Senior Secured Notes equal to the principal amount of Facility Y prepaid at the redemption prices set forth in the indenture governing the UPCB II Senior Secured Notes, plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date.

UPCB III Senior Secured Notes and Facility Z under the UPC Broadband Holding Bank Facility

On February 16, 2011, UPCB Finance III Limited, a special purpose financing company created for the primary purpose of issuing senior notes and owned 100% by a charitable trust, issued $1.0 billion (€757.7 million equivalent) principal amount of 6⅝% senior secured notes (the "UPCB III Senior Secured Notes") resulting in gross proceeds of $1.0 billion. UPCB Finance III Limited used the proceeds from the UPCB III Senior Secured Notes to fund a new Facility Z under the UPC Broadband Holding Bank Facility, with UPC Financing, an indirectly wholly owned subsidiary of UPC Holding, as the borrower. UPC Financing used the proceeds from Facility Z to reduce outstanding amounts under Facilities P and T under the UPC Broadband Holding Bank Facility.

UPCB Finance III Limited is dependent on payments from UPC Financing under Facility Z in order to service its payment obligations under the UPCB III Senior Secured Notes. Although UPC Financing has no equity or voting interest in UPCB Finance III Limited, the Facility Z loan creates a variable interest in UPCB Finance III Limited for which UPC Financing is the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Financing and its parent entities, including UPC Holding, are required by the provisions of U.S. GAAP to consolidate UPCB Finance III Limited following the issuance of the UPCB III Senior Secured Notes. Accordingly, the amounts outstanding under Facility Z are eliminated within UPC Holding's consolidated financial statements.

The UPCB III Senior Secured Notes have been issued pursuant to an indenture, dated February 16, 2011. Facility Z is made pursuant to an Additional Facility Z Accession Agreement (the "Facility Z Accession Agreement"). Pursuant to the Facility Z Accession Agreement, the call provisions, maturity and applicable interest rate for Facility Z are the same as those of the UPCB III Senior Secured Notes. UPCB Finance III Limited, as a lender under the UPC Broadband Holding Bank Facility, will be treated the same as the other lenders under the UPC Broadband Holding Bank Facility and will have benefits, rights and protections that are similar to those benefits, rights and protections afforded to the other lenders. Through the covenants in the indenture governing the UPCB III Senior Secured Notes and the security interests over (i) all of the issued shares of UPCB Finance III Limited and (ii) Facility Z, granted to secure UPCB Finance III Limited's obligations under the UPCB III Senior Secured Notes, the holders of the UPCB III Senior Secured Notes are provided indirectly with the benefits, rights, protections and covenants, granted to UPCB Finance III Limited as a lender under the UPC Broadband Holding Bank Facility.

UPCB Finance III Limited is prohibited from incurring any additional indebtedness, subject to certain exceptions under the indenture governing the UPCB III Senior Secured Notes.

The UPCB III Senior Secured Notes are non-callable until July 1, 2015. At any time prior to July 1, 2015, upon the occurrence of an Early Redemption Event (being a voluntary prepayment of all or a portion of Facility Z), UPCB Finance III Limited will redeem an aggregate principal amount of the UPCB III Senior Secured Notes equal to the amount of Facility Z prepaid, at a redemption price equal to the sum of (i) 100% of the principal amount thereof, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price on July 1, 2015, plus (2) all required remaining scheduled interest payments due through July 1, 2015, computed using the discount rate specified in the indenture, over (b) the principal amount of the UPCB III Senior Secured Notes on the redemption date and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date. On or after July 1, 2015, upon the occurrence of an Early Redemption Event (as defined in the indenture), UPCB Finance III Limited will redeem an aggregate principal amount of the UPCB III Senior Secured Notes equal to the principal amount of Facility Z prepaid at the redemption prices set forth in the indenture governing the UPCB III Senior Secured Notes, plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date.

UPCB V Senior Secured Notes and Facility AC under the UPC Broadband Holding Bank Facility

On November 16, 2011, UPCB Finance V Limited, a special purpose financing company created for the primary purpose of issuing senior notes and owned 100% by a charitable trust, issued $750.0 million (€568.3 million equivalent) principal amount of 7¼% senior secured notes (the "UPCB V Senior Secured Notes") resulting in gross proceeds of $750.0 million. UPCB Finance V Limited used the proceeds from the UPCB V Senior Secured Notes to fund a new Facility AC under the UPC Broadband Holding Bank Facility, with UPC Financing, an indirectly wholly owned subsidiary of UPC Holding, as the borrower. UPC Financing used part of the proceeds from Facility AC to reduce outstanding amounts under Facility AA under the UPC Broadband Holding Bank Facility with the remainder being used for general corporate purposes.

UPCB Finance V Limited is dependent on payments from UPC Financing under Facility AC in order to service its payment obligations under the UPCB V Senior Secured Notes. Although UPC Financing has no equity or voting interest in UPCB Finance V Limited, the Facility AC loan creates a variable interest in UPCB Finance V Limited for which UPC Financing is the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Financing and its parent entities, including UPC Holding, are required by the provisions of U.S. GAAP to consolidate UPCB Finance V Limited following the issuance of the UPCB V Senior Secured Notes. Accordingly, the amounts outstanding under Facility AC are eliminated within UPC Holding's consolidated financial statements.

The UPCB V Senior Secured Notes have been issued pursuant to an indenture, dated November 16, 2011. Facility AC is made pursuant to an Additional Facility AC Accession Agreement (the "Facility AC Accession Agreement"). Pursuant to the Facility AC Accession Agreement, the call provisions, maturity and applicable interest rate for Facility AC are the same as those of the UPCB V Senior Secured Notes. UPCB Finance V Limited, as a lender under the UPC Broadband Holding Bank Facility, will be treated the same as the other lenders under the UPC Broadband Holding Bank Facility and will have benefits, rights and protections that are similar to those benefits, rights and protections afforded to the other lenders. Through the covenants in the indenture governing the UPCB V Senior Secured Notes and the security interests over (i) all of the issued shares of UPCB Finance V Limited and (ii) Facility AC, granted to secure UPCB Finance V's obligations under the UPCB V Senior Secured Notes, the holders of the UPCB V Senior Secured Notes are provided indirectly with the benefits, rights, protections and covenants, granted to UPCB Finance V Limited as a lender under the UPC Broadband Holding Bank Facility.

UPCB Finance V Limited is prohibited from incurring any additional indebtedness, subject to certain exceptions under the indenture governing the UPCB V Senior Secured Notes.

The UPCB V Senior Secured Notes are non-callable until November 15, 2016. At any time prior to November 15, 2016, upon the occurrence of an Early Redemption Event (being a voluntary prepayment of all or a portion of Facility AC), UPCB Finance V Limited will redeem an aggregate principal amount of the UPCB V Senior Secured Notes equal to the amount of Facility AC prepaid, at a redemption price equal to the sum of (i) 100% of the principal amount thereof, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price on November 15, 2016, plus (2) all required remaining scheduled interest payments due through November 15, 2016, computed using the discount rate specified in the indenture, over (b) the principal amount of the UPCB V Senior Secured Notes on the redemption date and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date. On or after November 15, 2016, upon the occurrence of an Early Redemption Event (as defined in the indenture), UPCB Finance V Limited will redeem an aggregate principal amount of the UPCB V Senior Secured Notes equal to the principal amount of Facility AC prepaid at the redemption prices set forth in the indenture governing the UPCB V Senior Secured Notes, plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date.

UPCB VI Senior Secured Notes and Facility AD under the UPC Broadband Holding Bank Facility

On February 7, 2012, UPCB Finance VI Limited, a special purpose financing company created for the primary purpose of issuing senior notes and owned 100% by a charitable trust, issued $750.0 million (€568.3 million equivalent) principal amount of 6⅞% senior secured notes (the "UPCB VI Senior Secured Notes") resulting in gross proceeds of $750.0 million. UPCB Finance VI Limited used the proceeds from the UPCB VI Senior Secured Notes to fund a new Facility AD under the UPC Broadband Holding Bank Facility, with UPC Financing, an indirectly wholly owned subsidiary of UPC Holding, as the borrower. UPC Financing used the proceeds from Facility AD to reduce outstanding amounts under Facilities M, N and O under the UPC Broadband Holding Bank Facility.

UPCB Finance VI Limited is dependent on payments from UPC Financing under Facility AD in order to service its payment obligations under the UPCB VI Senior Secured Notes. Although UPC Financing has no equity or voting interest in UPCB Finance VI Limited, the Facility AD loan creates a variable interest in UPCB Finance VI Limited for which UPC Financing is the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Financing and its parent entities, including UPC Holding, are required by the provisions of U.S. GAAP to consolidate UPCB Finance VI Limited following the issuance of the UPCB VI Senior Secured Notes. Accordingly, the amounts outstanding under Facility AD are eliminated within UPC Holding's consolidated financial statements.

The UPCB VI Senior Secured Notes have been issued pursuant to an indenture, dated February 7, 2012. Facility AD is made pursuant to an Additional Facility AD Accession Agreement (the "Facility AD Accession

Agreement”). Pursuant to the Facility AD Accession Agreement, the call provisions, maturity and applicable interest rate for Facility AD are the same as those of the UPCB VI Senior Secured Notes. UPCB Finance VI Limited, as a lender under the UPC Broadband Holding Bank Facility, will be treated the same as the other lenders under the UPC Broadband Holding Bank Facility and will have benefits, rights and protections that are similar to those benefits, rights and protections afforded to the other lenders. Through the covenants in the indenture governing the UPCB VI Senior Secured Notes and the security interests over (i) all of the issued shares of UPCB Finance VI Limited and (ii) Facility AD, granted to secure UPCB Finance VI’s obligations under the UPCB VI Senior Secured Notes, the holders of the UPCB VI Senior Secured Notes are provided indirectly with the benefits, rights, protections and covenants, granted to UPCB Finance VI Limited as a lender under the UPC Broadband Holding Bank Facility.

UPCB Finance VI Limited is prohibited from incurring any additional indebtedness, subject to certain exceptions under the indenture governing the UPCB VI Senior Secured Notes.

The UPCB VI Senior Secured Notes are non-callable until January 15, 2017. At any time prior to January 15, 2017, upon the occurrence of an Early Redemption Event (being a voluntary prepayment of all or a portion of Facility AD), UPCB Finance VI Limited will redeem an aggregate principal amount of the UPCB VI Senior Secured Notes equal to the amount of Facility AD prepaid, at a redemption price equal to the sum of (i) 100% of the principal amount thereof, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price on January 15, 2017, plus (2) all required remaining scheduled interest payments due through January 15, 2017, computed using the discount rate specified in the indenture, over (b) the principal amount of the UPCB VI Senior Secured Notes on the redemption date and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date. On or after January 15, 2017, upon the occurrence of an Early Redemption Event (as defined in the indenture), UPCB Finance VI Limited will redeem an aggregate principal amount of the UPCB VI Senior Secured Notes equal to the principal amount of Facility AD prepaid at the redemption prices set forth in the indenture governing the UPCB VI Senior Secured Notes, plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date.

$400 million 9⅞% Senior Notes

On May 29, 2009, we issued the 9⅞% Notes. The 9⅞% Notes mature on April 15, 2018. The 9⅞% Notes benefit from the intercreditor arrangements described below. The 9⅞% Notes are senior obligations that rank equally with all of our existing and future senior debt and are senior to all of our existing and future subordinated debt. After giving effect to the Refinancing, the 9⅞% Notes will be secured by a second ranking pledge over the shares of UPC Holding. In addition, the 9⅞% Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €50.0 million or more in the aggregate of UPC Holding or its Restricted Subsidiaries (as defined in the indenture), including UPC Broadband Holding and UPC Financing, is an event of default under the 9⅞% Notes.

We may redeem some or all of the 9⅞% Notes at certain redemption prices (expressed as a percentage of the principal amount) plus accrued interest and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during a specified 12 month period.

We may redeem all of the 9⅞% Notes at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in tax law. If we or certain of our subsidiaries sell certain assets or experience specific changes in control, we must offer to repurchase the 9⅞% Notes at a redemption price of 101%.

$640 million 8⅜% Senior Notes

On August 13, 2010, we issued the 8⅜% Notes. The 8⅜% Notes mature on August 15, 2020. The 8⅜% Notes benefit from the intercreditor arrangements described below. The 8⅜% Notes are senior obligations that rank equally with all of our existing and future senior debt and are senior to all of our existing and future subordinated debt. After giving effect to the Refinancing, the 8⅜% Notes will be secured by a third ranking pledge over the shares of UPC Holding. In addition, the 8⅜% Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €50.0 million or more in the aggregate of UPC Holding or its Restricted Subsidiaries (as defined in the indenture), including UPC Broadband Holding and UPC Financing, is an event of default under the 8⅜% Notes.

At any time prior to August 15, 2015, we may redeem some or all of the 8⅜% Notes by paying a specified "make-whole" premium.

On or after August 15, 2015, we may redeem some or all of the 8⅜% Notes at certain redemption prices (expressed as a percentage of the principal amount) plus accrued interest and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during a specified 12 month period. In addition, at any time prior to August 15, 2013, we may redeem up to 35% of the 8⅜% Notes (at a redemption price of 108.375% of the principal amount) with the net proceeds from one or more specified equity offerings.

We may redeem all of the 8⅜% Notes at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in tax law. If we or certain of our subsidiaries sell certain assets or experience specific changes in control, we must offer to repurchase the 8⅜% Notes at a redemption price of 101%.

€600 million 6⅜% Senior Notes

On September 21, 2012, we issued the 6⅜% Notes. The 6⅜% Notes mature on September 15, 2022. The 6⅜% Notes benefit from the intercreditor arrangements described below. The 6⅜% Notes are senior obligations that rank equally with all of our existing and future senior debt and are senior to all of our existing and future subordinated debt. After giving effect to the Refinancing, the 6⅜% Notes will be secured by a fourth ranking pledge over the shares of UPC Holding. In addition, the 6⅜% Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €50.0 million or more in the aggregate of UPC Holding or its Restricted Subsidiaries (as defined in the indenture), including UPC Broadband Holding and UPC Financing, is an event of default under the 6⅜% Notes.

At any time prior to September 17, 2017, we may redeem some or all of the 6⅜% Notes by paying a specified "make-whole" premium.

On or after September 15, 2017, we may redeem some or all of the 6⅜% Notes at certain redemption prices (expressed as a percentage of the principal amount) plus accrued interest and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during a specified 12 month period. In addition, at any time prior to September 15, 2015, we may redeem up to 40% of the 6⅜% Notes (at a redemption price of 106.375% of the principal amount) with the net proceeds from one or more specified equity offerings.

We may redeem all of the 6⅜% Notes at a price equal to their principal amount plus accrued and unpaid interest upon the occurrence of certain changes in tax law. If we or certain of our subsidiaries sell certain assets or experience specific changes in control, we must offer to repurchase the 6⅜% Notes at a redemption price of 101%.

UPC Holding Facility

The UPC Holding Facility is a loan facility agreement entered into between us as borrower, Toronto Dominion (Texas) LLC as facility agent, certain banks and other financial institutions, that was executed in June 2007 and first amended on July 9, 2007. Any drawings under the UPC Holding Facility will be senior obligations that rank equally with all of our existing and future senior debt and senior to all of our existing and future subordinated debt. After giving effect to the Refinancing, the UPC Holding Facility will be secured by a first ranking pledge over the shares of UPC Holding. Currently, no amounts are outstanding under the UPC Holding Facility.

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

Prior to May 16, 2008, the UPC Holding Facility consisted of a €250 million term loan facility (the "UPCH Loan"). Effective May 16, 2008, the fully drawn commitments of the lenders under the €250.0 million UPC Holding Facility were rolled into Facility M under the UPC Broadband Holding Bank Facility (the "Conversion").

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

Intercreditor Agreement with respect to the UPCH Notes and the UPC Holding Facility

After giving effect to the Refinancing, the UPC Holding Facility (if applicable), the 9⅞% Notes, the 8⅜% Notes and the 6⅜% Notes, respectively, will benefit from a first ranking share pledge, a second ranking share pledge, a third ranking share pledge and a fourth ranking share pledge, respectively, over all of the shares of UPC Holding and the Notes offered hereby will benefit from a fifth ranking share pledge.

Order of Priority

After giving effect to the Refinancing, the Intercreditor Agreement will provide that the following order of priority shall apply to the satisfaction of our obligations with respect to the security:

- first, the UPC Holding Facility (if applicable), the 9⅞ % Notes, the 8⅜% Notes, the 6⅜% Notes, the Notes offered hereby and certain other future indebtedness of ours that ranks pari passu on a secured basis; and
- second, certain other future indebtedness that ranks junior to the UPC Holding Facility, the 9⅞ % Notes, the 8⅜% Notes, the 6⅜% Notes and the Notes offered hereby on a junior secured basis.

Please note that this contractual arrangement is subject to certain limitations under Dutch law.

We are also a guarantor of the UPC Broadband Holding Bank Facility on a senior basis. We do not anticipate that the lenders under the UPC Broadband Holding Bank Facility will become party to the Intercreditor Agreement.

Intercreditor Deed with Respect to the UPC Broadband Holding Bank Facility

The obligors and finance parties under the UPC Broadband Holding Bank Facility entered into an intercreditor deed on January 16, 2004 with, among others, TD Bank Europe Limited and Toronto Dominion (Texas) LLC as facility agents under the October Facility, TD Bank Europe Limited as facility agent under the UPC Broadband Holding Bank Facility and certain subsidiaries of UPC Broadband Holding, to regulate the arrangements in respect of security created under the October Facility, the UPC Broadband Holding Bank Facility and the relationships between the parties holding the benefit of such security.

The intercreditor deed stipulates that the security created under the January Security Documents will rank pari passu with the security created under the October Security Documents (regardless of, for example, the order in which any document is registered or executed, or the point at which any debt is incurred, or any fluctuations in the outstanding amount of any debt incurred pursuant to the UPC Broadband Holding Bank Facility). Please note that this contractual arrangement is subject to certain limitations under Dutch law.

UPC Holding Subordinated Shareholder Loans

LGE Financing and UPC Holding are parties to a master (loan) agreement dated February 28, 2001 under which LGE Financing from time to time provides loans to us. The interest rate was 9.79% for the year ended December 31, 2012 and is reviewed on an annual basis.

As of December 31, 2012, €8.7 billion of UPC Holding Subordinated Shareholder Loans were outstanding, see "*Certain Relationships and Related Party Transactions—UPC Holding Subordinated Shareholder Loans*". The UPC Holding Subordinated Shareholder Loans, as amended from time to time, mature on March 1, 2030 and, subject to the terms of the indentures for the UPCH Notes, may be repaid by us at any time prior to maturity. In addition, subject to the terms of the indentures of the UPCH Notes, interest on the UPC Holding Subordinated Shareholder Loans, which may be set by the lender from time to time, is payable in cash or, at the option of UPC Holding, in kind.

Subordination of the UPC Holding Subordinated Shareholder Loans

Until the UPCH Notes are discharged, we will not be permitted to make any payment on the UPC Holding Subordinated Shareholder Loans other than as provided under the indentures for the UPCH Notes. In addition, we will not be permitted to take any prohibited action that would cause the UPC Holding Subordinated Shareholder Loans to not constitute Subordinated Shareholder Loans (as defined under "*Description of the Notes—Certain Definitions*"). The UPC Holding Subordinated Shareholder Loans:

(1) are without prejudice to the ability of UPC Holding to make voluntary prepayments not prohibited by the Indenture for the UPCH Notes, do not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the stated maturity of the UPCH Notes;

(2) are without prejudice to the ability of UPC Holding to make payments of interest not prohibited by the Indenture for the UPCH Notes, do not require, prior to the first anniversary of the stated maturity of the UPCH Notes, any mandatory payment of cash interest, cash withholding amounts or other gross-ups, or any similar mandatory cash payments;

(3) contain no change of control or similar provisions that are effective, and do not accelerate and have no right to declare a default or event of default or take any enforcement action or otherwise require any mandatory payment prior to the first anniversary of the stated maturity of the UPCH Notes; and

(4) do not provide for or require any security interest or encumbrance over any asset of UPC Holding or any of its Restricted Subsidiaries (as defined under "*Description of the Notes*").

In addition, we may not make any payment or distribution of any kind of character with respect to any obligations on, or relating to, any of the UPC Holding Subordinated Shareholder Loans if (i) a payment default on the UPCH Notes occurs and is continuing or (ii) any other default under the Indenture for the UPCH Notes occurs and is continuing on the UPCH Notes that permits the holders of the UPCH Notes to accelerate their maturity and we receive notice of such default from the requisite holders of the UPCH Notes, until in each case the earliest of (a) the date on which such default is cured or waived or (b) 180 days from the date such default occurs (and only once such notice may be given during any 360 day period).

LGE Financing, as lender of the UPC Holding Subordinated Shareholder Loans, will also agree under the UPC Holding Subordinated Shareholder Loans not to take any prohibited action with respect to the UPC Holding Subordinated Shareholder Loans, including actions that would cause the UPC Holding Subordinated Shareholder Loans not to constitute Subordinated Shareholder Loans under the Indenture. The provisions of the UPC Holding Subordinated Shareholder Loans will result in the UPC Holding Subordinated Shareholder Loans constituting Subordinated Shareholder Loans for purposes of the Indenture for the UPCH Notes.

If at any time on or before the UPCH Notes are paid in full, LGE Financing, as lender of the UPC Holding Subordinated Shareholder Loans, or any other subordinated creditor of the Issuer receives in respect or on account of any liabilities under the UPC Holding Subordinated Shareholder Loans or any other indebtedness subordinated pursuant to the terms of the UPC Holding Subordinated Shareholder Loans a payment or distribution other than in accordance with the terms of the Indenture for the UPCH Notes, including any payment or distribution by UPC Holding upon its winding-up, LGE Financing or such other subordinated creditor, as the case may be, will promptly turn over to the trustee all such amounts received in violation of the Indenture for the UPCH Notes for application in accordance with the applicable provisions of the security documents and the Indenture for the UPCH Notes. UPC Holding is permitted under the terms of the Indenture for the UPCH Notes to incur debt which ranks pari passu with the UPCH Notes on a secured or unsecured basis.

UPC Broadband Holding Intercompany Loans

UPC Holding and UPC Broadband Holding are parties to a framework agreement dated October 31, 2000 under which UPC Holding from time to time provides intercompany loans to UPC Broadband Holding, each of which are pledged on a first ranking basis to the lenders under the UPC Broadband Holding Bank Facility. Pursuant to the terms of the pledge agreement, upon an Insolvency Event (as defined therein) occurring in respect of a member of the Borrower Group (as defined therein), the claims of UPC Holding under the framework agreement shall be subordinated in all respects to the secured obligations owed by the borrower and other obligors, to the lenders under the UPC Broadband Holding Bank Facility. As of December 31, 2012, UPC Broadband Holding had outstanding intercompany loans payable to UPC Holding of €8.7 billion. The UPC Broadband Holding intercompany loans mature on November 1, 2029 and may be repaid by UPC Broadband Holding at any time prior to maturity, subject to the terms of the UPC Broadband Holding Bank Facility.

Other Related-Party Loan

At December 31, 2012, we owed €15.2 million under a loan agreement between a subsidiary of LGI and UPC Equipment B.V., an unrestricted subsidiary of UPC Broadband Holding, as contemplated by the UPC Broadband Holding Bank Facility. The interest rate on this loan was 9.29% at December 31, 2012 and amounts owed pursuant to this loan mature in March 2032. The interest rate on this note is reviewed annually, with adjustments effective on January 1 of each year.

DESCRIPTION OF THE NOTES

UPC Holding B.V. (the "Issuer") will issue €450 million in aggregate principal amount of senior notes due 2023 (the "Euro Notes") and CHF 350 million in aggregate principal amount of senior notes due 2023 (the "CHF Notes" and, together with the Euro Notes, the "Notes") under an indenture (the "Indenture") to be dated as of the Issue Date, between, among others, the Issuer and The Bank of New York Mellon, as trustee (the "Trustee").

You will find the definitions of capitalized terms used in this description under the heading "—*Certain Definitions*". For purposes of this description, references to "the Issuer", "we", "our" and "us" refer only to UPC Holding B.V. and not to its Subsidiaries.

The Indenture is unlimited in aggregate principal amount, but the issuance in this offering of the Notes is limited to €450 million of Euro Notes and CHF 350 million of CHF Notes. We may issue an unlimited amount of additional notes having identical terms and conditions to the Notes (the "Additional Notes"). We will only be permitted to issue such Additional Notes if, at the time of such issuance, we are in compliance with the covenants contained in the Indenture. Any Additional Notes will be part of the same issue as the Notes we are currently offering and will vote on all matters with the holders of the Notes. Unless expressly stated otherwise, in this Description of the Notes, when we refer to the Notes, the reference includes any Additional Notes.

Except as otherwise stated herein, the Notes will be treated as a single class of Notes under the Indenture, including with respect to waivers and amendments. As a result, among other things, holders of each series of Notes will not have separate and independent rights to give notice of a Default or to direct the Trustee to exercise remedies in the event of a Default with respect to the Notes or otherwise.

Application will be made to the Irish Stock Exchange for the Notes to be admitted to listing and trading on its Global Exchange Market.

This Description of the Notes is intended to be a useful overview of the material provisions of the Notes, the Indenture and the Security Documents. Since this Description of the Notes is only a summary, you should refer to the Indenture and the Security Documents for a complete description of the obligations of the Issuer and your rights. Copies of the Indenture and the Security Documents are available as set forth under "*Listing and General Information*".

Post-Closing Reorganizations

On February 5, 2013, Liberty and certain of its direct and indirect wholly owned subsidiaries (the "LGI Merger Subs") entered into an agreement and plan of merger (as amended on March 6, 2013, the "Merger Agreement") with Virgin Media Inc. ("Virgin Media"), providing for the combination of Liberty and Virgin Media under a new parent company called Liberty Global Corporation Limited ("New LGI"). New LGI will be re-registered as a U.K. public limited company prior to the completion of the transaction and may be renamed. The Merger Agreement provides that Liberty and Virgin Media will become wholly owned subsidiaries of New LGI through a series of mergers involving the LGI Merger Subs (the "Mergers"), and, following the transaction, the shares of New LGI will be owned by the current Liberty shareholders and Virgin Media shareholders. The ordinary shares of New LGI will trade on the NASDAQ Global Select Market. The consummation of the Mergers pursuant to the Merger Agreement is subject to regulatory approval, the affirmative approval of the shareholders of both Liberty and Virgin Media and other customary closing conditions.

In addition, following the issuance of the Notes, the Ultimate Parent may effect a reorganization of its group (the "Post-Closing Reorganizations"). The Post-Closing Reorganizations are expected to include (i) a distribution or other transfer of the Issuer and its Subsidiaries or a Parent of the Issuer to the Ultimate Parent or a first-tier or second-tier Subsidiary of the Ultimate Parent through one or more mergers, transfers, consolidations or other similar transactions, and/or (ii) the issuance by the Issuer of Capital Stock to the Ultimate Parent or a first-tier or second-tier Subsidiary of the Ultimate Parent and, as consideration therefor, the assignment or transfer by the Ultimate Parent or such first-tier or second-tier Subsidiary of the Ultimate Parent of assets to the Issuer, provided that any new holder of Capital Stock of the Issuer grants a pledge over such Capital Stock (having the same ranking as prior to the transfer taking the Intercreditor Agreement (as defined below) into account) for the benefit of the holders of the Notes substantially concurrently with the consummation of such transfer.

General

The Notes

The Notes:

- will be general senior obligations of the Issuer;
- will mature on March 15, 2023;
- will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof, in respect of the Euro Notes, and in denominations of CHF 150,000 and integral multiples of CHF 1,000 in excess thereof, in respect of the CHF Notes;
- will be represented by one or more registered Notes in global form, but in certain circumstances may be represented by Notes in definitive form;
- will be secured by the Share Pledge as described below under the caption "*—Ranking and Security*";
- will, together with the Issuer's Existing Notes, rank equally in right of payment with all existing and future unsubordinated Indebtedness of the Issuer and senior in right of payment to any existing and future Subordinated Obligations of the Issuer; and
- will be effectively subordinated to all Indebtedness of the Issuer's Subsidiaries.

Interest

Interest on the Notes will:

- accrue at the rate of 6.750% per annum on the Euro Notes and 6.750% per annum on the CHF Notes;
- accrue from the date of issue of the Notes or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on March 15 and September 15, commencing on September 15, 2013;
- be payable to the holder of record on the March 1 and September 1 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Form of Notes

The Notes will be represented initially by one or more global notes in registered form. Each series of Notes initially offered and sold in reliance on Rule 144A under the Securities Act will be represented by one or more global Notes (the "Rule 144A Global Notes"), and each series of Notes initially offered and sold in reliance on Regulation S under the Securities Act will be represented by one or more global Notes (the "Regulation S Global Notes"). The combined principal amounts of the Rule 144A Global Notes and the Regulation S Global Notes (together, the "Global Notes") will at all times equal the outstanding principal amount of the Notes represented thereby.

The Global Notes will, on the Issue Date, be deposited with a common depositary (the "Common Depositary" for the accounts of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"). Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream. Such beneficial interests in the Notes are referred to as "Book-Entry Interests".

Holders of Book-Entry Interests will be entitled to receive Definitive Notes in registered form ("Definitive Notes") in exchange for their holdings of Book-Entry Interests only in the limited circumstances set forth in "*Book-Entry, Delivery and Form*". Title to the Definitive Notes will pass upon registration of transfer in accordance with the provisions of the Indenture. In no event will Definitive Notes in bearer form be issued.

Payments on the Notes

Principal, premium, if any, interest, and Additional Amounts, if any, on the Global Notes will be payable, and the Global Notes may be exchanged or transferred, at the corporate trust office or agency of the Trustee in London, England except that, at the option of the Issuer, payment of interest may be made by check mailed to the address of the holders of the Notes as such address appears in the Note register. Payments on the Global Notes will be made in immediately available funds to the Common Depositary or its nominee, as the case may be, as the registered holder of the Global Notes. Upon the issuance of Definitive Notes, and for so long as the Notes are listed on the Irish Stock Exchange and the guidelines of such stock exchange so require, holders of the Notes will be able to receive principal, interest and Additional Amounts on the Notes at the Irish office of the paying agent, subject to the right of the Issuer to mail payments in accordance with the terms of the Indenture. The Issuer will pay interest on the Notes to Persons who are registered holders at the close of business on the record date immediately preceding the interest payment date for such interest. Such holders must surrender their Notes to a Principal Paying Agent to collect principal payments.

Paying Agent and Registrar

The Issuer will maintain one or more paying agents (each, a "Paying Agent") for the Notes in the City of London (the "Principal Paying Agent"). The Bank of New York Mellon, London Branch will initially act as Paying Agent in London.

The Issuer will also maintain one or more registrars (each, a "Registrar"). The Issuer will also maintain a transfer agent. The initial Registrar will be The Bank of New York Mellon, (Luxembourg) S.A. The initial transfer agent will be The Bank of New York Mellon, London Branch. The Registrar and the transfer agent will maintain a register on behalf of the Issuer for so long as the Notes remain outstanding reflecting ownership of Definitive Registered Notes (as defined elsewhere in this Offering Memorandum) outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Issuer. In the event that the Notes are no longer listed, the Issuer or its agent will maintain a register reflecting ownership of the Notes.

The Issuer may change a Paying Agent or Registrar for the Notes without prior notice to the holders of Notes, and the Issuer may act as Paying Agent or Registrar for the Notes. In the event that a Paying Agent, Registrar or transfer agent is replaced, the Issuer will provide notice thereof in accordance with the procedures described under "—Notices". In addition, the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the European Council of Economics and Finance Ministers ("ECOFIN") meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Transfer and Exchange

A holder of Notes may transfer or exchange Notes in accordance with the Indenture. The Registrar and the Trustee for the Notes may require a holder of a Note, among other things, to furnish appropriate endorsements and transfer documents, and the Issuer may require such holder to pay any taxes and fees required by law or permitted by the Indenture. The Issuer is not required to transfer or exchange any Note selected for redemption. Also, the Issuer is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed. The registered holder of a Note will be treated as the owner of such Note for all purposes. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

In case of a partial transfer of a Definitive Note, a holder will receive new Notes through the transfer agent.

Book-Entry Interests will be subject to certain restrictions on transfer and certification requirements as described under "Transfer Restrictions". In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

All transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants. See "*Book-Entry, Delivery and Form*".

Subject to certain restrictions on transfer and certification requirements, as described under "Transfer Restrictions", a Book-Entry Interest in Rule 144A Global Notes, if any, may be transferred to a Person who takes delivery thereof in the form of a Book-Entry Interest in Regulation S Global Notes, and vice versa, by means of an instruction originated through Euroclear or Clearstream, as applicable. Any Book-Entry Interest that is so transferred will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note and will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest. In connection with such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the first-mentioned Global Note and a corresponding increase in the principal amount of the other Global Note, as applicable.

Subject to the restrictions on transfer described under "*Transfer Restrictions*", Notes issued as Definitive Notes in registered form may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 or CHF 150,000 in principal amount, as the case may be, and integral multiples of €1,000 or CHF 1,000, as the case may be, in excess thereof to persons who take delivery thereof in the form of Definitive Notes in registered form. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder, to furnish information regarding the account of the transferee at Euroclear or Clearstream where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Note in registered form:

(1) for a period of 15 calendar days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 calendar days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a payment period of 15 calendar days prior to the record date with respect to any interest payment date; or

(4) that the registered holder of Notes has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

Ranking and Security

Ranking

The Notes will be general senior obligations of the Issuer, secured by the Share Pledge. The Notes will rank senior in right of payment to all existing and future Subordinated Obligations of the Issuer and will rank equally in right of payment with all existing and future unsubordinated Indebtedness of the Issuer.

The Issuer conducts all of its operations through its Subsidiaries and, therefore, the Issuer depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. Except as described in the next succeeding sentence, the Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's Subsidiaries. Any right of the Issuer to receive assets of any of its Subsidiaries upon the Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that Subsidiary's creditors, except to the extent that the Issuer is itself recognized as a creditor of the Subsidiary, in which case the claims of the Issuer would still be subordinated in right of payment to any security in the assets of the Subsidiary and any Indebtedness of the Subsidiary senior to that held by the Issuer.

Although the Indenture will limit the Incurrence of Indebtedness by the Issuer and the Restricted Subsidiaries, such limitation is subject to a number of significant qualifications. The Issuer and its Subsidiaries may be able to incur substantial amounts of indebtedness in certain circumstances. See "*—Certain Covenants—Limitation on Indebtedness*" below.

Security

The obligations of the Issuer under the Notes will be secured by the shares of Capital Stock of the Issuer held by LGE Financing (the "Security" or the "Share Pledge").

The Security will be automatically and unconditionally released and discharged:

(1) upon repayment in full of the Notes;

(2) as described under "—*Amendments and Waivers*";

(3) in connection with any transfer of the Capital Stock of the Issuer, or issuance of new Capital Stock of the Issuer, pursuant to the Post-Closing Reorganizations; *provided that* the transferee of the Capital Stock of the Issuer grants a pledge over the Capital Stock of the Issuer (having the same ranking as prior to such transfer taking the Intercreditor Agreement (as defined below) into account) held by such transferee for the benefit of the holders of the Notes substantially concurrently with the consummation of such transfer; or

(4) upon defeasance or discharge of the Notes in accordance with the terms of the Indenture.

The Trustee, acting on behalf of the holders of the Notes, will accede to the intercreditor agreement (as amended, the "Intercreditor Agreement") which was originally entered into on July 29, 2005 among LGE Financing, the security agent and the trustee on behalf of the holders of the €500 million 7¾% Senior Notes due 2014 and acceded to on October 10, 2005, April 17, 2007, April 30, 2009, May 29, 2009, August 13, 2010 and September 21, 2012 by the trustee on behalf of the holders of the €300 million 8⅝% Senior Notes due 2014, the €300 million 8% Senior Notes due 2016, the €400 million 9¾% Senior Notes due 2018, the $400 million 9⅞% Senior Notes due 2018, the €640 million 8⅜% Senior Notes due 2020 and the €600 million 6⅜% Senior Notes due 2022, respectively, and acceded to on June 14, 2007 by the security agent on behalf of the lenders under the UPC Holding Facility (to the extent any amount are outstanding thereunder from time to time), which effectively provides that all Additional Notes and Pari Passu Indebtedness may be secured by a pledge of the Security to the extent permitted by the applicable provisions of the Indenture; *provided*, that enforcement of remedies against the Security under the Intercreditor Agreement and the Security Documents may only be taken by the security agent at the instruction of creditors or their representatives representing at least 50% of the total Indebtedness secured by the Security under the Security Documents and the security agent under the Intercreditor Agreement and the Security Documents shall in general be directed by creditors or their representatives representing such percentage.

For the purposes of calculating the amount of Indebtedness secured by the security documents denominated in a currency other than euro, the principal amount of any such Indebtedness shall be determined based on the euro equivalent thereof as of the date of incurrence of such Indebtedness.

Following application of the proceeds of the offering of the Notes (including the redemption and/ or repurchase and cancellation of the Issuer's €300 million 8% Senior Notes due 2016 and €400 million 9¾ Senior Notes due 2018), the Existing Notes and the UPC Holding Facility will benefit from first-, second-, third- and fourth-ranking pledges over all of the shares of the Issuer. As a matter of Dutch law, the Share Pledge granted to the holders of the Notes will be a fifth-ranking pledge because it will be granted at a later point in time than the first, second, third and fourth pledges. However, the terms of the Intercreditor Agreement (which is also applicable to the Existing Notes and the UPC Holding Facility) provide that the benefit of the five share pledges will be shared equally by the Notes offered hereby, the Existing Notes and the UPC Holding Facility (as applicable). Please note that this contractual arrangement is subject to certain limitations under Dutch law.

Optional Redemption

Optional Redemption on or after March 15, 2018

Except as described below and under "—*Redemption for Taxation Reasons*", the Notes are not redeemable until March 15, 2018. On or after March 15, 2018, the Issuer may redeem all, or from time to time a part, of the Euro Notes and/or the CHF Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period commencing on March 15 of the years set out below:

	Percentage	
Year	Euro Notes	CHF Notes
2018	103.375%	103.375%
2019	102.250%	102.250%
2020	101.125%	101.125%
2021; and thereafter	100.000%	100.000%

In each case above, any such redemption and notice may, in the Issuers' discretion, be subject to satisfaction of one or more conditions precedent. For the avoidance of doubt, in each case above, the Issuer may choose to redeem each series of Notes, either together or separately.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuer.

Optional Redemption prior to March 15, 2018

At any time prior to March 15, 2018, the Issuer may redeem all, or from time to time a part, of the Euro Notes and/or CHF Notes upon not less than 10 nor more than 60 days' notice, at a price equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued but unpaid interest and Additional Amounts, if any, to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

In each case above, any such redemption and notice may, in the Issuer's discretion, be subject to satisfaction of one or more conditions precedent. For the avoidance of doubt, in each case above, the Issuer may choose to redeem each series of Notes, either together or separately.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuer.

Optional Redemption upon Equity Offerings

At any time, or from time to time, prior to March 15, 2016, the Issuer may, at its option, use the Net Cash Proceeds of one or more Equity Offerings (except for sales of Capital Stock of a Parent the proceeds of which are contributed as Subordinated Shareholder Loans) to redeem, upon not less than 10 nor more than 60 days' notice, up to 40% of the principal amount of the Notes issued under the Indenture (including the principal amount of any Additional Notes) at a redemption price of 106.750% of the principal amount of the Euro Notes and 106.750% of the principal amount of the CHF Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided that:

(1) at least 60% of the principal amount of each of the Euro Notes and the CHF Notes (which includes Additional Notes, if any) issued under the Indenture remains outstanding immediately after any such redemption; and

(2) the Issuer makes such redemption not more than 90 days after the consummation of any such Equity Offering.

In each case above, any such redemption and notice may, in the Issuer's discretion, be subject to satisfaction of one or more conditions precedent. For the avoidance of doubt, in each case above, the Issuer may choose to redeem each series of Notes, either together or separately.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date and no additional interest will be payable to holders whose Notes will be subject to redemption by the Issuer.

Selection and Notice

In the case of any partial redemption, selection of the Notes for redemption will be made by the Trustee on a pro rata basis (or, in the case of Notes issued in global form, based on a method that most nearly approximates a pro rata selection as the trustee deems fair and appropriate) unless otherwise required by law or applicable stock exchange or depositary requirements, although no Euro Notes of €100,000 or less or CHF Notes of CHF 150,000 or less can be redeemed in part. The Trustee will not be liable for selections made by it in accordance with this paragraph. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note.

The Issuer will provide notification of such partial redemption to the Irish Stock Exchange. For Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "Tax Redemption Date") (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), and Additional Amounts (as defined below under "—*Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuer determines that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below under "—*Withholding Taxes*") affecting taxation; or

(2) any change in position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) (each of the foregoing in clauses (1) and (2), a "Change in Tax Law"),

the Issuer is, or on the next interest payment date in respect of the Notes would be, required to pay more than de minimis Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to it (including, without limitation, by appointing a new or additional paying agent in another jurisdiction). The Change in Tax Law must become effective on or after the date of this Offering Memorandum. In the case of a successor to the Issuer, the Change in Tax Law must become effective after the date that such entity first makes payment on the Notes. Notice of redemption for taxation reasons will be published in accordance with the procedures described in the Indenture as described under "—Notices". Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officers' Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right to so redeem have been satisfied and that it cannot avoid the obligations to pay Additional Amounts by taking reasonable measures available to it; and (b) an opinion of an independent tax counsel reasonably satisfactory to the Trustee to the effect that the circumstances referred to above exist. The Trustee will accept such Officers' Certificate and opinion as sufficient evidence of the existence of satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

The foregoing provisions will apply mutatis mutandis to any successor to the Issuer after such successor person becomes a party to the Indenture.

Redemption at Maturity

On March 15, 2023, the Issuer will redeem the Notes that have not been previously redeemed or purchased and cancelled at 100% of their principal amount plus accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Withholding Taxes

All payments made by the Issuer or any successor thereto (a "Payor") on the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") unless the withholding or deduction of such Taxes is then required by law or by the official interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) The Netherlands or any political subdivision or governmental authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on the Notes is made, or any political subdivision or governmental authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which a Payor is organized or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1), (2) and (3), a "Relevant Taxing Jurisdiction"),

will at any time be required from any payments made with respect to the Notes, including payments of principal, redemption price, interest or premium, the Payor will pay (together with such payments) such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments by each holder of the Notes, as the case may be, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts) equal the amounts which would have been received in respect of such payments in the absence of such withholding or deduction; provided, however, that no such Additional Amounts will be payable with respect to:

(a) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant holder or beneficial owner and the Relevant Taxing Jurisdiction imposing such Taxes (other than the mere ownership or holding of such Note or enforcement of rights thereunder or under the Indenture or the receipt of payments in respect thereof);

(b) any Taxes that would not have been so imposed if the holder had made a declaration of non-residence or any other claim or filing for exemption to which it is entitled (provided that (x) such declaration of non-residence or other claim or filing for exemption is required by the applicable law of the Relevant Taxing Jurisdiction as a precondition to exemption from the requirement to deduct or withhold all or a part of any such Taxes and (y) at least 30 days prior to the first payment date with respect to which such declaration of non-residence or other claim or filing for exemption is required under the applicable law of the Relevant Taxing Jurisdiction, the relevant holder at that time has been notified (in accordance with the procedures set forth in the Indenture) by the Payor or any other Person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption is required to be made);

(c) any Note presented for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented during such 30-day period);

(d) any Taxes that are payable otherwise than by withholding from a payment of the principal of, premium, if any, or interest on the Notes;

(e) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(f) any withholding or deduction imposed on a payment to an individual and required to be made pursuant to the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive;

(g) any Taxes which could have been avoided by the presentation (where presentation is required) of the relevant Note to another Paying Agent in a member state of the European Union;

(h) all United States backup withholding taxes;

(i) any U.S. federal withholding Taxes imposed pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986 (as amended), as of the date of the Indenture (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof; or

(j) any combination of items (a) through (i) above.

Such Additional Amounts will also not be payable where, had the beneficial owner of the Note been the holder of the Note, it would not have been entitled to payment of Additional Amounts by reason of any of clauses (a) to (j) inclusive above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies (or, if certified copies are not available despite reasonable efforts of the Payor, other evidence of payment reasonably satisfactory to the Trustee) to each holder. The Payor will attach to each certified copy (or other evidence) a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Notes then outstanding and (y) the amount of such withholding Taxes paid per €1,000 or CHF 1,000 principal amount of the Notes. Copies of such documentation will be available for inspection during ordinary business hours at the office of the Trustee by the holders of the Notes upon request and will be made available at the offices of the Irish Paying Agent if the Notes are then listed on the Irish Stock Exchange.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable (unless such obligation to pay Additional Amounts arises shortly before or after the 30th day prior to such date, in which case it shall be promptly thereafter), if the Payor will be obligated to pay Additional Amounts with respect to such payment, the Payor will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable, the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to holders on the payment date. Each such Officers' Certificate shall be relied upon until receipt of a further Officers' Certificate addressing such matters. The Trustee shall be entitled to rely solely on each such Officers' Certificate as conclusive proof that such payments are necessary.

Wherever mentioned in the Indenture, the Notes or this Description of the Notes, in any context: (1) the payment of principal, (2) purchase prices in connection with a purchase of Notes, (3) interest, or (4) any other amount payable on or with respect to the Notes, such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery or registration of any Notes or any other document or instrument referred to therein (other than a transfer of the Notes), or the receipt of any payments with respect to the Notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside the United Kingdom, Ireland, the Netherlands or any jurisdiction in which a Paying Agent is located, other than those resulting from, or required to be paid in connection with, the enforcement of the Notes, the Security or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized or any political subdivision or taxing authority or agency thereof or therein.

Certain Covenants

Change of Control

If a Change of Control shall occur at any time, the Issuer shall, pursuant to the procedures described below and in the Indenture, offer (the "Change of Control Offer") to purchase all Notes in whole or in part in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, in the case of the Euro Notes, and in denominations of CHF 150,000 and in integral multiples of CHF 1,000 in excess thereof, in the case of the CHF Notes, at a purchase price (the "Change of Control Purchase Price") in cash in an amount equal to 101% of the principal amount of such Notes, plus any Additional Amounts and accrued and unpaid interest, if any, to the date of purchase (the "Change of Control Purchase Date") (subject to the rights of holders of record on relevant record dates to receive interest due on an interest payment date) provided, however, that the Issuer shall not be obliged to repurchase Notes as described under this subsection *"—Change of Control"* in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived. No such purchase in part shall reduce the principal amount at maturity of the Notes held by any holder to below €100,000, in the case of the Euro Notes, and CHF 150,000, in the case of the CHF Notes.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under *"—Optional Redemption"* or all conditions to such redemption have been satisfied or waived, within 30 days of any Change of Control, the Issuer shall notify the Trustee thereof and give written notice of such Change of Control to each holder of Notes by first-class mail, postage prepaid, at such holder's address appearing in the security register, stating, among other things:

- that a Change of Control has occurred and the date of such event;
- the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to pro forma historical income, cash flow and capitalization after giving effect to the Change of Control);
- the purchase price and the purchase date which shall be fixed by the Issuer on a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, or such later date as is necessary to comply with requirements under the Exchange Act;

- that any Note not tendered will continue to accrue interest and unless the Issuer defaults in payment of the Change of Control Purchase Price, any Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Purchase Date; and
- certain other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Issuer shall cause to be published the notice described above in a leading newspaper having a general circulation in London (which is expected to be the Financial Times) or through the newswire service of Bloomberg (or if Bloomberg does not then operate, any similar agency) and, for so long as the Notes are listed on the Irish Stock Exchange and the guidelines of such Stock Exchange so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer in a leading newspaper of general circulation in Ireland or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange. The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. See "*Risk Factors—Risks Relating to the Notes and the Structure—*We may not be able to obtain enough funds necessary to finance an offer to repurchase your Notes upon the occurrence of certain events constituting a change of control (as defined in the Indenture) as required by the Indenture".

The Trustee will promptly authenticate and deliver a new note or notes equal in principal amount to any unpurchased portion of Notes surrendered, if any, to the holder of Notes in global form or to each holder of certificated notes; *provided* that each such new note will be in a principal amount of €100,000 and in integral multiples of €1,000 in excess thereof, in the case of the Euro Notes, and in a principal amount of CHF 150,000 and in integral multiples of CHF 1,000 in excess thereof, in the case of the CHF Notes. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

We will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by us and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

The term "all or substantially all" as used in the definition of "Change of Control" has not been interpreted under New York law (which is the governing law of the Indenture) to represent a specific quantitative test. As a consequence, in the event the holders of the Notes elect to exercise their rights under the Indenture and the Issuer elects to contest such election, there could be no assurance as to how a court interpreting New York law would interpret the phrase.

The provisions of the Indenture will not afford holders of the Notes the right to require the Issuer to repurchase the Notes in the event of a highly leveraged transaction or certain transactions with the Issuer's management or its Affiliates or certain other sale transactions, including a reorganization, restructuring, merger or similar transaction (including, in certain circumstances, an acquisition of the Issuer by management or its affiliates) involving the Issuer that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control.

The provisions under the Indenture related to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the holders of a majority in principal amount of the Notes prior to the occurrence of a Change of Control.

The Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws or regulations in connection with a Change of Control Offer. To the extent that the provisions of any applicable securities laws or regulations conflict with the provisions of this covenant (other than the obligation to make an offer pursuant to this covenant), the Issuer will comply with the securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); provided, however, that:

(1) the Restricted Subsidiaries may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence and after giving effect thereto on a pro forma basis the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries would not exceed 4.00 to 1.00; and

(2) the Issuer may Incur Pari Passu Indebtedness (including Acquired Indebtedness constituting Pari Passu Indebtedness) if on the date of such Incurrence and after giving effect thereto on a pro forma basis the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries would not exceed 5.00 to 1.00.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Pari Passu Indebtedness of the Issuer and Indebtedness of the Restricted Subsidiaries under Credit Facilities in the aggregate principal amount at any one time outstanding not to exceed an amount equal to €1,150 million plus (i) the aggregate principal amount of term loan borrowings outstanding under the Senior Credit Facilities on the Issue Date, (ii) any accrual or accretion of interest that increases the principal amount of Indebtedness under Credit Facilities and (iii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary (other than a Receivables Entity) or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any other Restricted Subsidiary (other than a Receivables Entity); provided, however, that:

    (a) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary (other than a Receivables Entity) of the Issuer; and

    (b) any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary (other than a Receivables Entity) of the Issuer,

    shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be and provided, further, that if the Issuer is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes;

(3) Indebtedness represented by the Notes (other than any Additional Notes issued after the Issue Date) and the Existing Notes;

(4) any Indebtedness (other than the Indebtedness described in clauses (1), (2) and (3)) outstanding on the Issue Date;

(5) any Refinancing Indebtedness Incurred in respect of any Indebtedness described in clause (3), clause (4), this clause (5), clause (6) or clause (8) or clause (15) or Incurred pursuant to the first paragraph of this covenant;

(6) Indebtedness of the Issuer or a Restricted Subsidiary (i) Incurred and outstanding on the date on which such Restricted Subsidiary was acquired by the Issuer or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided, however*, that with respect to this clause (6), immediately following the consummation of the acquisition of such Restricted Subsidiary by the Issuer or such other transaction, (x) the Issuer and Restricted Subsidiaries would have been able to Incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving pro forma effect to the relevant acquisition or other transaction and the Incurrence of such Indebtedness pursuant to this clause (6) or (y) the Consolidated Leverage Ratio of the Issuer would not be greater than immediately prior to such acquisition or such other transaction;

(7) Indebtedness under Currency Agreements and Interest Rate Agreements entered into for bona fide hedging purposes of the Issuer or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or senior management of the Issuer);

(8) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used or useful in the business of the Issuer or such Restricted Subsidiary or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in the business of the Issuer or such Restricted Subsidiary, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Refinancing Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (8) will not exceed the greater of (i) €250.0 million and (ii) 2.5% of Total Assets at any time outstanding so long as such Indebtedness exists on the date of such purchase, design, construction, installation or improvement, or is created within 270 days thereafter;

(9) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, bid, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(10) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for indemnification, obligations in respect of earn-outs or adjustment of purchase price or similar obligations, in each case, Incurred or assumed in connection with the disposition of any business, assets or Capital Stock of a Restricted Subsidiary, provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds (including the fair market value of non-cash proceeds) actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, provided, however, that such Indebtedness is extinguished within thirty Business Days of Incurrence;

(12) guarantees by the Issuer or any Restricted Subsidiary of Indebtedness or any other obligation or liability of the Issuer or any Restricted Subsidiary (other than of any Indebtedness Incurred by such Restricted Subsidiary in violation of this covenant);

(13) Indebtedness of the Issuer and its Restricted Subsidiaries in any Qualified Receivables Transaction;

(14) Subordinated Shareholder Loans Incurred by the Issuer;

(15) Pari Passu Indebtedness of the Issuer and Indebtedness of the Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (15) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to the Issuer or a Restricted Subsidiary) of its Capital Stock or otherwise contributed to the equity of the Issuer, in each case, subsequent to January 1, 2010 (and in each case, other than through the issuance of Disqualified Stock, Preferred Stock or an Excluded Contribution); provided, however, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under clauses 4(c)(ii) and 4(c)(iii) of the first paragraph and clause (1) of the third paragraph of the covenant described below under "*Certain Covenants—Limitation on Restricted Payments*" to the extent the Issuer or any Restricted Subsidiary incurs Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (15) to the extent the Issuer or any Restricted Subsidiary makes a Restricted Payment under clauses 4(c)(ii) and 4(c)(iii) of the first paragraph and clauses (1) of the third paragraph of the covenant described below under "*Certain Covenants—Limitation on Restricted Payments*" in reliance thereon;

(16) Indebtedness arising under the Permitted Borrower Group Revolving Credit Facility or the Permitted Borrower Group Guarantee Facilities;

(17) Indebtedness of a Restricted Subsidiary, in respect of which the Person or Persons to whom such Indebtedness is or may be owed has or have no recourse whatsoever to the Issuer or any Restricted Subsidiary for any payment or repayment in respect thereof other than recourse to any non-Distribution Business Assets subject to a Lien securing such Indebtedness that is permitted to be incurred pursuant to the Indenture, provided that:

(a) the extent of such recourse to such Restricted Subsidiary is limited solely to the amount of any recoveries made on the enforcement of such Lien;

(b) such Person or Persons are not entitled, pursuant to the terms of any agreement evidencing any right or claim arising out of or in connection with such Indebtedness, to commence proceedings for the winding up, dissolution or administration of any Restricted Subsidiary (or proceedings having an equivalent effect) or to appoint or procure the appointment of any receiver, trustee or similar Person or officer in respect of any Restricted Subsidiary or any of its assets (save only for the non-Distribution Business Assets the subject of that Lien); and

(c) the aggregate outstanding amount of all Indebtedness of all Restricted Subsidiaries Incurred pursuant to this clause (17) does not exceed €100,000,000 (or its equivalent in other currencies) at any time outstanding; and

(18) in addition to the items referred to in clauses (1) through (17) above, Pari Passu Indebtedness of the Issuer and Indebtedness of the Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (18) and then outstanding, will not exceed the greater of (i) €250.0 million and (ii) 3.0% of Total Assets at any time outstanding.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify and, from time to time, may reclassify such Indebtedness, in any manner that complies with this covenant and such item of Indebtedness will be treated as having been Incurred pursuant to only one of such clauses of the second paragraph of this covenant or pursuant to the first paragraph of this covenant;

(2) any borrowings under the Senior Credit Facilities shall be deemed initially Incurred on the Issue Date under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (3) of the second paragraph of this covenant and may not be reclassified;

(3) guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1) of the second paragraph above and the letters of credit relate to other Indebtedness, then such other Indebtedness shall not be included;

(5) the principal amount of any Disqualified Stock of the Issuer, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest or dividends in the form of additional Indebtedness, Preferred Stock or Disqualified Stock and increases in the amount of Indebtedness due to a change in accounting principles will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (ii) the principal amount or liquidation preference thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

In addition, the Issuer will not permit any of its Unrestricted Subsidiaries to Incur any Indebtedness or issue any shares of Disqualified Stock, other than Non-Recourse Debt. If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this "*—Limitation on Indebtedness*" covenant, the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent principal amount of Indebtedness denominated in a foreign currency shall be (1) calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; provided that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable euro-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; and (2) if and for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the swapped rate of such Indebtedness (if swapped into euros) as of the date of the applicable swap. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer and the Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

For purposes of determining compliance with the first paragraph of this covenant, the Euro Equivalent principal amount of Indebtedness denominated in a foreign currency (if such Indebtedness has not been swapped into euros, or if such Indebtedness has been swapped into a currency other than euros) shall be calculated using the same weighted average exchange rates for the relevant period used in the consolidated financial statements of the Issuer for calculating the Euro Equivalent of Consolidated EBITDA denominated in the same currency as the currency in which such Indebtedness is denominated or into which it has been swapped.

Limitation on Restricted Payments

The Issuer will not, and will not permit any of the Restricted Subsidiaries, directly or indirectly:

(1) to declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of the Restricted Subsidiaries) except:

  (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or Subordinated Shareholder Loans; and

  (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and if such Restricted Subsidiary is not a Wholly Owned Subsidiary, to its other holders of common Capital Stock on a pro rata basis);

(2) to purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary;

(3) to purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations (other than (x) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement or (y) Indebtedness permitted under clause (2) of the second paragraph under the covenant described under "*—Limitation on Indebtedness*"); or

(4) to make any Restricted Investment in any Person;

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (4) is referred to herein as a "Restricted Payment"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result therefrom); or

(b) the Issuer is not able to Incur an additional €1.00 of Pari Passu Indebtedness pursuant to the first paragraph under the covenant described under "*—Limitation on Indebtedness*", after giving effect, on a pro forma basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made subsequent to January 1, 2010 and not returned or rescinded would exceed the sum of:

   (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the beginning of the first fiscal quarter commencing after January 1, 2010 to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which financial statements are available (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit);

   (ii) 100% of the aggregate Net Cash Proceeds and the fair market value, as determined in good faith by the Board of Directors or senior management of the Issuer, of marketable securities, or other property or assets, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock) or Subordinated Shareholder Loans or other capital contributions subsequent to January 1, 2010 (other than (x) Net Cash Proceeds received from an issuance or sale of such Capital Stock to the Issuer or a Restricted Subsidiary or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination or (y) Excluded Contributions);

   (iii) 100% of the aggregate Net Cash Proceeds and the fair market value, as determined in good faith by the Board of Directors or senior management of the Issuer, of marketable securities, or other property or assets, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to January 1, 2010 of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock) or Subordinated Shareholder Loans;

   (iv) the amount equal to the net reduction in Restricted Investments made by the Issuer or any of the Restricted Subsidiaries resulting from:

      (A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary; or

      (B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of "Investment") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Issuer or any Restricted Subsidiary in such Unrestricted Subsidiary,

   which amount in each case under this clause (iv) was included in the calculation of the amount of Restricted Payments; provided, however, that no amount will be included in Consolidated Net Income for the purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (iv); and

   (v) 100% of the Net Cash Proceeds and the fair market value (as determined in accordance with the next succeeding paragraph) of marketable securities, or other property or assets, received by the Issuer or any of the Restricted Subsidiaries in connection with: (A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary; and (B) any dividend or distribution made by an Unrestricted Subsidiary to the Issuer or a Restricted Subsidiary; provided, however, that no amount will be included in Consolidated Net Income for the purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included under this clause (v);

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by the Board of Directors or senior management of the Issuer.

The provisions of the preceding paragraph will not prohibit:

(1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Subordinated Shareholder Loans or Subordinated Obligations of the Issuer made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the sale within 90 days of, Capital Stock of the Issuer (other than Disqualified Stock or Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or guaranteed by the Issuer or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination), Subordinated Shareholder Loans or a substantially concurrent capital contribution to the Issuer; provided, however, that (a) such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments and (b) the Net Cash Proceeds from such sale or issuance of Capital Stock or Subordinated Shareholder Loans or from such capital contribution will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations of the Issuer made by exchange for, or out of the proceeds of the substantially concurrent sale of, Subordinated Obligations of the Issuer that is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" and that in each case constitutes Refinancing Indebtedness; provided, however, that such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Issuer or a Restricted Subsidiary made by exchange for, or out of the proceeds of the sale within 90 days of, Disqualified Stock of the Issuer or such Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" and that in each case constitutes Refinancing Indebtedness; provided, however, that such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded in subsequent calculations of the amount of Restricted Payments;

(4) dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this provision; provided, however, that such dividends will be included in subsequent calculations of the amount of Restricted Payments;

(5) the purchase, repurchase, defeasance, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock of the Issuer or any Restricted Subsidiary or any parent of the Issuer held by any existing or former employees or management of the Issuer or any Subsidiary of the Issuer or their assigns, estates or heirs, in each case in connection with the repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees; *provided* that such redemptions or repurchases pursuant to this clause will not exceed an amount equal to €3.0 million in the aggregate during any calendar year (with any unused amounts in any preceding calendar year being carried over to the succeeding calendar year); provided, however, that the amount of any such repurchase or redemption will be included in subsequent calculations of the amount of Restricted Payments;

(6) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under "*—Limitation on Indebtedness*" above;

(7) purchases, repurchases, redemptions, defeasance or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other convertible securities if such Capital Stock represents a portion of the exercise price thereof; *provided*, however, that such repurchases will be excluded from subsequent calculations of the amount of Restricted Payments;

(8) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Obligation:

    (a) at a purchase price not greater than 101% of the principal amount of such Subordinated Obligation in the event of a Change of Control in accordance with provisions similar to the "*—Change of Control*" covenant;

    (b) at a purchase price not greater than 100% of the principal amount thereof in accordance with provisions similar to the "*—Limitation on Sales of Assets and Subsidiary Stock*" covenant;

provided that, prior to or simultaneously with such purchase, repurchase, redemption, defeasance or other acquisition or retirement, the Issuer has made the Change of Control Offer or Asset Disposition Offer, as applicable, as provided in such covenant with respect to the Notes and has completed the repurchase or redemption of all Notes validly tendered for payment in connection with such Change of Control Offer or Asset Disposition Offer; and provided, further, that such purchase, redemption or other acquisition will be excluded from subsequent calculations of the amount of Restricted Payments; or

(c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Obligation plus accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;

(9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to:

(i) the amounts required for any Parent to pay Parent Expenses;

(ii) the amounts required for any Parent to pay Public Offering Expenses or fees and expenses related to any other equity or debt offering of such Parent that are directly attributable to the operation of the Issuer and the Restricted Subsidiaries;

(iii) the amounts required for any Parent to pay Related Taxes; and

(iv) amounts constituting payments satisfying the requirements of clauses (11) and (12) of the second paragraph of the covenant described under "*—Limitation on Affiliate Transactions*",

provided, that such dividends, loans, advances, distributions or other payments will be excluded from subsequent calculations of the amount of Restricted Payments;

(10) Investments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause, provided that the amount of such Investments will be excluded from subsequent calculations of the amount of Restricted Payments;

(11) payments by the Issuer, or loans, advances, dividends or distributions to any parent company of the Issuer to make payments to holders of Capital Stock of the Issuer or any parent company of the Issuer in lieu of the issuance of fractional shares of such Capital Stock; provided that the net amount of such payments will be excluded from subsequent calculations of the amount of Restricted Payments;

(12) so long as no Default or Event of Default of the type specified in clauses (1) or (2) under "*—Events of Default*" has occurred and is continuing, Restricted Payments to be applied to scheduled cash interest payments on Indebtedness of any Parent to the extent that such Indebtedness is guaranteed by the Issuer pursuant to a guarantee otherwise permitted to be Incurred under the Indenture; provided, however, that the amount of such payments will be included in subsequent calculations of the amount of Restricted Payments;

(13) so long as no Default or Event of Default of the type specified in clauses (1) or (2) under "*—Events of Default*" has occurred and is continuing, any Restricted Payment to the extent that, after giving pro forma effect to any such Restricted Payment, the Consolidated Leverage Ratio for the Issuer would not exceed 5.00 to 1.00, provided that the net amount of such payments will be included in subsequent calculations of the amount of Restricted Payments;

(14) Restricted Payments in an aggregate amount at any time outstanding, when taken together with all other Restricted Payments made pursuant to this clause (14), not to exceed €100.0 million in the aggregate in any calendar year (with any unused amounts in any preceding calendar year being carried over to the succeeding calendar year); provided that the amount of such Restricted Payments will be included in subsequent calculations of the amount of Restricted Payments;

(15) the distribution, as a dividend or otherwise, of shares of Capital Stock of or, Indebtedness owed to the Issuer or a Restricted Subsidiary by, Unrestricted Subsidiaries;

(16) following a Public Offering of the Issuer or any Parent, the declaration and payment by the Issuer or such Parent, or the making of any cash payments, advances, dividends or distributions to any Parent to

pay, dividends or distributions on the Capital Stock, common stock or common equity interests of the Issuer or any Parent; provided that the aggregate amount of all such dividends or distributions under this clause (16) shall not exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received from such Public Offering or subsequent Equity Offering by the Issuer or contributed to the capital of the Issuer by any Parent in any form other than Indebtedness or Excluded Contributions and (b) following the Initial Public Offering, an amount equal to the greater of (i) 7% of the Market Capitalization and (ii) 7% of the IPO Market Capitalization, provided that after giving pro forma effect to the payment of any such dividend or making of any such distribution, the Consolidated Leverage Ratio of the Issuer would not exceed 5.00 to 1.00; provided that the amount of such Restricted Payments will be included in subsequent calculations of the amount of Restricted Payments; and

(17) after the designation of any Restricted Subsidiary as an Unrestricted Subsidiary, distributions (including by way of dividend) consisting of cash, Capital Stock or property or other assets of such Unrestricted Subsidiary that in each case is held by the Issuer or any Restricted Subsidiary; provided, however, that (x) such distribution or disposition shall include the concurrent transfer of all liabilities (contingent or otherwise) attributable to the property or other assets being transferred; (y) any property or other assets received from any Unrestricted Subsidiary (other than Capital Stock issued by any Unrestricted Subsidiary) may be transferred by way of distribution or disposition pursuant to this clause (17) only if such property or other assets, together with all related liabilities, is so transferred in a transaction that is substantially concurrent with the receipt of the proceeds of such distribution or disposition by the Issuer or such Restricted Subsidiary; and (z) such distribution or disposition shall not, after giving effect to any related agreements, result nor be likely to result in any material liability, tax or other adverse consequences to the Issuer and the Restricted Subsidiaries on a consolidated basis; provided further, however, that such distributions will be excluded from the calculation of the amount of Restricted Payments, it being understood that proceeds from the disposition of any cash, Capital Stock or property or other assets of an Unrestricted Subsidiary that are so distributed will not increase the amount of Restricted Payments permitted under clause (c)(iv) of the preceding paragraph above.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount and any non-cash Restricted Payment shall be determined in good faith by the Board of Directors or senior management of the Issuer.

Limitation on Liens

The Issuer will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, create, Incur or suffer to exist any Lien (other than Permitted Liens) upon any of its property or assets (including Capital Stock of Restricted Subsidiaries of the Issuer), whether owned on the date of the Indenture or acquired after that date, which Lien is securing any Indebtedness (such Lien, the "Initial Lien"), unless contemporaneously with the Incurrence of such Initial Lien effective provision is made to secure the Indebtedness due under the Indenture and the Notes equally and ratably with (or prior to, in the case of Liens with respect to Subordinated Obligations) the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured.

Any such Lien thereby created in favor of the Notes will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, (ii) any sale, exchange or transfer to any Person other than the Issuer or any Restricted Subsidiary of the property or assets secured by such Initial Lien, (iii) the full and final payment of all amounts payable by the Issuer under the Notes and the Indenture, or (iv) the defeasance or discharge of the Notes in accordance with the defeasance provisions described under "—*Defeasance*".

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;

(2) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(3) transfer any of its property or assets to the Issuer or any Restricted Subsidiary;

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock and (y) the subordination of (including but not limited to, the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

The preceding provisions will not prohibit:

(1) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the date of the Indenture, including, without limitation, the Indenture, the indentures for the Existing Notes, any Credit Facility, the Intercreditor Agreement, the Security Documents and any related documentation, in each case, as in effect on the Issue Date;

(2) any encumbrance or restriction pursuant to an agreement or instrument of a Person relating to any Capital Stock or Indebtedness of a Person, Incurred on or before the date on which such Person was acquired by or merged or consolidated with or into the Issuer or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged or consolidated with or into the Issuer or any Restricted Subsidiary or in contemplation of such transaction) and outstanding on such date, provided, that any such encumbrance or restriction shall not extend to any assets or property of the Issuer or any other Restricted Subsidiary other than the assets and property so acquired and provided, further, that for the purposes of this clause, if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refunding, replacement or refinancing of Indebtedness Incurred pursuant to, or that otherwise extends, renews, refunds, refinances or replaces, an agreement referred to in clause (1) or (2) of this paragraph or this clause (3) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); provided, however, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement are no less favorable in any material respect to the holders of the Notes than the encumbrances and restrictions contained in such agreements referred to in clauses (1) or (2) of this paragraph (as determined in good faith by the Board of Directors or senior management of the Issuer);

(4) in the case of clause (3) of the first paragraph of this covenant, any encumbrance or restriction:

    (i) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any such lease, license or other contract;

    (ii) contained in Liens permitted under the Indenture securing Indebtedness of the Issuer or a Restricted Subsidiary to the extent such encumbrances or restrictions restrict the transfer of the property subject to such mortgages, pledges or other security agreements; or

    (iii) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(5) any encumbrance or restriction pursuant to (a) Purchase Money Obligations for property acquired in the ordinary course of business and (b) Capitalized Lease Obligations permitted under the Indenture, in each case that impose encumbrances or restrictions of the nature described in clause (3) of the first paragraph of this covenant on the property so acquired;

(6) any Purchase Money Note or other Indebtedness or contractual requirements Incurred with respect to a Qualified Receivables Transaction relating exclusively to a Receivables Entity that, in the good faith determination of the Board of Directors or senior management of the Issuer, are necessary to effect such Qualified Receivables Transaction;

(7) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(8) customary provisions in leases, asset sale, joint venture agreements and other agreements and instruments entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(9) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, government license or order, or required by any regulatory authority;

(10) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(11) any encumbrance or restriction pursuant to Currency Agreements or Interest Rate Agreements; and

(12) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if (a) the encumbrances and restrictions taken as a whole are not materially less favorable to the holders of the Notes than the encumbrances and restrictions contained in the Senior Credit Facilities, indentures for the Existing Notes and the Intercreditor Agreement, in each case, as in effect on the Issue Date (as determined in good faith by the Board of Directors or senior management of the Issuer) or (b) such encumbrances and restrictions taken as a whole are not materially more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Board of Directors or senior management of the Issuer) and, in each case, either (x) the Issuer reasonably believes that such encumbrances and restrictions will not materially affect the Issuer's ability to make principal or interest payments on the Notes as and when they come due or (y) such encumbrances and restrictions apply only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness.

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any of the Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors or senior management of the Issuer (including as to the value of all non-cash consideration), of the shares and assets subject to such Asset Disposition;

(2) unless the Asset Disposition is a Permitted Asset Swap, at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash or Cash Equivalents; and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer or such Restricted Subsidiary, as the case may be:

   (a) to the extent the Issuer or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness), to prepay, repay or purchase Senior Indebtedness of the Issuer (including the Notes) or Indebtedness of a Restricted Subsidiary (in each case other than Indebtedness owed to the Issuer or an Affiliate of the Issuer) within 365 days from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; provided, however, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or

   (b) to the extent the Issuer or such Restricted Subsidiary elects to invest in or commit to invest in Additional Assets within 365 days from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; provided, however, that any such reinvestment in Additional Assets made pursuant to a definitive agreement or a commitment approved by the Board of Directors or senior management of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 6 months of such 365th day;

   provided that pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Issuer and the Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied as provided in the preceding paragraph will be deemed to constitute "Excess Proceeds". On the 366th day after an Asset Disposition, if the aggregate amount of Excess Proceeds exceeds €50.0 million, the Issuer will be required to make an offer ("Asset Disposition Offer") to all holders of Notes and to the extent required by the terms of other Indebtedness of the Issuer that does not constitute Subordinated Obligations, to all holders of such other Indebtedness outstanding with similar provisions requiring the Issuer to make an offer to purchase such Indebtedness with the proceeds from any Asset Disposition ("Other Asset Disposition Indebtedness"), to purchase the maximum principal amount of Notes and any such Other Asset Disposition Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount of the Notes and Other Asset Disposition Indebtedness plus accrued and unpaid interest to the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Other Asset Disposition Indebtedness, as applicable, in each case in a principal amount of €100,000 and in integral multiples of €1,000 in excess thereof, in the case of the Euro Notes, and CHF 150,000 and in integral multiples of CHF 1,000 in excess thereof, in the case of the CHF Notes.

To the extent that the aggregate amount of Notes and Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes in any manner not prohibited by the Indenture. If the aggregate principal amount of Notes surrendered by holders thereof and Other Asset Disposition Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and Other Asset Disposition Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Notes and Other Asset Disposition Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

The Asset Disposition Offer, insofar as it relates to the Notes, will remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the "Asset Disposition Offer Period"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Issuer will purchase the principal amount of Notes and Other Asset Disposition Indebtedness required to be purchased pursuant to this covenant (the "Asset Disposition Offer Amount") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Other Asset Disposition Indebtedness validly tendered in response to the Asset Disposition Offer.

Any Net Available Cash payable in respect of the Notes pursuant to this covenant will be apportioned between the Euro Notes and the CHF Notes in proportion to the respective aggregate principal amounts of Euro Notes and CHF Notes validly tendered and not withdrawn, based upon the Euro Equivalent of such principal amount of CHF Notes determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period. To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than euro, the amount thereof payable in respect of such Notes shall not exceed the net amount of euro that is actually received by the Issuer upon converting such portion into such currency.

If the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest will be payable to holders who tender Notes pursuant to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Other Asset Disposition Indebtedness or portions of Notes and Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn, in each case in a principal amount of €100,000 and in integral multiples of €1,000 in excess thereof, in the case of the Euro Notes, and in denominations of CHF 150,000 and in integral multiples of CHF 1,000 in excess thereof, in the case of the CHF Notes. The Issuer will deliver to the Trustee an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset

Disposition Offer Period) mail or deliver to each tendering holder of Notes or holder or lender of Other Asset Disposition Indebtedness, as the case may be, an amount equal to the purchase price of the Notes or Other Asset Disposition Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note, and the Trustee, upon delivery of an Officers' Certificate from the Issuer will authenticate and mail or deliver such new Note to such holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount of €100,000 and in integral multiples of €1,000 in excess thereof, in the case of the Euro Notes, and in denominations of CHF 150,000 and in integral multiples of CHF 1,000 in excess thereof, in the case of the CHF Notes. In addition, the Issuer will take any and all other actions required by the agreements governing the Other Asset Disposition Indebtedness. Any Note not so accepted will be promptly mailed or delivered by the Issuer to the holder thereof. The Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

For the purposes of this covenant, the following will be deemed to be cash:

(1) the assumption by the transferee of Indebtedness (other than Subordinated Obligations) of the Issuer or Indebtedness of a Restricted Subsidiary and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition (in which case the Issuer will, without further action, be deemed to have applied such deemed cash to Indebtedness in accordance with clause (3)(a) above);

(2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary from the transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of such Asset Disposition;

(3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any guarantee of payment of the principal amount of such Indebtedness in connection with such Asset Disposition;

(4) consideration consisting of Indebtedness of the Issuer or any Restricted Subsidiary; and

(5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €120 million and 1.5% of Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (an "Affiliate Transaction") involving aggregate consideration in excess of €5.0 million for such Affiliate Transactions in any fiscal year, *unless*:

(1) the terms of such Affiliate Transaction are not materially less favorable, taken as a whole, to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction in arm's-length dealings with a Person who is not such an Affiliate;

(2) in the event such Affiliate Transaction involves an aggregate consideration in excess of €25.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Issuer; and

(3) in the event such Affiliate Transaction involves an aggregate consideration in excess of €75.0 million, the Issuer has received a written opinion from an independent investment banking, accounting or appraisal firm of internationally recognized standing (as determined by the Board of Directors of the

Issuer in good faith, who shall deliver a copy of the same to the Trustee) that such Affiliate Transaction either is fair, from a financial standpoint, to the Issuer and the Restricted Subsidiaries or is not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arm's length basis from a Person that is not an Affiliate.

The preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*" or any Permitted Investment (except with respect to clause (16)(b) of the definition of "Permitted Investment", which will be subject to clause (6) below);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultant plans (including, without limitation, valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) and/or indemnities provided on behalf of officers, employees or directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) loans or advances to employees, officers or directors in the ordinary course of business of the Issuer or any of the Restricted Subsidiaries but in any event not to exceed €10.0 million in the aggregate outstanding at any one time with respect to all loans or advances made since the Issue Date;

(4) (a) any transaction between or among the Issuer and a Restricted Subsidiary (or an entity that becomes a Restricted Subsidiary in connection with such transaction) or between or among Restricted Subsidiaries (or an entity that becomes a Restricted Subsidiary in connection with such transaction) and (b) any guarantees issued by the Issuer or a Restricted Subsidiary for the benefit of the Issuer or a Restricted Subsidiary (or an entity that becomes a Restricted Subsidiary in connection with such transaction), as the case may be, in accordance with "*—Limitation on Indebtedness*";

(5) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture, which, taken as a whole, are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors of the Issuer or the senior management of the Issuer or the relevant Restricted Subsidiary, as applicable, or are on terms no less materially favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(6) any transaction in the ordinary course of business between the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer controlled by the Issuer that is a joint venture or similar entity; *provided*, any transaction described in this clause (6) will both:

    (a) be subject to the requirements of clause (1) and (2) of the first paragraph of this covenant; and

    (b) either (i) comply with the provisions of clause (3) of the first paragraph of this covenant (substituting €75.0 million for €100.0 million) or (ii) be substantially identical to a transaction between such Affiliate and a non-Affiliated third party which involves aggregate consideration in an amount substantially identical to the aggregate consideration involved in such substantially identical transaction;

(7) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, directors of the Issuer or any Restricted Subsidiary of the Issuer;

(8) the performance of obligations of the Issuer or any of the Restricted Subsidiaries under the terms of any agreement to which the Issuer or any of the Restricted Subsidiaries is a party as of or on the Issue Date, as these agreements may be amended, modified, supplemented, extended or renewed from time to time; *provided*, however, that any future amendment, modification, supplement, extension or renewal entered into after the Issue Date will be permitted to the extent that its terms are not materially more disadvantageous to the holders of the Notes than the terms of the agreements in effect on the Issue Date;

(9) sales or other transfers or dispositions of accounts receivable and other related assets customarily transferred in an asset securitization transaction involving accounts receivable to a Receivables Entity in a Qualified Receivables Transaction, and acquisitions of Permitted Investments in connection with a Qualified Receivables Transaction;

(10) the issuance of Capital Stock or any options, warrants or other rights to acquire Capital Stock (other than Disqualified Stock) of the Issuer to any Affiliate;

(11) the payment to any Permitted Holder of all reasonable out-of-pocket expenses Incurred by any Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries and unpaid amounts accrued for prior periods (but after the Issue Date);

(12) the payment to any Parent or Permitted Holder (1) of Management Fees (a) on a bona fide arm's-length basis in the ordinary course of business or (b) of up to €15.0 million in any calendar year or (2) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including without limitation in connection with acquisitions or divestitures, which payments are approved by a majority of the members of the Board of Directors of the Issuer;

(13) commercial contracts entered into in the ordinary course of business between *chello* Media and Priority Telecom, the Issuer or any other Restricted Subsidiary that are on arm's-length terms or on a basis which the Issuer reasonably believes allocates costs fairly;

(14) guarantees of Indebtedness and other obligations otherwise permitted under the Indenture;

(15) if not otherwise prohibited under the Indenture, the issuance of Capital Stock (other than Disqualified Stock) or Subordinated Shareholder Loans (including the payment of cash interest thereon; *provided* that, after giving *pro forma* effect to any such cash interest payment, the Consolidated Leverage Ratio for the Issuer and the Restricted Subsidiaries would not exceed 5.00 to 1.00) of the Issuer to any direct Parent of the Issuer or any Permitted Holder;

(16) arrangements with customers, suppliers, contractors, lessors or sellers of goods or services that are negotiated with an Affiliate, in each case, which are otherwise in compliance with the terms of the Indenture; *provided* that the terms and conditions of any such transaction or agreement as applicable to the Issuer and the Restricted Subsidiaries, taken as a whole (a) are fair to the Issuer and the Restricted Subsidiaries and are on terms not materially less favorable to the Issuer and the Restricted Subsidiaries than those that could have reasonably been obtained in respect of an analogous transaction or agreement that would not constitute an Affiliate Transaction (in each case, as determined in good faith by the Board of Directors or the senior management of the Issuer), (b) the performance by the Issuer or any of the Restricted Subsidiaries in respect of any such arrangements are for its own behalf and in its own name and (c) the Issuer and the Restricted Subsidiaries do not assume, and are otherwise not liable for any performance or breach in respect of, any such arrangements by the relevant Affiliate;

(17) (a) transactions with Affiliates in their capacity as holders of Indebtedness or Capital Stock of the Issuer or any Restricted Subsidiary, so long as such Affiliates are treated no more favorably than holders of such Indebtedness or Capital Stock generally, and (b) transactions with Affiliates in their capacity as borrowers of Indebtedness from the Issuer or any Restricted Subsidiary, so long as such Affiliates are treated no more favorably than holders of such Indebtedness generally;

(18) any payments or other transactions pursuant to a tax sharing agreement between the Issuer and any other Person or a Restricted Subsidiary and any other Person with which the Issuer or any of its Restricted Subsidiaries files a consolidated tax return or with which the issuer or any of its Restricted Subsidiaries is part of a group for tax purposes (including a fiscal unity) or any tax advantageous group contribution made pursuant to applicable legislation, provided that any such tax sharing agreement does not permit or require payments in excess of the amounts of tax that would be payable by the Issuer and its Restricted Subsidiaries on a stand-alone basis;

(19) transactions relating to the provision of Intra-Group Services in the ordinary course of business;

(20) any transaction reasonably necessary to effect the Post-Closing Reorganizations; and

(21) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer that is an Unrestricted Subsidiary or a joint venture or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary owns an equity interest in or otherwise controls such Unrestricted Subsidiary, joint venture or similar entity.

Limitation on Layering

The Issuer will not, directly or indirectly, Incur any Indebtedness that is or purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated in right of payment to any other

Indebtedness of the Issuer which ranks pari passu with the Notes, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinate in right of payment to the Notes to the same extent and in the same manner as such Indebtedness is subordinated to such other Indebtedness of the Issuer.

Limitation on Issuances of Guarantees of Indebtedness by Restricted Subsidiaries

The Issuer will not permit any Restricted Subsidiary to, directly or indirectly, guarantee any Indebtedness of the Issuer unless such Restricted Subsidiary simultaneously executes and delivers to the Trustee a supplemental indenture providing for the guarantee of payment of the Notes by such Restricted Subsidiary; provided:

(1) if the Indebtedness is pari passu in right of payment to the Notes, any such guarantee of such Restricted Subsidiary with respect to such Indebtedness shall rank pari passu in right of payment to its guarantee of the Notes;

(2) if the Indebtedness is subordinated in right of payment to the Notes, any such guarantee of such Restricted Subsidiary with respect to such Indebtedness shall be subordinated in right of payment to the guarantee of the Notes substantially to the same extent as such Indebtedness is subordinated in right of payment to the Notes;

(3) a Restricted Subsidiary's guarantee may be limited in amount to the extent required by fraudulent conveyance, thin capitalization, corporate benefit, financial assistance or other similar laws (but, in such a case (a) each of the Issuer and the Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal limit and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant limit and (b) the relevant guarantee shall be given on an equal and ratable basis with the guarantee of any other Indebtedness giving rise to the obligation to guarantee the Notes); and

(4) for so long as it is not permissible under applicable law for a Restricted Subsidiary to become a guarantor, such Restricted Subsidiary need not become a guarantor (but, in such a case, each of the Issuer and its Restricted Subsidiaries will use their reasonable best efforts to overcome the relevant legal prohibition precluding the giving of the guarantee and will procure that the relevant Restricted Subsidiary undertakes all whitewash or similar procedures which are legally available to eliminate the relevant legal prohibition, and shall give such guarantee at such time (and to the extent) that it thereafter becomes permissible).

The preceding paragraph shall not apply to: (1) the granting by such Restricted Subsidiary of a Permitted Lien under circumstances which do not otherwise constitute the guarantee of Indebtedness of the Issuer; or (2) the guarantee by any Restricted Subsidiary of Indebtedness that refinances Indebtedness which benefited from a guarantee by any Restricted Subsidiary Incurred in compliance with this covenant immediately prior to such refinancing.

Notwithstanding the foregoing, any guarantee of the Notes created pursuant to the provisions described in the foregoing paragraph shall provide by its terms that it shall be automatically and unconditionally released and discharged upon:

(1) such Subsidiary ceasing to be a Restricted Subsidiary (including as a result of any sale, exchange or transfer, to any Person, of all of the Issuer's Capital Stock in such Restricted Subsidiary) in compliance with the covenant described under "—*Limitation on Sales of Assets and Subsidiary Stock*" (including the requirements relating to the application of proceeds) and otherwise in compliance with the Indenture; or

(2) the release by the holders or lenders of the Indebtedness of the Issuer described in the preceding paragraph of their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Indebtedness (but not under the relevant guarantee)), at a time when (a) no other Indebtedness of the Issuer has been guaranteed by such Restricted Subsidiary or (b) the holders of all such other Indebtedness which is guaranteed by such Restricted Subsidiary also release their guarantee by such Restricted Subsidiary (including any deemed release upon payment in full of all obligations under such Indebtedness (but not under the relevant guarantee)) and, in either such case, such Restricted Subsidiary is not obligated in respect of any Indebtedness incurred by such Restricted Subsidiary under the provisions described in the last sentence of the first paragraph under the caption "—*Limitation on Indebtedness*".

Reports

The Issuer will provide to the Trustee and, in each case of clauses (2) and (3) below, will post on its website (or make similar disclosure); provided, however, that to the extent any reports are filed on the SEC's website or on the Issuer's or Liberty's website, such reports shall be deemed to be provided to the Trustee:

(1) for so long as the Ultimate Parent files an Annual Report on Form 10-K with the SEC, a copy of such Annual Report within 120 days after the end of the Ultimate Parent's year end;

(2) within 150 days after the end of each fiscal year ending subsequent to the Issue Date, an annual report of the Issuer, containing the following information: (a) audited combined or consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited combined or consolidated income statements and statements of cash flow of Issuer for the three most recent fiscal years, in each case prepared in accordance with GAAP, including appropriate footnotes to such financial statements and a report of the independent public accountants on the financial statements; (b) to the extent relating to such annual periods, an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; and (c) a description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; provided, however, that such reports need not (i) contain any segment data other than as required under GAAP or as provided by the Ultimate Parent in its financial reports with respect to the period presented, (ii) include any exhibits, or (iii) include separate financial statements for any Affiliates of the Issuer or any acquired businesses;

(3) within 60 days after each of the first three fiscal quarters in each fiscal year, a quarterly report of the Issuer containing the following information: (a) unaudited consolidated income statements of the Issuer for such period, prepared in accordance with GAAP, and (b) a financial review of such period (including a comparison against the prior year's comparable period), consisting of a discussion of (i) the financial condition and results of operations of the Issuer on a consolidated basis, and material changes between the current period and the period of the prior year, (ii) material developments in the business of the Issuer and its Restricted Subsidiaries, (c) financial developments and trends in the business in which the Issuer and its Restricted Subsidiaries is engaged and (d) information with respect to any material acquisition or disposal during the period provided, however, that such reports need not (i) contain any segment data other than as required under GAAP or as provided by the Ultimate Parent in its financial reports with respect to the period presented, (ii) include any exhibits, or (iii) include separate financial statements for any Affiliates of the Issuer or any acquired businesses; and

(4) within 10 days after the occurrence of such event, information with respect to (a) any change in the independent public accountants of the Issuer or any of its Significant Subsidiaries, (b) any material acquisition or disposal, and (c) any material development in the business of the Issuer and its Restricted Subsidiaries.

If the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries constitute Significant Subsidiaries of the Issuer, then the annual and quarterly information required by the clauses (2) and (3) of the first paragraph of this covenant shall include a reasonably detailed presentation, either on the face of the financial statements, in the footnotes thereto or in a separate report delivered therewith, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of such Unrestricted Subsidiaries.

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b) of the Exchange Act, the Issuer shall furnish to the holders of the Notes and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Merger and Consolidation

The Issuer will not consolidate with, or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "Successor Company") will be a corporation, partnership, trust or limited liability company organized and existing under the laws of any member of

the state of the European Union that is a member of the European Union on the date of the Indenture, or the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not the Issuer) will expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) either (a) immediately after giving effect to such transaction, the Issuer or such Successor Company would be able to Incur at least an additional €1.00 of Pari Passu Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Consolidated Leverage Ratio of the Issuer or such Successor Company would be no greater than that of the Issuer immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and that the supplemental indenture, the Indenture and the Notes are legal, valid and binding obligations of the Successor Company, enforceable (subject to customary exceptions and exclusions) in accordance with their terms.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture, and upon such substitution, the predecessor Issuer will be released from its obligations under the Indenture and the Notes, but, in the case of a lease of all or substantially all its assets, the predecessor Issuer will not be released from the obligation to pay the principal of and interest on the Notes.

Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Notwithstanding the preceding clause (3) (which does not apply to transactions referred to in this paragraph), (x) any Restricted Subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Issuer or another Restricted Subsidiary and (y) the Issuer may merge with an Affiliate incorporated solely for the purpose of reincorporating the Issuer in another jurisdiction to realize tax benefits; provided that, in the case of a Restricted Subsidiary that merges into the Issuer, the Issuer will not be required to comply with the preceding clause (4).

In addition, the Indenture will expressly provide that the Issuer will continue to be the direct holder of 100% of the issued and outstanding Capital Stock of UPC Broadband Holding N.V., excluding treasury shares and directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer.

Impairment of Security Interests

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Security (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair any security interest with respect to the Security) for the benefit of the Trustee and the holders of the Notes, and the Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the security agent, for the benefit of the Trustee and the holders of the Notes and the other beneficiaries described in the Security Documents, any interest in any of the Security, except that (a) the Issuer and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (b) the Security may be discharged and released in accordance with the Indenture, the Security Documents and the Intercreditor

Agreement, and (c) the Issuer may consummate any other transaction permitted under "*—Certain Covenants—Merger and Consolidation*"; provided however, that, except with respect to any discharge or release of Security in accordance with the Indenture, the Security Documents or the Intercreditor Agreement, in connection with the Incurrence of Liens for the benefit of the Trustee and holders of Notes, or the release or replacement of any Security in compliance with the terms of the Indenture as described under "*—Ranking and Security*", no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, except that, at the direction of the Issuer and without the consent of the holders of the Notes, the Trustee and the security agent may from time to time (subject to customary protections and indemnifications from the Issuer) enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein and (ii) provide for Permitted Collateral Liens; (iii) make any change necessary or desirable, in the good faith determination of the Issuer in order to implement transactions permitted under "*—Certain Covenants—Merger and Consolidation*"; and (iv) provide for the release of any security interest on any properties and assets constituting Security from the Lien of the Security Documents, provided that such release is followed by the substantially concurrent re-taking of a Lien of at least equivalent priority over the same properties and assets securing the Notes, provided that, contemporaneously with any such action in clauses (ii) and (iv), the Issuer delivers to the Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (2) a certificate from the responsible financial or accounting officer of the relevant grantor (acting in good faith) which confirms the solvency of the Person granting such security interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the Security Documents, as applicable, so amended, extended, renewed, restated, supplemented, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee shall (subject to customary protections and indemnifications) consent to any such amendment, extension, renewal, restatement, supplement, modification or replacement without the need for instructions from holders of the Notes.

Suspension of Covenants on Achievement of Investment Grade Status

If, during any period after the Issue Date, the Notes have achieved and continue to maintain Investment Grade Status and no Event of Default has occurred and is continuing (such period hereinafter referred to as an "Investment Grade Status Period"), then the covenants in the Indenture described under "—Limitation on Indebtedness", "*—Limitation on Restricted Payments*", "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", "*—Limitation on Sales of Assets and Subsidiary Stock*", "*—Limitation on Affiliate Transactions*", and under "*—Change of Control*", the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation*" and any related default provisions of the Indenture will be suspended and will not, during such Investment Grade Status Period, be applicable to the Issuer and the Restricted Subsidiaries. As a result, during any such Investment Grade Status Period, the Notes will lose the covenant protection initially provided under the Indenture. No action taken during an Investment Grade Status Period or prior to an Investment Grade Status Period in compliance with the covenants then applicable will require reversal or constitute a default under the Notes in the event that suspended covenants are subsequently reinstated or suspended, as the case may be. An Investment Grade Status Period will terminate immediately upon the failure of the Notes to maintain Investment Grade Status. The Issuer will promptly notify the Trustee in writing of any failure of the Notes to maintain Investment Grade Status.

Events of Default

Each of the following is an Event of Default under the Indenture:

(1) default in any payment of interest or Additional Amounts on any Note when due, which has continued for 30 days;

(2) default in the payment of principal of or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase or otherwise;

(3) failure by the Issuer to comply with its obligations under "*—Certain Covenants—Merger and Consolidation*";

(4) failure by the Issuer to comply for 30 days after notice with any of its obligations under the covenants described under "Certain Covenants" above (in each case, other than a failure to purchase the Notes which will constitute an Event of Default under clause (2) above and other than a failure to comply with "*—Certain Covenants—Merger and Consolidation*" which is covered by clause (3) above);

(5) failure by the Issuer to comply for 60 days after notice with its other agreements contained in the Notes or the Indenture;

(6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of the Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer or any of the Restricted Subsidiaries), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default:

(a) is caused by a failure to pay principal of such Indebtedness at its Stated Maturity prior to the expiration of the grace period provided in such Indebtedness ("payment default"); or

(b) results in the acceleration of such Indebtedness prior to its maturity (the "cross acceleration provision");

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €50.0 million or more;

(7) certain events of bankruptcy, insolvency or reorganization of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "bankruptcy provisions") have been commenced;

(8) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements delivered to holders of the Notes pursuant to the covenant described under "*—Certain Covenants—Reports*") for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary, to pay final judgments aggregating in excess of €50.0 million (net of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days (the "judgment default provision"); or

(9) the Security shall, at any time, cease to be in full force and effect other than as a result of its release in accordance with the Indenture and the Security Documents or any security interest created thereunder shall be declared invalid or unenforceable in a judicial proceeding and such Default continues for ten days after the notice specified in the Indenture.

However, a default under clauses (4), (5) or (9) of the immediately preceding paragraph will not constitute an Event of Default until the Trustee or the holders of 25% in principal amount of the outstanding Notes notify the Issuer of the default and the Issuer does not cure such default within the time specified in clauses (4), (5) or (9) of this immediately preceding paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (7) above) occurs and is continuing, the Trustee by notice to the Issuer, or the holders of at least 25% in principal amount of the outstanding Notes by notice to the Issuer and the Trustee, may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, if any, and Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest and Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (6) under "Events of Default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (6) shall be remedied or cured by the Issuer or a Restricted Subsidiary or waived by the holders of the relevant Indebtedness within 20 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest and Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived. If an Event of Default described in clause (7) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest and Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders. The holders of a majority in principal amount of the outstanding Notes may waive all past defaults (except with respect to non-payment of principal, premium, interest or Additional Amounts) and rescind any such acceleration with respect to the Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the non-payment of the principal of, premium, if any, interest and Additional Amounts, if any, on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and (3) the Issuer has paid the Trustee its reasonable compensation and reimbursed the Trustee for its reasonable expenses, disbursements and advances.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the holders unless such holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, interest or Additional Amounts, if any, when due, no holder of Notes may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder of Notes has previously given the Trustee written notice that an Event of Default is continuing;

(2) holders of at least 50% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such holders of Notes have offered the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) the holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture provides that in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use under the circumstances in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder of Notes or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to security or indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The Indenture provides that if a Default occurs and is continuing and is actually known to the Trustee, the Trustee must give notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of principal of, premium, if any, interest or Additional Amounts, if any, on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the holders. In addition, the Issuer is required to deliver to the Trustee, within 90 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposing to take in respect thereof.

Amendments and Waivers

Subject to certain exceptions, the Indenture, the Notes, the Intercreditor Agreement and the Security Documents may be amended or supplemented with the consent of the holders of a majority in principal amount of the Notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any past default or compliance with any provisions of the Indenture, the Notes, the Intercreditor Agreement and the Security Documents may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) *provided, however* that if any amendment, waiver or other modification will only affect the Euro Notes or the CHF Notes only the consent of the holders of at least a majority in principal amount of the then outstanding Euro Notes or CHF Notes (and not the consent of at least a majority of all Notes then outstanding), as the case may be, shall be required. However, unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (*provided, however* that if any amendment, waiver or other modification will only affect the Euro Notes or the CHF Notes only the consent of the holders of at least 90% of the aggregate principal amount of the then outstanding Euro Notes or CHF Notes (and not the consent of at least 90% of the aggregate principal amount of all Notes then outstanding)), an amendment may not:

(1) reduce the principal amount of Notes whose holders must consent to an amendment or waiver;

(2) reduce the stated rate of or extend the stated time for payment of interest or Additional Amounts on any Note;

(3) reduce the principal of or extend the Stated Maturity of any Note;

(4) whether through an amendment or waiver of provisions in the covenants, definitions or otherwise (i) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed as described above under "Optional Redemption" (other than the notice provisions), or (ii) reduce the premium payable upon repurchase of any Note or change the time at which any Note is to be repurchased as described under "*—Certain Covenants—Change of Control*" or "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" at any time after the obligation to repurchase has arisen;

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right of any holder to receive payment of, premium, if any, principal of or interest or Additional Amounts, if any, on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes;

(7) make any change in the amendment or waiver provisions described in this sentence.

Notwithstanding the foregoing, without the consent of any holder, the Issuer and the Trustee may amend the Indenture, the Notes, the Intercreditor Agreement and the Security Documents to:

(1) cure any ambiguity, omission, defect or inconsistency;

(2) provide for the assumption by a Successor Company of the obligations of the Issuer under the Indenture, the Notes, the Intercreditor Agreement and the Security Documents;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes;

(4) add guarantees with respect to the Notes;

(5) secure the Notes;

(6) add to the covenants of the Issuer for the benefit of the holders or surrender any right or power conferred upon the Issuer;

(7) in the case of the Indenture, make any change that does not adversely affect the rights of any holder;

(8) release the Security as provided by the terms of the Indenture;

(9) issue Additional Notes in accordance with the terms of the Indenture;

(10) give effect to Permitted Collateral Liens;

(11) evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee pursuant to the requirements thereof;

(12) to the extent necessary to grant a security interest for the benefit of any Person; provided that the granting of such security interest is permitted by the Indenture and the Security Documents; or

(13) make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes as permitted by the Indenture, including, without limitation to facilitate the issuance and administration of the Notes; provided, however, that (i) compliance with the Indenture as so amended would not result in Notes being transferred in violation of the Securities Act or any applicable securities law and (ii) such amendment does not materially and adversely affect the rights of holders to transfer Notes.

For purposes of determining whether the holders of the requisite principal amount of Notes have taken any action under the Indenture, the principal amount of CHF Notes shall be deemed to be the Euro Equivalent of such principal amount of CHF Notes.

In formulating its opinion on such matters, the Trustee shall be entitled to require and rely on such evidence as it deems appropriate, including an Opinion of Counsel and an Officers' Certificate.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender. After an amendment under the Indenture becomes effective, the Issuer is required to mail to the holders a notice briefly describing such amendment. For so long as the Notes are listed on the Irish Stock Exchange and the guidelines of such Stock Exchange so require, the Issuer will notify the Irish Stock Exchange of any such amendment, supplement and waiver.

Defeasance

The Issuer at any time may terminate all its obligations under the Notes and the Indenture ("legal defeasance"), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes.

The Issuer at any time may terminate its obligations under the covenants described under "Certain Covenants" (other than clauses (1) and (2) under "*—Certain Covenants—Merger and Consolidation*") and the default provisions relating to such covenants under "*—Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision described under "*—Events of Default*" above and the limitations contained in clauses (3) and (4) under "*—Certain Covenants—Merger and Consolidation*" above ("covenant defeasance").

The Issuer may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clauses (4), (5), (6), (7) (with respect only to Significant Subsidiaries), (8) or (9) under "*—Events of Default*" above or because of the failure of the Issuer to comply with clauses (3) or (4) under "*—Certain Covenants—Merger and Consolidation*" above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "defeasance trust") with the Trustee euro, euro-denominated European Government Obligations or a combination thereof (in the case of the Euro Notes), or Swiss francs, Swiss franc-denominated Swiss Government Obligations or a combination thereof (in the case of the CHF Notes), as applicable, for the payment of principal, premium, if any, interest and Additional Amounts, if any, on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including, among other things, delivery to the Trustee of an Opinion of Counsel (subject to customary exceptions and exclusions) to the effect that holders of the Notes will not recognize income, gain or loss for United States Federal income tax purposes as a result of such deposit and defeasance and will be subject to United States Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable United States Federal income tax law.

Satisfaction and Discharge

The Indenture, the Security Documents and the rights, duties and obligations of the Trustee and the holders under the Intercreditor Agreement will be discharged and will cease to be of further effect as to all Notes issued thereunder, or as to the Euro Notes or CHD Notes, as applicable, when:

(1) either:

(a) all Notes (or all Euro Notes or CHF Notes, as applicable) that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to a Paying Agent or Registrar for cancellation; or

(b) (i) all Notes (or all Euro Notes or CHF Notes, as applicable) that have not been delivered to a Paying Agent or Registrar for cancellation (x) have become due and payable by reason of the mailing of a notice of redemption or otherwise or (y) will become due and payable within one year and (ii) the Issuer or a guarantor of the Notes has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, with respect to the Euro Notes, cash, Cash Equivalents, European Government Obligations or a combination thereof, in each case, denominated in euros and, with respect to the CHF Notes, cash, Cash Equivalents, Swiss Government Obligations or a combination thereof, in each case, denominated in Swiss francs, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to a Paying Agent or Registrar for cancellation for principal, premium and Additional Amounts (if any) and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which a Issuer is a party or by which the Issuer is bound;

(3) the Issuer has paid or caused to be paid all other amounts payable by it under the Indenture; and

(4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes (or the Euro Notes or CHF Notes, as applicable) at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, in each case, stating that all conditions precedent to satisfaction and discharge have been satisfied.

Currency Indemnity

The sole currency of account and payment for all sums payable by the Issuer under the Indenture with respect to the Euro Notes is euro and with respect to the CHF Notes is CHF. Any amount received or recovered in a currency other than euros or CHF, as the case may be, in respect of the Notes (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Subsidiary or otherwise) by the holder in respect of any sum expressed to be due to it from the Issuer will constitute a discharge of the Issuer only to the extent of the euro or CHF amount, as the case may be, which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If that euro amount or CHF amount, as the case may be, is less than the euro amount or CHF amount, as the case may be, expressed to be due to the recipient under any Note, the Issuer will indemnify the recipient against any loss sustained by it as a result. In any event the Issuer will indemnify the recipient against the cost of making any such purchase.

For the purposes of this indemnity, it will be sufficient for the holder to certify that it would have suffered a loss had an actual purchase of euro or CHF, as the case may be, been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro or CHF, as the case may be, on such date had not been practicable, on the first date on which it would have been practicable). These indemnities constitute a separate and independent obligation from the other obligations of the Issuer, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any holder and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Listing

The Issuer will use all reasonable efforts to have the Notes admitted to listing and trading on the Irish Stock Exchange's Global Exchange Market within a reasonable period after the Issue Date and will maintain such listing as long as the Notes are outstanding; provided, however, that if the Issuer can no longer maintain such listing or it becomes unduly burdensome to make or maintain such listing (for the avoidance of doubt, preparation of financial statements in accordance with IFRS (except pursuant to the definition of GAAP) or any accounting standard other than U.S. GAAP and any other standard pursuant to which the Issuer then prepares its financial statements shall be deemed unduly burdensome), the Issuer may cease to make or maintain such listing on the Irish Stock Exchange provided that the Issuer will use its reasonable best efforts to obtain and maintain the listing of the Notes on another recognized listing exchange for high yield issuers (which may be a stock exchange that is not regulated by the European Union). There can be no assurance that the application to list the Notes on the Irish Stock Exchange will be approved and settlement of the Notes is not conditioned on obtaining this listing.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator, member or stockholder of the Issuer, any of its Parents or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver and release may not be effective to waive liabilities under the United States federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Consent to Jurisdiction and Service of Process

The Indenture will provide that the Issuer will irrevocably appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Security Documents, as the case may be, brought in any federal or state court located in the Borough of Manhattan in the City of New York and that each of the parties submit to the jurisdiction thereof. If for any reason CT Corporation System is unable to serve in such capacity, the Issuer shall appoint another agent reasonably satisfactory to the Trustee.

Concerning the Trustee

The Bank of New York Mellon, London Branch will be the Trustee, Principal Paying Agent, Transfer Agent and Security Agent with regard to the Notes. The Bank of New York Mellon (Luxembourg) S.A. will be Registrar with regard to the Notes.

Governing Law

The Indenture will provide that it and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Notices

Notices to the holders regarding the Notes will be sent by the Issuer through the newswire service of Bloomberg (or if Bloomberg does not operate, any similar agency). Alternatively, such notices will be published in a leading newspaper having general circulation in London (which is expected to be the Financial Times) and, if and so long as the Notes are listed on the Irish Stock Exchange and the guidelines of such Stock Exchange shall so require, published through the Irish Stock Exchange’s Companies Announcement Office. Additionally, in the event the Notes are in the form of Definitive Notes, notices will be sent, by first-class mail, with a copy to the Trustee, to each holder of the Notes at such holder’s address as it appears on the registration books of the Registrar. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. If and so long as such Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange. If and so long as any Notes are represented by one or more Global Notes and ownership of Book-Entry Interests therein are shown on the records of Euroclear, Clearstream or any successor clearing agency appointed by the Common Depositary at the request of the Issuer, notices will be delivered to such clearing agency for communication to the owners of such Book-Entry Interests. Notices given by publication will be deemed given on the first date on which publication is made and notices given by first-class mail, postage prepaid, will be deemed given five calendar days after mailing.

Prescription

Claims against the Issuer for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Certain Definitions

“Acquired Indebtedness” means Indebtedness (i) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary or (ii) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such acquisition. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (i) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (ii) of the preceding sentence, on the date of consummation of such acquisition of assets.

"Additional Assets" means:

(1) any property or assets (other than Indebtedness and Capital Stock) to be used by the Issuer or a Restricted Subsidiary in a Related Business or are otherwise useful in a Related Business (it being understood that capital expenditure on property or assets already used in a Related Business or to replace any property or assets that are the subject of such Asset Disposition or any operating expenses Incurred in the day-to-day operations of a Related Business shall be deemed an Investment in Additional Assets);

(2) the Capital Stock of a Person that is engaged in a Related Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Applicable Premium" means, in the case of the Euro Notes, the Euro Applicable Premium and, in the case of the CHF Notes, the CHF Applicable Premium.

"Asset Disposition" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases, (other than an operating lease entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of the Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction.

Notwithstanding the preceding, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary (other than a Receivables Entity) to a Restricted Subsidiary;

(2) the sale or disposition of cash or Cash Equivalents or Investment Grade Securities in the ordinary course of business;

(3) a disposition of inventory, consumer equipment, trading stock, communications capacity or other assets in the ordinary course of business;

(4) a disposition of obsolete or worn out equipment or equipment that is no longer useful in the conduct of the business of the Issuer and the Restricted Subsidiaries and that is disposed of in each case in the ordinary course of business;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary;

(7) for purposes of "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" only, the making of a Permitted Investment or a disposition subject to "*Certain Covenants—Limitation on Restricted Payments*";

(8) dispositions of assets in a single transaction or series of related transactions with an aggregate fair market value in any calendar year of less than €10.0 million (with unused amounts in any calendar year being carried over to the next succeeding year subject to a maximum of €10.0 million of carried over amounts for any calendar year);

(9) dispositions in connection with Permitted Liens;

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the licensing or sublicensing of intellectual property or other general intangibles and licenses, sublicenses, leases or subleases of other property;

(12) foreclosure, condemnation or similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales of accounts receivable and related assets or an interest therein of the type specified in the definition of "Qualified Receivables Transaction" to a Receivables Entity;

(15) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(18) (a) disposals of assets, rights or revenue not constituting part of the Distribution Business of the Issuer and the Restricted Subsidiaries, and (b) other disposals of non-core assets acquired in connection with any acquisition permitted under the Indenture;

(19) disposals of other interests in other entities in an amount not to exceed €5.0 million;

(20) any disposition of real property; provided that the fair market value of the real property disposed of in any calendar year does not exceed the greater of €50 million and 1.0% of Total Assets; and

(21) any other disposal of assets comprising in aggregate percentage value of 10% or less of the Total Assets of the Issuer and the Restricted Subsidiaries as set forth in the most recent audited consolidated financial statements of the Issuer delivered to the holders of the Notes pursuant to the covenant described under "*—Certain Covenants—Reports*".

"Board of Directors" means, as to any Person, the board of directors of such Person or any duly authorized committee thereof, or, in the case of the Issuer, its managing director; provided, any action required to be taken under the Indenture by the Board of Directors of the Issuer can, in the alternative, at the option of the Issuer, be taken by the Board of Directors of the Ultimate Parent.

"Borrower Group" means:

(1) UPC Broadband and its Subsidiaries from time to time (other than any Unrestricted Subsidiaries); and

(2) UPC Financing.

"Bund Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

(1) "Comparable German Bund Issue" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to March 15, 2018 and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to March 15, 2018; provided, however, that, if the period from such redemption dated to March 15, 2018 is not equal to the fixed maturity of the German Bundesanleihe security selected by such Reference German Bund Dealer, the Bund Rate shall be determined by linear

interpolation (calculated to the nearest one-twelfth of a year) from the yields of German Bundesanleihe securities for which such yields are given, except that if the period from such redemption date to March 15, 2018, is less than one year, a fixed maturity of one year shall be used;

(2) "Comparable German Bund Price" means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "Reference German Bund Dealer" means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) "Reference German Bund Dealer Quotations" means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Issuer in good faith of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3.30 p.m. Frankfurt, Germany, time on the third Business Day preceding the redemption date.

"Business Day" means each day that is not a Saturday, Sunday or other day on which banking institutions in the Netherlands or London, England are authorized or required by law to close.

"Capital Stock" of any Person means any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Capitalized Lease Obligation" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with GAAP, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"Cash Equivalents" means:

(1) securities issued or directly and fully guaranteed or insured by the United States Government or a member state of the European Union as of January 1, 2004 (each a "Qualified Country") or any agency or instrumentality thereof (provided that the full faith and credit of such Qualified Country is pledged in support thereof), having maturities of not more than one year from the date of acquisition;

(2) marketable general obligations issued by any political subdivision of any Qualified Country or any public instrumentality thereof maturing within one year from the date of acquisition of the United States (provided that the full faith and credit of the Qualified Country is pledged in support thereof) and, at the time of acquisition, having a credit rating of "A2" or better from either Standard & Poor's Ratings Services or Moody's Investors Service, Inc.;

(3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to any Credit Facility or by any bank or trust company (x) the long-term debt of which is rated at the time of acquisition thereof at least "A" or the equivalent thereof by Standard & Poor's Ratings Services, or "A" or the equivalent thereof by Moody's Investors Service, Inc. (or if at the time neither is issuing comparable ratings, then a comparable rating of another nationally recognized rating agency);

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1), (2) and (3) entered into with any bank meeting the qualifications specified in clause (3) above;

(5) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by Standard & Poor's Ratings Services or "P-2" or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by an internationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(6) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (5) above.

"Change of Control" means:

(1) Liberty Global Europe Financing BV (a) ceases to be the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer and (b) ceases, by virtue of any powers conferred by the articles of association or other documents regulating the Issuer to, directly or indirectly, direct or cause the direction of management and policies of the Issuer;

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) other than a Permitted Holder; or

(3) the adoption by the stockholders of the Issuer of a plan or proposal for the liquidation or dissolution of the Issuer, other than a transaction complying with the covenant described under "*—Certain Covenants—Merger and Consolidation*";

provided that a Change of Control shall not be deemed to have occurred pursuant to clause (1) of this definition upon the consummation of the Post-Closing Reorganizations. Notwithstanding the foregoing, upon consummation of the Post-Closing Reorganizations, "Liberty Global Europe Financing BV" in clause (1) will be replaced with New Holdco.

"CHF Applicable Premium" means with respect to a CHF Note at any redemption date prior to March 15, 2018, the excess of (a) the present value at such redemption date of (1) the redemption price of such CHF Note on March 15, 2018 (such redemption price being described under "*Optional Redemption—Optional Redemption on or after March 15, 2018*" exclusive of any accrued and unpaid interest) plus (2) all required remaining scheduled interest payments due on such CHF Note through March 15, 2018 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Swiss Government Bond Rate plus 50 basis points over (b) the principal amount of such CHF Note on such redemption date.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or nonvoting) of such Person's common stock whether or not outstanding on the Issue Date, and includes, without limitation, all series and classes of such common stock.

"Consolidated EBITDA" means, for any period, operating income (expense) plus depreciation, amortisation, non-cash stock compensation expenses, other non-cash impairment charges, one-off reorganization or restructuring charges, direct acquisition costs, losses (gains) on the sale of operating assets and accrued Management Fees (whether or not paid) for such period as reflected in the consolidated statement of operations identified as such in the consolidated financial statements of the Issuer and all as determined in accordance with GAAP and as shown in the relevant financial statements prepared and delivered to the Trustee hereunder.

For the avoidance of doubt, as a result of U.S. GAAP purchase accounting adjustments in connection with our acquisition of Cablecom, certain deferred revenues on the balance sheet of Cablecom were required to be written off. The Issuer shall, when calculating EBITDA, have the option to include revenues that would have been recognised had this U.S. GAAP purchase accounting not taken place.

"Consolidated Leverage Ratio", as of any date of determination, means the ratio of:

(1) the outstanding Indebtedness (other than (x) Subordinated Shareholder Loans, (y) any Indebtedness which is a contingent obligation of the Issuer or a Restricted Subsidiary and (z) for the purposes of determining the Consolidated Leverage Ratio under clause (1) of the first paragraph under "*—Certain Covenants—Limitations on Indebtedness*", outstanding Indebtedness of the Issuer) of the Issuer and its Restricted Subsidiaries on a Consolidated basis, to

(2) the Pro forma EBITDA for the period of the most recent two consecutive fiscal quarters for which financial statements have previously been furnished to holders of the Notes pursuant to the covenant described under "*—Certain Covenants—Reports*", multiplied by 2.0.

"Consolidated Net Income" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP; provided, however, that there will not be included in such Consolidated Net Income:

(1) any net income (loss) of any Person (other than the Issuer) if such Person is not a Restricted Subsidiary, except that:

(a) subject to the limitations contained in clauses (4), (5) and (6) below, the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Issuer's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period will be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Issuer or a Restricted Subsidiary;

(2) any net income (loss) of any Person acquired by the Issuer or a Subsidiary of the Issuer in a pooling of interests transaction for any period prior to the date of such acquisition;

(3) any net income of any Restricted Subsidiary if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its stockholders (unless otherwise permitted, or not prohibited by, restrictions specified in the covenant set forth under the section entitled "*—Limitations on Restrictions on Distributions from Restricted Subsidiaries*"), except that:

(a) subject to the limitations contained in clauses (4), (5) and (6) below, the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause); and

(b) the Issuer's equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income;

(4) any gain (or loss) realized upon the sale or other disposition of any asset of the Issuer or any Restricted Subsidiaries (including pursuant to any Sale/Leaseback Transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Board of Directors of the Issuer);

(5) any extraordinary, exceptional, unusual or nonrecurring gain, loss or charge (including without limitation any fees, expenses and charges associated with any acquisition, merger, consolidation Equity Offering or recapitalization);

(6) the cumulative effect of a change in accounting principles;

(7) any non-cash compensation charge arising from any grant of stock, stock options or other equity-based awards;

(8) all deferred financing costs written off and premiums paid in connection with any early extinguishment of Indebtedness; and

(9) any capitalized interest on Subordinated Shareholder Loans.

"Consolidation" means the consolidation of the accounts of each of the Restricted Subsidiaries with those of the Issuer in accordance with GAAP consistently applied; provided, however, that "Consolidation" will not include consolidation of the accounts of any Unrestricted Subsidiary, but the interest of the Issuer or any Restricted Subsidiary in an Unrestricted Subsidiary will be accounted for as an investment. The term "Consolidated" has a correlative meaning.

"Credit Facility" means, one or more debt facilities or arrangements (including, without limitation, the Senior Credit Facilities) or commercial paper facilities with banks or other institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions or investors and whether provided under the Senior Credit Facilities or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (i) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (ii) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (iii) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"Currency Agreement" means, in respect of a Person, any foreign exchange contract, currency swap agreement, futures contract, option contract, derivative or other similar agreement as to which such Person is a party or a beneficiary.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Designated Non-Cash Consideration" means the fair market value (as determined in good faith by the Board of Directors or senior management of the Issuer) of non-cash consideration received by the Issuer or a Restricted Subsidiary in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"Disqualified Stock" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or

(3) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of the date (a) of the Stated Maturity of the Notes or (b) on which there are no Notes outstanding, provided that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; provided, further that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (each defined in a substantially identical manner to the corresponding definitions in the Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable), provided that the Issuer may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Issuer with the provisions of the Indenture described under the captions "*—Certain Covenants—Change of Control*" and "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and such repurchase or redemption complies with "*—Certain Covenants—Limitation on Restricted Payments*".

"Distribution Business" means: (1) the business of upgrading, constructing, creating, developing, acquiring, operating, owning, leasing and maintaining cable television networks (including for avoidance of doubt master antenna television, satellite master antenna television, single and multi- channel microwave single or multi-point distribution systems and direct-to-home satellite systems) for the transmission, reception and/or delivery of multi-channel television and radio programming, telephony and internet and/or data services to the residential markets; or (2) any business which is incidental to or related to and, in either case, material to such business.

"Equity Offering" means a sale of (x) Capital Stock of the Issuer (other than Disqualified Stock), or (y) Capital Stock of a Parent the proceeds of which are contributed as equity share capital to the Issuer or (z) Subordinated Shareholder Loans.

"Euro Applicable Premium" means with respect to a Euro Note at any redemption date prior to March 15, 2018, the excess of (a) the present value at such redemption date of (1) the redemption price of such Euro Note on March 15, 2018 (such redemption price being described under "*Optional Redemption—Optional Redemption on or after March 15, 2018*" exclusive of any accrued and unpaid interest) plus (2) all required remaining scheduled interest payments due on such Euro Note through March 15, 2018 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate plus 50 basis points over (b) the principal amount of such Euro Note on such redemption date.

"Euro Equivalent" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Board of Directors or senior management of the Issuer) on the date of such determination.

"European Government Obligations" means any security that is (1) a direct obligation of Ireland, Belgium, the Netherlands, France, The Federal Republic of Germany or any other country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Excluded Contribution" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary) of Capital Stock (other than Disqualified Stock) of the Issuer, in each case to the extent designated as an Excluded Contribution pursuant to an Officers' Certificate of the Issuer.

"Existing Notes" means the Issuer's existing €300 million 8% Senior Notes due 2016, €400 million 9¾% Senior Notes due 2018, $400 million 9⅞% Senior Notes 2018, €640 million 8⅜% Senior Notes due 2020 and €600 million 6⅜% Senior Notes due 2022.

"fair market value" unless otherwise specified, wherever such term is used in the Indenture (except as otherwise specifically provided in this "Description of the Senior Notes"), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"GAAP" means generally accepted accounting principles in the United States ("U.S. GAAP") as in effect as of the date of the Indenture or, with respect to the covenant "Reports", as in effect from time to time. At any time after the Issue Date, the Issuer may elect to apply for all purposes of the Indenture, in lieu of U.S. GAAP, IFRS, and, upon such election, references to GAAP herein will be construed to mean IFRS as in effect at the Issue Date; provided that (1) any such election once made shall be irrevocable (unless (a) such an election was made in order to comply with applicable law with respect to the reporting standards of the Issuer and (b) subsequent to such election, such applicable law is modified or rescinded, and at the time of such modification or rescission, the Ultimate Parent prepares its consolidated financial statements in accordance with U.S. GAAP), (2) all financial statements and reports to be provided, after such election, pursuant to the Indenture shall be prepared on the basis of IFRS as in effect from time to time (including that, upon first reporting its fiscal year results under IFRS, the Issuer shall restate its financial statements on the basis of IFRS for the fiscal year ending immediately prior to the first fiscal year for which financial statements have been prepared on the basis of IFRS), and (3) from and after such election, all ratios, computations, and other determinations based on GAAP contained in the Indenture shall be computed in conformity with IFRS with retroactive effect being given thereto assuming that such election had been made on the Issue Date.

"guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"guarantor" means the obligor under a guarantee.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"holder" means a Person in whose name a Note is registered on the Registrar's books.

"Holding Company" means, in relation to a Person, an entity of which that Person is a Subsidiary.

"IFRS" means the accounting standards issued by the International Accounting Standards Board and its predecessors.

"Incur" means issue, create, assume, guarantee, incur or otherwise become liable for; provided, however, that any Indebtedness or Capital Stock of a Person existing at the time such person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication):

(1) money borrowed or raised and debit balances at banks;

(2) any bond, note, loan stock, debenture or similar debt instrument;

(3) acceptance or documentary credit facilities;

(4) receivables sold or discounted (otherwise than on a non-recourse basis and other than in the normal course of business for collections);

(5) payments for assets acquired or services supplied deferred for a period of over 180 days (or 360 days if such deferral is in accordance with the terms pursuant to which the relevant assets were or are to be acquired or services were or are to be supplied) after the relevant assets were or are to be acquired or the relevant services were or are to be supplied;

(6) Capitalized Lease Obligations (excluding network and duct leases) of such Person;

(7) any other transaction (including without limitation forward sale or purchase agreements) having the commercial effect of a borrowing or raising of money or any of (2) to (6) above;

(8) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends); and

(9) the principal component of Indebtedness of other Persons to the extent guaranteed by such Person to the extent not otherwise included in the Indebtedness of such Person,

provided that Indebtedness which has been cash-collateralized shall not be included in any calculation of Indebtedness to the extent so cash-collateralized.

Notwithstanding the foregoing, "Indebtedness" shall not include any deposits or prepayments received by the Issuer or a Restricted Subsidiary from a customer or subscriber for its service. The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date.

"Independent Financial Advisor" means an accounting, appraisal or investment banking firm of nationally recognized standing that is, in the good faith judgment of the Board of Directors or senior management of the Issuer, qualified to perform the task for which it has been engaged.

"Initial Public Offering" means an Equity Offering of common stock or other common equity interests of the Issuer or any direct or indirect parent company of the Issuer (the "IPO Entity") following which there is a Public Market and, as a result of which, the shares of the common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"Intercreditor Agreement" means the intercreditor agreement, as amended, which was originally entered into on July 29, 2005 among Liberty Global Europe Financing B.V., and the trustees on behalf of the holders of each of the Existing Notes.

"Interest Rate Agreement" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"Intra-Group Services" means any of the following (provided that the terms of each such transaction are no less favorable, taken as a whole, to the Issuer or a Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction in arm's length dealings with a Person that is not an Affiliate):

(1) the sale of programming or other content by Liberty Global BV or any of its Subsidiaries to the Issuer or any Restricted Subsidiary;

(2) the lease or sublease of office space, other premises or equipment by the Issuer or the Restricted Subsidiaries to Liberty Global BV or any of its Subsidiaries or by Liberty Global BV or any of its Subsidiaries to the Issuer or the Restricted Subsidiaries; and

(3) the provision or receipt of other administrative services, facilities or other arrangements (in each case not constituting Indebtedness) in the ordinary course of business, by the Issuer or the Restricted Subsidiaries to or from Liberty Global BV or any of its Subsidiaries, including, without limitation, (a) the employment of personnel, (b) provision of employee healthcare or other benefits, (c) acting as agent to buy equipment, other assets or services or to trade with residential or business customers, and (d) the provision of audit, accounting, banking, IT, telephony, office, administrative, compliance, payroll or other similar services.

"Investment" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan (other than advances or extensions of credit to customers in the ordinary course of business) or other extensions of credit (including by way of guarantee or similar arrangement, but excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP; provided that none of the following will be deemed to be an Investment:

(1) Hedging Obligations entered into in the ordinary course of business and in compliance with the Indenture;

(2) endorsements of negotiable instruments and documents in the ordinary course of business; and

(3) an acquisition of assets, Capital Stock or other securities by the Issuer or a Subsidiary for consideration to the extent such consideration consists of Common Stock of the Issuer.

For purposes of the definition of "Unrestricted Subsidiary" and "*—Certain Covenants—Limitation on Restricted Payments*",

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a

Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors of the Issuer in good faith) of such Subsidiary at the time that such Subsidiary is so redesignated a Restricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or senior management of the Issuer.

If the Issuer or a Restricted Subsidiary transfers, conveys, sells, leases or otherwise disposes of Voting Stock of a Restricted Subsidiary such that such Subsidiary is no longer a Restricted Subsidiary, then the Investment of the Issuer in such Person shall be deemed to have been made as of the date of such transfer or other disposition in an amount equal to the fair market value (as determined in good faith by the Board of Directors or senior management of the Issuer).

"Investment Grade Securities" means:

(1) securities issued by the U.S. government or by any agency or instrumentality thereof (other than Cash Equivalents) or directly and fully guaranteed or insured by the U.S. government and in each case with maturities not exceeding two years from the date of the acquisition;

(2) securities issued by or a member of the European Union as of January 1, 2004, or any agency or instrumentality thereof (other than Cash Equivalents) or directly and fully guaranteed or insured by a member of the European Union as of January 1, 2004, and in each case with maturities not exceeding two years from the date of the acquisition;

(3) debt securities or debt instruments with a rating of A or higher by Standard & Poor's Ratings Services or A-2 or higher by Moody's Investors Service, Inc. or the equivalent of such rating by such rating organization, or if no rating of Standard & Poor's Ratings Services or Moody's Investors Service, Inc. then exists, the equivalent of such rating by any other nationally recognized securities ratings agency, by excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1) through (3) which fund may also hold immaterial amounts of cash and Cash Equivalents pending investment and/or distribution; and

(5) corresponding instruments in countries other than those identified in clauses (1) and (2) above customarily utilized for high quality investments and, in each case, with maturities not exceeding two years from the date of the acquisition.

"Investment Grade Status" shall occur when the Notes receive both of the following:

(1) a rating of "Baa3" (or the equivalent) or higher from Moody's Investors Service, Inc. or any of its successors or assigns; and

(2) a rating of "BBB—" (or the equivalent) or higher from Standard & Poor's Ratings Services, or any of its successors or assigns,

in each case, with a "stable outlook" from such rating agency.

"IPO Market Capitalization" means an amount equal to (i) the total number of issued and outstanding shares of Capital Stock of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"Issue Date" means the date of first issuance of the Notes.

"Liberty" means Liberty Global, Inc., a Delaware corporation, and any successor (by merger, consolidation, transfer, conversion of legal form or otherwise) to all or substantially all of its assets.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Management Fees" means any management, consultancy or similar fees payable by the Issuer or any Restricted Subsidiary.

"Market Capitalization" means an amount equal to (i) the total number of issued and outstanding shares of Capital Stock of the IPO Entity on the date of the declaration of the relevant dividend, multiplied by (ii) the arithmetic mean of the closing prices per share of such Capital Stock for the 30 consecutive trading days immediately preceding the date of the declaration of such dividend.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under GAAP (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds", with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"New Holdco" means the direct Subsidiary of the Ultimate Parent following the Post-Closing Reorganizations, or, if the distribution or other transfer pursuant to the Post-Closing Reorganizations is to a second-tier Subsidiary of the Ultimate Parent, such second-tier Subsidiary.

"New LGI" means Liberty Global Corporation Limited (to be re-registered as a U.K. public limited company and may be renamed), and any successor (by merger, consolidation, transfer, conversion of legal form or otherwise) to all or substantially all of its assets.

"non-Distribution Business Assets" means undertakings, assets, rights or revenues comprising interests in the share capital of Persons not holding or engaged in the Distribution Business of the Issuer and the Restricted Subsidiaries or other undertakings, assets, rights or revenues not constituting part of the Distribution Business of the Issuer and the Restricted Subsidiaries. For the avoidance of doubt, non-Distribution Business Assets shall include, but not be limited to:

(1) undertakings, assets, rights and revenues comprising interests in the share capital of any Person engaged solely in the competitive local exchange carrier (CLEC) business, including without limitation, the business of providing traditional voice and data services and services based on Transmission Control Protocol/Internet Protocol (TCP/IP) technology and other undertakings, assets, rights or revenues constituting a part of such businesses; and

(2) undertakings, assets, rights and revenues comprising interests in the share capital of any Person engaged solely in the business of television and radio programming, including without limitation, the business or creating and distributing special interest television channels, radio programs, pay per view programs and near video on demand services and other undertakings, assets, rights or revenues constituting a part of such businesses.

"Non-Recourse Debt" means Indebtedness of a Person:

(1) as to which neither the Issuer nor any Restricted Subsidiary (a) provides any guarantee or credit support of any kind (including any undertaking, guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise);

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Issuer or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(3) the explicit terms of which provide there is no recourse against any of the assets of the Issuer or the Restricted Subsidiaries.

"Officer" of any Person means the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, any Managing Director, the Treasurer or the Secretary of such Person or, in the case of the Issuer, its Managing Director.

"Officers' Certificate" means a certificate signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Issuer.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Issuer or the Trustee.

"Parent" means the Ultimate Parent, any Subsidiary of the Ultimate Parent of which the Issuer is a Subsidiary on the Issue Date and any other Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date.

"Parent Expenses" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, applicable rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary;

(2) indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person with respect to its ownership or the Issuer or the conduct of the business of the Issuer and the Restricted Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) with respect to its ownership or the Issuer or the conduct of the business of the Issuer and the Restricted Subsidiaries; and

(4) general corporate overhead expenses, including professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of the Restricted Subsidiaries, including acquisitions by the Issuer or the Subsidiaries permitted hereunder (whether or not successful) in each case, to the extent such costs, obligations and/or expenses are not paid by another Subsidiary of such Parent.

"Pari Passu Indebtedness" means Indebtedness of the Issuer that ranks equally or junior in right of payment with the Notes.

"Permitted Asset Swap" means the concurrent purchase and sale or exchange of related business assets or a combination of related business, cash and Cash Equivalents between the Issuer or any of its Restricted Subsidiaries and another Person.

"Permitted Borrower Group Guarantee Facilities" means one or more guarantee facilities under which UPC Broadband and/or any of its Subsidiaries can draw guarantees up to a maximum aggregate principal amount of €50,000,000.

"Permitted Borrower Group Revolving Credit Facilities" means one or more revolving credit facilities that may be entered into by UPC Broadband as borrower, under which UPC Broadband can borrow revolving advances for general corporate and working capital purposes of the Borrower Group (as defined in the Senior Credit Facilities) up to a maximum principal amount of €10,000,000.

"Permitted Business" means any business:

(1) engaged in by the Issuer or any of its Restricted Subsidiaries on the Issue Date;

(2) or other activities that are reasonably similar, ancillary, complementary or related to, or a reasonable extension, development or expansion of, the businesses in which the Issuer and its Restricted Subsidiaries are engaged on the Issue Date; or

(3) that comprises being a Holding Company of one or more Persons engaged in any such business.

"Permitted Collateral Liens" means Liens on the Security to secure any Additional Notes or Pari Passu Indebtedness.

"Permitted Holders" means, collectively, (1) Liberty, (2) any Affiliate or Related Person of a Permitted Holder described in clause (1) above, and any successor to such Permitted Holder, Affiliate, or Related Person, (3) any Person who is acting as an underwriter in connection with any public or private offering of Capital Stock of the Issuer, acting in such capacity and (4) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) whose acquisition of "beneficial ownership" (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act) of Voting Stock or of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries (taken as a whole) constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the covenant described under "*—Change of Control*".

"Permitted Investment" means an Investment by the Issuer or any Restricted Subsidiary in:

(1) the Issuer or a Restricted Subsidiary (other than a Receivables Entity) or a Person which will, upon the making of such Investment, become a Restricted Subsidiary (other than a Receivables Entity);

(2) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary (other than a Receivables Entity);

(3) cash and Cash Equivalents or Investment Grade Securities;

(4) receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) loans or advances to employees made in the ordinary course of business consistent with past practices of the Issuer or such Restricted Subsidiary;

(7) Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including without limitation an Asset Disposition, in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" and other Investments resulting from the disposition of assets in transactions excluded from the definition of "Asset Disposition" pursuant to the exclusions from such definition;

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date;

(10) Currency Agreements and Interest Rate Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*";

(11) Investments by the Issuer or any of the Restricted Subsidiaries, together with all other Investments pursuant to this clause (11), in an aggregate amount at the time of such Investment not to exceed the greater of (i) €250.0 million and (ii) 2.5% of Total Assets at any one time; provided that, if an

Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) Investments by the Issuer or a Restricted Subsidiary in a Receivables Entity or any Investment by a Receivables Entity in any other Person, in each case, in connection with a Qualified Receivables Transaction, *provided, however*, that any Investment in any such Person is in the form of a Purchase Money Note, or any equity interest or interests in Receivables and related assets generated by the Issuer or a Restricted Subsidiary and transferred to any Person in connection with a Qualified Receivables Transaction or any such Person owning such Receivables;

(13) guarantees issued in accordance with "*—Certain Covenants—Limitation on Indebtedness*" and other guarantees (and similar arrangements) of obligations not constituting Indebtedness;

(14) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*";

(15) the Notes and the Existing Notes;

(16) so long as no Default or Event of Default of the type specified in clause (1) or (2) under "*—Events of Default*" has occurred and is continuing, (a) minority Investments in any Person engaged in a Permitted Business and (b) Investments in joint ventures that conduct a Permitted Business to the extent that, after giving pro forma effect to any such Investment, the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries would not exceed 5.00 to 1.00;

(17) any Investment to the extent made using as consideration Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Loans or Capital Stock of any Parent; and

(18) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or a Restricted Subsidiary, including by way of merger, amalgamation or consolidation with or into the Issuer or any Restricted Subsidiary in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger and Consolidation*" after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation.

"Permitted Liens" means:

(A) with respect to any Restricted Subsidiary:

(1) Liens securing Indebtedness Incurred under Credit Facilities, to the extent Incurred in compliance with the first paragraph or clause (1) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(2) Liens on Receivables and related assets of the type described in the definition of "Qualified Receivables Transaction" Incurred in connection with a Qualified Receivables Transaction;

(3) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or United States government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import or customs duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(4) Liens imposed by law, including carriers', warehousemens', mechanics', landlords', materialmens', repairmens' and other like Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings if a reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made in respect thereof;

(5) Liens for taxes, assessments or other governmental charges not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings provided appropriate reserves required pursuant to GAAP have been made in respect thereof;

(6) Liens in favor of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of such Person in the ordinary course of its business; provided, however, that such letters of credit do not constitute Indebtedness;

(7) encumbrances, ground leases, easements or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and the Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(8) Liens securing Hedging Obligations so long as the related Indebtedness is, and is permitted to be under the Indenture, secured by a Lien on the same property securing such Hedging Obligation;

(9) Leases, licenses, subleases and sublicenses of assets (including, without limitation, real property and intellectual property rights) which do not materially interfere with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries;

(10) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(11) Liens for the purpose of securing the payment of all or a part of the purchase price of, or Capitalized Lease Obligations, Purchase Money Obligations or other payments Incurred to finance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business provided that such Liens do not encumber any other assets or property of the Issuer or the Restricted Subsidiaries other than such assets or property and assets affixed or appurtenant thereto.

(12) Liens arising solely by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary institution; provided that such deposit account is not intended by the Issuer or any Restricted Subsidiary to provide collateral to the depository institution;

(13) Liens arising from United States Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and the Restricted Subsidiaries in the ordinary course of business;

(14) Liens existing on, or provided for under written arrangements existing on, the Issue Date;

(15) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary; provided, however, that any such Lien may not extend to any other property owned by the Issuer or any other Restricted Subsidiary;

(16) Liens on property at the time the Issuer or a Restricted Subsidiary acquired the property, including any acquisition by means of a merger or consolidation with or into any Restricted Subsidiary; provided, however, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; provided further, however, that such Liens may not extend to any other property owned by the Issuer or such Restricted Subsidiary;

(17) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary;

(18) Liens securing the Notes;

(19) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, provided that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is the security for a Permitted Lien hereunder;

(20) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(21) Liens on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness or other obligations of such Unrestricted Subsidiary;

(22) any encumbrance or restriction (including, but not limited to, put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(23) Liens over rights under loan agreements relating to, or over notes or similar instruments evidencing, the on-loan of proceeds received by a Restricted Subsidiary from the issuance of Indebtedness, which Liens are created to secure payment of such Indebtedness;

(24) Liens over property and assets securing Indebtedness of the Restricted Subsidiaries under the Permitted Borrower Group Revolving Credit Facilities or the Permitted Borrower Group Guarantee Facilities, provided that any such property and assets shall not secure or be required to secure Indebtedness under the Senior Credit Facilities;

(25) any Lien over non-Distribution Business Assets referred to in clause (16) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*", securing Indebtedness described therein or any other obligation in respect of such non-Distribution Business Assets; and

(26) Liens Incurred with respect to obligations that do not exceed the greater of (i) €100.0 million and (ii) 1.0% of Total Assets at any time outstanding; and

(B) with respect to the Issuer:

(1) Liens securing the Notes;

(2) Permitted Collateral Liens;

(3) Liens securing guarantees of Indebtedness Incurred under Credit Facilities, to the extent the underlying Indebtedness was Incurred in compliance with the first paragraph or clause (1) under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(4) Liens on property at the time the Issuer acquired the property, including any acquisition by means of a merger or consolidation with or into the Issuer; provided, however, that such Liens are not created, Incurred or assumed in connection with, or in contemplation of, such acquisition; provided further, however, that such Liens may not extend to any other property owned by the Issuer; and

(5) Liens of the type described in clauses (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (17), (19), and (20) of clause (A) of this definition of "Permitted Liens".

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision hereof or any other entity.

"Preferred Stock", as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"Pro forma EBITDA" means, for any period, the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries, provided, however, that for the purposes of calculating Pro forma EBITDA for such period, if, as of such date of determination:

(1) since the beginning of such period the Issuer or any Restricted Subsidiary will have made any Asset Disposition or disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "Sale") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Pro forma EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;

(2) since the beginning of such period the Issuer or any Restricted Subsidiary (by merger or otherwise) will have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "Purchase") including any such Purchase occurring in

connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto as if such Purchase occurred on the first day of such period; and

(3) since the beginning of such period any Person (that became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Issuer or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto as if such Sale or Purchase occurred on the first day of such period.

For purposes of this definition and the definition of Consolidated Leverage Ratio, (i) whenever pro forma effect is to be given to any transaction or calculation under this definition, the pro forma calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including without limitation in respect of anticipated expense and cost reductions), (ii) in determining the amount of Indebtedness outstanding on any date of determination, pro forma effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period and (iii) interest on any Indebtedness that bears interest at a floating rate and that is being given pro forma effect shall be calculated as if the rate in effect on the date of calculation had been applicable for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness).

"Public Market" means any time after an Equity Offering has been consummated, shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €75 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"Public Offering" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include any offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"Public Offering Expenses" means expenses Incurred by any Parent in connection with any public offering of Capital Stock or Indebtedness (whether or not successful):

(1) where the net proceeds of such offering are intended to be received by or contributed or loaned to the Issuer or a Restricted Subsidiary; or

(2) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received, contributed or loaned; or

(3) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed, in each case, to the extent such expenses are not paid by another Subsidiary of such Parent.

"Purchase Money Note" means a promissory note of a Receivables Entity evidencing the deferred purchase price of Receivables (and related assets) and/or a line of credit, which may be irrevocable, from the Issuer or any Restricted Subsidiary in connection with a Qualified Receivables Transaction with a Receivables Entity, which deferred purchase price or line is repayable from cash available to the Receivables Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts owing to such investors and amounts paid in connection with the purchase of newly generated Receivables.

"Purchase Money Obligations" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"Qualified Receivables Transaction" means any transaction or series of transactions that may be entered into by the Issuer or any of the Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (1) a Receivables Entity (in the case of a transfer by the Issuer or any of the Restricted Subsidiaries) and (2) any other Person (in the case of a transfer by a Receivables Entity), or may grant a security interest in, any Receivables (whether now existing or arising in the future) of the Issuer or any of the Restricted Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such

Receivables, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such Receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitization involving Receivables.

"Receivable" means a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit and shall include, in any event, any items of property that would be classified as an "account", "chattel paper", "payment intangible" or "instrument" under the Uniform Commercial Code as in effect in the State of New York and any "supporting obligations" as so defined.

"Receivables Entity" means a Wholly Owned Subsidiary (or another Person in which the Issuer or any Restricted Subsidiary makes an Investment and to which the Issuer or any Restricted Subsidiary transfers Receivables and related assets) which engages in no activities other than in connection with the financing of Receivables and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Entity:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

   (a) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);

   (b) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings; or

   (c) subjects any property or asset of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Transaction) other than on terms no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, other than fees payable in the ordinary course of business in connection with servicing Receivables; and

(3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a certified copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions.

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) (collectively, "refinance", "refinances", and "refinanced" shall have a correlative meaning) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness, including successive refinancings, provided, however, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Obligations, (a) if the Stated Maturity of the Indebtedness being refinanced is earlier than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced or (b) if the Stated Maturity of the Indebtedness being refinanced is later than the Stated Maturity of the Notes, the Refinancing Indebtedness has a Stated Maturity later than the Stated Maturity of the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced plus an amount to pay any interest, fees and expenses, premiums and defeasance costs, Incurred in connection therewith; and

(3) in the case of the refinancing of any Subordinated Obligation, such Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the holders of the Notes as those contained in the documentation governing the Subordinated Obligation being extended, refinanced, renewed, replaced, defeased or refunded.

"Related Business" means any business that is the same as or related, ancillary or complementary to any of the businesses of the Issuer and the Restricted Subsidiaries on the Issue Date.

"Related Person" with respect to any Permitted Holder, means:

(1) any controlling equity holder or majority (or more) owned Subsidiary of such Permitted Holder; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein.

"Related Taxes" means:

(1) any taxes, including but not limited to sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar taxes (other than (x) taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid by any Parent by virtue of its:

  (a) being organized or incorporated or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than the Issuer or any of the Issuer's Subsidiaries), or

  (b) being a holding company parent of the Issuer or any of the Issuer's Subsidiaries, or

  (c) receiving dividends from or other distributions in respect of the Capital Stock of the Issuer, or any of the Issuer's Subsidiaries, or

  (d) having guaranteed any obligations of the Issuer or any Subsidiary of the Issuer, or

  (e) having made any payment in respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*", and

(2) any taxes measured by income for which any Parent is liable up to an amount not to exceed with respect to such taxes the amount of any such taxes that the Issuer and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries and any taxes imposed by way of withholding on payments made by one Parent to another Parent on any financing that is provided, directly or indirectly in relation to the Issuer and its Subsidiaries (reduced by any taxes measured by income actually paid by the Issuer and its Subsidiaries).

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired whereby the Issuer or a Restricted Subsidiary transfers such property to a Person and the Issuer or a Restricted Subsidiary leases it from such Person.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Security Documents" means the Share Pledge Agreement with respect to the Share Pledge and related documents.

"Senior Credit Facilities" means the senior secured credit facility agreement entered into on January 16, 2004, as amended or supplemented from time to time, including as amended and restated pursuant to a deed of amendment and restatement dated May 10, 2006 and further amended pursuant to amendment letters dated December 11, 2006, April 16, 2007, April 30, 2009 and June 9, 2009, between, among others, UPC Broadband Holding, as borrower, The Bank of Nova Scotia, as facility agent and as security agent, and certain banks and financial institutions as lenders.

"Senior Indebtedness" means, whether outstanding on the Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of the Issuer, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; provided, however, that Senior Indebtedness will not include:

(1) any Indebtedness Incurred in violation of the Indenture;

(2) any obligation of the Issuer to any Subsidiary of the Issuer;

(3) any liability for taxes owed or owing by the Issuer or any Restricted Subsidiary;

(4) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);

(5) any Indebtedness, guarantee or obligation of the Issuer that is expressly subordinate or junior in right of payment to any other Indebtedness, guarantee or obligation of the Issuer, including, without limitation, any Subordinated Obligation; or

(6) any Capital Stock.

"Significant Subsidiary" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Issuer within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"Standard Securitization Undertakings" means representations, warranties, covenants and indemnities entered into by the Issuer or any Restricted Subsidiary which are reasonably customary in securitization of Receivables transactions.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"Subordinated Obligation" means any Indebtedness of the Issuer (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinate or junior in right of payment to the Notes pursuant to a written agreement.

"Subordinated Shareholder Loans" means Indebtedness of the Issuer (and any security into which such Indebtedness, other than Capital Stock, is convertible or for which it is exchangeable at the option of the holder) issued to and held by any Parent that (either pursuant to its terms or pursuant to an agreement with respect thereto):

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such Indebtedness into Capital Stock (other than Disqualified Stock) of the Issuer or any Indebtedness meeting the requirements of this definition);

(2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(3) contains no change of control or similar provisions that are effective, and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment prior to the first anniversary of the Stated Maturity or the Notes;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of the Restricted Subsidiaries;

(5) is subordinated in right of payment to the prior payment in full of the Notes in the event of (a) a total or partial liquidation, dissolution or winding up of the Issuer, (b) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Issuer or its property, (c) an assignment for the benefit of creditors or (d) any marshalling of the Issuer's assets and liabilities;

(6) under which the Issuer may not make any payment or distribution of any kind or character with respect to any obligations on, or relating to, such Subordinated Shareholder Loans if (x) a payment Default on the Notes occurs and is continuing or (y) any other Default under the Indenture occurs and is continuing on the Notes that permits the holders of the Notes to accelerate their maturity and the Issuer receives notice of such Default from the requisite holders of the Notes, until in each case the earliest of (a) the date on which such Default is cured or waived or (b) 180 days from the date such Default occurs (and only once such notice may be given during any 360 day period); and

(7) under which, if the holder of such Subordinated Shareholder Loans receives a payment or distribution with respect to such Subordinated Shareholder Loan (a) other than in accordance with the Indenture or as a result of a mandatory requirement of applicable law or (b) under circumstances described under clauses (5)(a) through (d) above, such holder will forthwith pay all such amounts to the Trustee to be held in trust for application in accordance with the Indenture.

"Subsidiary" of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or Persons performing similar functions) or (b) any partnership, joint venture limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Issuer.

"Swiss Government Bond Rate", when used to calculate the CHF Applicable Premium, means the yield to maturity at the time of computation of direct obligations of the Swiss Confederation (*Staatsanleihen*) with a constant maturity (as officially compiled and published in the most recent financial statistics that has become publicly available at least two Business Days (but not more than five Business Days) prior to the redemption date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to March 15, 2018; provided, however, that if the period from the redemption date to March 15, 2018 is not equal to the constant maturity of a direct obligation of the Swiss Confederation for which a weekly average yield is given, the Swiss Government Bond Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Swiss Confederation for which such yields are given, except that if the period from such redemption date to March 15, 2018 is less than one year, the weekly average yield on actually traded direct obligations of the Swiss Confederation adjusted to a constant maturity of one year shall be used.

"Swiss Government Obligations" means any security that is (1) a direct obligation of Switzerland for the payment of which the full faith and credit of Switzerland is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of Switzerland the payment of which is unconditionally Guaranteed as a full faith and credit obligation by Switzerland, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"Total Assets" means the consolidated total assets of the Issuer and the Restricted Subsidiaries as shown on the most recent balance sheet (excluding the footnotes thereto) of the Issuer (and, in the case of any determination relating to any incurrence of Indebtedness or any Investment, on a pro forma basis including any property or assets being acquired in connection therewith).

"Ultimate Parent" means, prior to the Mergers, Liberty, and following the Mergers, New LGI.

"UGC" means UnitedGlobalCom, Inc., a Delaware corporation, and any successor (by merger, consolidation, transfer, conversion of legal form or otherwise) to all or substantially all of its assets.

"Unrestricted Subsidiary" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in the manner provided below;

(2) any Subsidiary of an Unrestricted Subsidiary; and

(3) UPC Equipment B.V.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;

(2) all the Indebtedness of such Subsidiary and its Subsidiaries shall, at the date of designation, and will at all times thereafter, consist of Non-Recourse Debt;

(3) such designation and the Investment of the Issuer in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*"; and

(4) on the date such Subsidiary is designated an Unrestricted Subsidiary, such Subsidiary is not a party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary with terms substantially and materially less favorable to the Issuer or such Restricted Subsidiary than those that might have been obtained from Persons who are not Affiliates of the Issuer, except for any such agreement, contract, arrangement or understanding that would be permitted under "*—Certain Covenants—Limitation on Affiliate Transactions*".

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Certificate certifying that such designation complies with the foregoing conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be Incurred as of such date.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof and either (x) the Issuer could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Consolidated Leverage Ratio would be lower than it was immediately prior to giving effect to such designation, in each case, on a pro forma basis taking into account such designation.

"UPC Broadband" means UPC Broadband Holding B.V., together with its successors.

"UPC Financing" means UPC Financing Partnership, a general partnership formed under the laws of Delaware, United States, together with its successors.

"Voting Stock" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"Wholly Owned Subsidiary" means a Restricted Subsidiary of the Issuer, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

The Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by one global note in registered form (the "Rule 144A Global Note") and Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes"). The Global Notes representing the Euro Notes and the CHF Notes will be deposited with a common depositary, and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note and ownership of interests in the Regulation S Global Note (the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through those participants.

Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Notes will not be issued in definitive form.

Book-Entry Interests in the Regulation S Global Note will initially be credited to Euroclear and Clearstream, on behalf of the owners of such interests. During the 40-day distribution compliance period within the meaning of Regulation S of the U.S. Securities Act (the "Distribution Compliance Period"), Book-Entry Interests in the Regulation S Global Note may be:

- held only through Euroclear or Clearstream; and
- transferred only outside the United States or to or for the account or benefit of non-U.S. persons under Regulation S or "qualified institutional buyers" under Rule 144A.

Prior to the expiration of the Distribution Compliance Period, a beneficial interest in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a Rule 144A Global Note only upon receipt of a written certification (in the form provided in the Indenture) that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" acquiring for its own account or the account of a "qualified institutional buyer" in a transaction complying with Rule 144A under the U.S. Securities Act and in accordance with any applicable securities laws of the states of the United States and other jurisdictions. After the expiration of the Distribution Compliance Period, such certification requirement shall no longer apply to such transfers.

The Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including some states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream, as applicable, or their respective nominees, will be considered the sole holder(s) of the Global Notes for all purposes under the indenture. In addition, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own Book-Entry Interests to transfer their interests or to exercise any rights of holders of Notes under the Indenture. Neither we nor the trustee will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in the Global Note from the amount received by it in respect of the redemption of the Global Note. The redemption price payable in connection with the redemption of those Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of the Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of €100,000 or CHF 150,000, as applicable, principal amount or less may be redeemed in part.

Payments on Global Notes

Payments of any amounts owing in respect of the relevant Global Notes (including principal, premium, if any, interest and additional amounts, if any) will be made by us to the common depositary or its nominee for Euroclear and Clearstream. The common depositary or its nominee will distribute those payments to participants in accordance with their procedures. We expect that payments by participants to owners of Book-Entry Interests held through those participants will be governed by standing customer instructions and customary practices. Under the terms of the indenture, we and the Trustee will treat the registered holder of the Global Notes (e.g., Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of us, the trustee or any of our or the trustee's agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear or Clearstream or of any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest;
- Euroclear or Clearstream or any participant or indirect participant; or
- the records of the common depositary.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of (i) the Euro Notes will be paid to holders of interests in such Euro Notes through Euroclear and/or Clearstream in euro; and (ii) the CHF Notes will be paid to holders of interests in such CHF Notes through Euroclear and/or Clearstream in CHF.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of the portion of the aggregate principal amount of Notes as to which that participant or participants has or have given that direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, Euroclear and Clearstream reserve the right to exchange the Global Notes for definitive registered notes ("Definitive Registered Notes") in certificated form, and to distribute the Definitive Registered Notes to its participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be affected in accordance with Euroclear's and Clearstream's rules and will be settled in immediately available funds. If a holder of a Euro Note or a CHF Note requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of those securities or to pledge those securities, the relevant holder of Euro Notes or CHF Notes must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the indenture.

The Global Notes will bear a legend to the effect set forth in "Transfer Restrictions". The Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "Transfer Restrictions". The transfer of restricted Book-Entry Interests ("Restricted Book-Entry Interests") to persons wishing to take delivery of Restricted Book-Entry Interests will at all times be subject to those transfer restrictions.

The Restricted Book-Entry Interests may be transferred to a person who takes delivery in the form of any unrestricted Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that the relevant transfer is being made in accordance with Regulation S or Rule 144A (if available) under the U.S. Securities Act.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in the other Global Note, and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the other Global Note for as long as it remains a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes only:

- if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by us within 120 days; or
- if the owner of a Book-Entry Interest requests an exchange of its Book-Entry Interests for Definitive Registered Notes following a default or event of default under the Indenture.

Information Concerning Euroclear and Clearstream

Initial Settlement

Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional eurobonds in registered form. Book-Entry Interests will be credited to the securities custody account of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the sale determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of those participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with Euroclear or Clearstream participants, either directly or indirectly.

TRANSFER RESTRICTIONS

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with us and the Initial Purchasers:

(1) You understand and acknowledge that:

- the Notes have not been registered under the U.S. Securities Act or any other applicable securities laws;
- the Notes are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws; and
- unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You represent that you are not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of ours, that you are not acting on our behalf and that either:

- you are a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or
- you are not a "U.S. person" (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from us.

(4) You represent that you are purchasing Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the resale restriction period (as defined below), the Notes may be offered, sold or otherwise transferred only:

- to the Issuer;
- under a registration statement that has been declared effective under the U.S. Securities Act;
- for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;
- through offers and sales that occur outside the United States to a non-U.S. person within the meaning of Regulation S; or
- under any other available exemption from the registration requirements of the U.S. Securities Act;

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws.

You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the closing date and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends;

- we and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under the fifth bullet point above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the Trustee; and
- each Global Note will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS IN THE CASE OF RULE 144A NOTES: ONE YEAR AND IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

BY ACCEPTING THIS NOTE (OR AN INTEREST IN THE NOTE REPRESENTED HEREBY) EACH ACQUIRER AND EACH TRANSFEREE IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) EITHER (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, ("CODE"), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA) BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S AND/OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "BENEFIT PLAN INVESTOR"), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA AND/OR SECTION 4975 OF THE CODE

("SIMILAR LAWS"), AND NO PART OF THE ASSETS USED BY IT TO ACQUIRE OR HOLD THIS NOTE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR AN INTEREST HEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); (2) NEITHER THE ISSUER NOR ANY OF ITS AFFILIATES IS A "FIDUCIARY" (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975 OF THE CODE OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THIS NOTE, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THIS NOTE, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER OR HOLDER IN CONNECTION WITH THIS NOTE AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THIS NOTE; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE.

The following legend shall also be included, if applicable:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT (''OID'') WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE ''CODE''), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE.

Holders may obtain information regarding the amount of any OID, the issue price, the issue date, and the yield to maturity relating to the Notes by contacting the Treasurer, UPC Holding B.V., Boeing Avenue 53, Schiphol-Rijk, 1119 PE, The Netherlands, +31 (0)20 778 2964.

(5) You acknowledge that the registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the registrar that the restrictions set forth herein have been complied with.

(6) You acknowledge that we, the Initial Purchasers and others, will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes is no longer accurate, you will promptly notify us and the Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

(7) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

European Economic Area

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuer for any such offer; or

(c) any other entity in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Notes shall require the publication by the Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospective Directive other than in reliance of Article 3(2)(b).

For the purposes of this provision, the expression an "offer of the Notes to the public" in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC and amendments hereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each subscriber for or purchaser of the Notes in the offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Initial Purchasers and their affiliates, and others will rely upon the trust and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the offering

ERISA Considerations

By acquiring the Notes, you will be deemed to have further represented and agreed as follows:

(1) With respect to the acquisition, holding and disposition of the Notes, or any interest therein, (A) either (i) you are not, and are not acting on behalf of (and for so long as you hold such Notes or any interest therein will not be, and will not be acting on behalf of), an employee benefit plan (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")), subject to the provisions of part 4 of subtitle B of Title I of ERISA, a plan to which Section 4975 of the U.S. Internal Revenue Code of 1986, as amended ("Code"), applies, or any entity whose underlying assets include "plan assets" (within the meaning of 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA)) by reason of such an employee benefit plan's and/or plan's investment in such entity (each, a "Benefit Plan Investor"), or a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code ("Similar Laws"), and no part of the assets to be used by you to acquire or hold such Notes or any interest therein constitutes the assets of any such Benefit Plan Investor or such a governmental, church or non-U.S. plan, or (ii) your acquisition, holding and disposition of such Notes, or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws); (B) neither the Issuer nor any of its affiliates is a Fiduciary (within the meaning of Section 3(21) of ERISA or Section 4975 of the Code or, with respect to a governmental, church or non U.S. plan, any definition of "fiduciary" under Similar Laws) with respect to you, as the purchaser or holder, in connection with your purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment decision by or on behalf of you as the purchaser or holder in connection with the Notes and the transactions contemplated with respect to the Notes; and (C) you will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of any such Notes or any interest therein.

(2) You and any fiduciary causing you to acquire an interest in the Notes agree to indemnify and hold harmless the Issuer, the Initial Purchasers and the Trustee and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

(3) Any purported acquisition or transfer of any Note or beneficial interest therein to an acquirer or transferee that does not comply with the foregoing requirements shall be null and void ab initio.

TAX CONSIDERATIONS

Netherlands Tax Considerations

The following summary describes the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Netherlands tax considerations thereof that may be relevant to a holder or prospective holder of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as trusts or similar arrangements) may be subject to special rules. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes.

This summary is based on the tax legislation, published case law, treaties, regulations and published policy, in force as of the date of this Memorandum, though it does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

Withholding Tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Corporate and Individual Income Tax

The summary in this section does not address the Netherlands tax consequences for:

(i) holders of Notes holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Notes of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5% or more of the total issued capital of the Issuer or of 5% or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;

(ii) investment institutions (*fiscale beleggingsinstellingen*);

(iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax; and

(iv) persons to whom the Notes and the income from the Notes are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Netherlands Gift and Inheritance Tax Act (*Successiewet 1956*).

(a) Residents of the Netherlands

If a holder is an entity that is resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Notes are attributable, income derived from the Notes and gains realized upon the redemption, settlement or disposal of the Notes are generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual who has opted to be taxed as a resident of the Netherlands), income derived from the Notes and gains realized upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), if:

(i) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Notes are attributable; or

(ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance by the individual of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies, an individual that holds the Notes, must determine taxable income with regard to the Notes on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments is fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a certain threshold. The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Notes will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments is taxed at a rate of 30%.

(b) Non-residents of the Netherlands

If a person is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (nor has opted to be taxed as a resident of the Netherlands), such person is not liable for Netherlands income tax in respect of income derived from the Notes and gains realised upon the settlement, redemption or disposal of the Notes, unless:

(i) the person is not an individual and such person (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) is (other than by way of securities) entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25%.

(ii) the person is an individual and such individual (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) realises income or gains with respect to the Notes that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which activities include the performance of activities in the Netherlands with respect to the Notes which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is (other than by way of securities) entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52%. Income derived from a share in the profits of an enterprise as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "Residents of the Netherlands"). The fair market value of the share in the profits of the enterprise (which includes the Notes) will be part of the individual's yield basis.

Gift and Inheritance Taxes

Netherlands gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder of a Note, unless:

(i) the holder of a Note is, or is deemed to be, resident in the Netherlands for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of a cash payment made under the Notes, or in respect of a transfer of Notes.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty, will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

European Union Directive on the Taxation of Savings Interest

Under EU Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Certain U.S. Federal Income Tax Considerations

U.S. Treasury Department Circular 230 Notice

Pursuant to U.S. Treasury Department Circular 230, we hereby inform you that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code of 1986 as amended (the "Code"). Such description was written in connection with the marketing of the Notes. Taxpayers should seek advice based on the taxpayers' particular circumstances from an independent tax advisor.

The following is a description of certain U.S. federal income tax considerations relevant to the acquisition, ownership, and disposition of the Notes by a U.S. Holder as defined below. This description only applies to Notes held as capital assets (generally, property held for investment) and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- banks or other financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the Notes through partnerships or other pass-through entities;
- dealers or traders in securities or currencies;
- U.S. Holders that have a functional currency other than the U.S. dollar;
- certain former citizens and long-term residents of the United States;
- U.S. Holders that use a mark-to-market method of accounting; or
- U.S. Holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership, and disposition of the Notes and does not address the newly effective 3.8% Medicare tax on unearned income that can apply to certain U.S. holders' capital gains and interest in respect of the Notes. This description also does not address the U.S. federal income tax treatment of holders that do not acquire the Notes as part of the initial distribution at their initial issue price (generally, the first price to the public at which a substantial amount of the Notes is sold for money). Each prospective purchaser should consult its own tax advisor with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, holding and disposing of the Notes.

This description is based on the Code, U.S. Treasury Regulations promulgated thereunder, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, or differing interpretations, (possibly with retroactive effect), which could affect the tax consequences described herein. No opinion of counsel or ruling from the Internal Revenue Service (the "IRS") has been or will be given with respect to any of the considerations discussed herein. No assurances can be given that the IRS would not assert, or that a court would not sustain, a position different from any of the tax considerations discussed below.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

Redemptions and Additional Amounts

In certain circumstances (see "*Description of the Notes—Optional Redemption*" and "*Description of the Notes—Certain Covenants*"), the Issuer may be obligated to make payments in excess of stated interest and the adjusted issue price of the Notes or redeem the Notes in advance of their expected maturity. The Issuer believes, and intends to take the position if required, that the Notes should not be treated as contingent payment debt instruments because of the possibility of such payments or redemptions. This position is based in part on assumptions regarding the likelihood, as of the date of issuance of the Notes, of such payments or redemptions. Assuming such position is respected, any such amounts paid to a U.S. Holder pursuant to any repurchase or redemption would be taxable as described below in "*—Sale, Exchange or Disposition by a U.S. Holder*" and any payments of Additional Amounts should be taxable as additional ordinary income when received or accrued, in accordance with such holder's method of accounting for U.S. federal income tax purposes. The IRS may, however, take a position contrary to the position described above, which could affect the timing and character of a U.S. Holder's income with respect to the Notes. A U.S. Holder that desires to take the position that the Notes are subject to the contingent payment debt instrument rules should consult with its tax advisor, including regarding the manner in which to disclose such position as required by applicable U.S. Treasury Regulations; the IRS may disagree with such holder's contrary position. U.S. Holders should consult their tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof. This discussion assumes that the Notes are not treated as contingent payment debt instruments.

U.S. Holders

Payments and Accruals of Stated Interest

Stated interest paid on the Notes generally will be treated as "qualified stated interest" and generally will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes, as detailed below.

Interest including original issue discount ("OID"), if any, included in a U.S. Holder's gross income with respect to the Notes will be treated as foreign source income for U.S. federal income tax purposes. The limitation on non-U.S. taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific "baskets" of income. For this purpose, interest should generally constitute "passive category income", or in the case of certain U.S. Holders, "general category income". Any non-U.S. withholding tax paid by a U.S. Holder at the rate applicable to the U.S. Holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

Stated interest paid in euros or in Swiss francs, as applicable, will be included in a U.S. Holder's gross income in an amount equal to the U.S. dollar value of the euros or Swiss francs, including the amount of any withholding tax thereon, regardless of whether the euros or Swiss francs are converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder generally will not realize foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the euros or Swiss francs received. Generally, a U.S. Holder that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year). Alternatively, an accrual basis U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the portion of the accrual period within each taxable year in the case of a partial accrual period) or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date the payment is received differs from the rate used in translating the accrual of that interest. The amount of foreign currency gain or loss to be recognized by such U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the euro interest payment or Swiss franc interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above) regardless of whether the payment is converted to U.S. dollars. This foreign currency gain or loss will be ordinary income or loss and generally will not be treated as an adjustment to interest income or expense. Foreign currency gain or loss generally will be U.S. source provided that the residence of a taxpayer is considered to be the United States for purposes of the rules regarding foreign currency gain or loss.

Original Issue Discount

The Notes may be treated as issued with OID for U.S. federal income tax purposes. An obligation generally is treated as having been issued with OID for U.S. federal income tax purposes if its "stated redemption price at maturity" exceeds its issue price by at least the "OID de minimis amount". The OID de minimis amount equals ¼ of 1% of the debt instrument's stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity. The "stated redemption price at maturity" of a note is the sum of all payments required to be made on the note other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer), or that is treated as constructively received, at least annually at a single fixed rate. Stated interest on the Notes will be treated as qualified stated interest.

If the Notes are issued with OID a U.S. Holder will generally be required to include OID in income before the receipt of the associated cash payment, regardless of such U.S. Holder's accounting method for tax purposes. The amount of OID a U.S. Holder should include in income is the sum of the "daily portions" of the OID for the Note for each day during the taxable year (or portion of the taxable year) in which the Note is held by such U.S. Holder. The daily portion is determined by allocating the OID for each day of the accrual period. An accrual period may be of any length and the accrual periods may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day of an accrual period or on the final day of an accrual period. The amount of OID allocable to an accrual period is equal to the difference between (1) the product of the "adjusted issue price" of the Note at the beginning of the accrual period and its yield to maturity (computed generally on a constant yield method and compounded at the end of each accrual period, taking into account the length of the particular accrual period) and (2) the amount of any qualified stated interest allocable to the accrual period. The "adjusted issue price" of a Note at the beginning of any accrual period is the sum of the issue price of the Note plus the amount of OID allocable to all prior accrual periods reduced by any payments received on the Note that were not qualified stated interest.

Under these rules, a U.S. Holder generally will have to include in income increasingly greater amounts of OID in successive accrual periods. OID allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Under the U.S. Treasury Regulations, a holder of a note with OID may elect to include in gross income all interest that accrues on the note using the constant yield method. Once made with respect to the Note, the election cannot be revoked without the consent of the IRS. A U.S. Holder considering an election under these rules should consult its own tax advisor.

U.S. Holders may obtain information regarding the amount of OID, if any, the issue price, the issue date and yield to maturity by contacting the Treasurer, UPC Holding B.V., Boeing Avenue 53, Schiphol-Rijk, 1119 PE, The Netherlands, +31 (0)20 778 2964.

The rules regarding OID are complex. U.S. Holders are urged to consult their own tax advisors regarding the application of these rules to their particular situations.

Any OID on a Note generally will be determined for any accrual period in euros or Swiss francs, as applicable, and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or disposition of such Note), a U.S. Holder generally will recognize foreign currency gain or loss in an amount determined in the same manner as interest income received by a holder on the accrual basis, as described above. Holders are urged to consult their own tax advisors regarding the interplay between the application of the OID and foreign currency exchange gain or loss rules.

Sale, Exchange or Disposition by a U.S. Holder

A U.S. Holder generally will recognize gain or loss on the sale, exchange, retirement or other disposition of a Note equal to the difference between the amount realized on such sale, exchange, retirement or other disposition (other than any amount received in respect of accrued and unpaid interest not previously included in income, which will be subject to tax in the manner described above in "*—Payments and Accruals of Stated Interest*"), and the U.S. Holder's adjusted tax basis in such Note.

A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. dollar cost increased by the amount of any OID previously included in income and decreased by payments other than stated interest made with respect to the Note. If a U.S. Holder purchases a Note with euros or Swiss francs (as the case may be), the U.S. dollar cost of the Note will generally be the U.S. dollar value of the purchase price on the date of purchase calculated at the spot rate of exchange on that date. The amount realized upon the disposition of a Note will generally be the U.S. dollar value of the amount received on the date of the disposition calculated at the spot rate of exchange on that date. However, if the Note is traded on an established securities market, a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder) should determine the U.S. dollar value of the cost of or amount received on the Note, as applicable, by translating the amount paid or received at the spot rate of exchange on the settlement date of the purchase or disposition, as applicable. The election available to accrual basis U.S. Holders in respect of the purchase and disposition of Notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Subject to the foreign currency rules discussed below, any gain or loss recognized on the sale, exchange, retirement or other disposition of a Note will be capital gain or loss, and will be long-term capital gain or loss if the Note has been held for more than one year. Long-term capital gain of a non-corporate U.S. Holder is generally taxed at preferential rates. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any gain or loss recognized on the sale or other disposition of a Note generally will be treated as gain or loss from sources within the United States.

Gain or loss recognized by a U.S. Holder on the sale, exchange, retirement or other disposition of a Note will generally be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in foreign currency exchange rates during the period in which the U.S. Holder held such Note. Such foreign currency gain or loss will equal the difference between (i) the U.S. dollar value of the U.S. Holder's euro or Swiss franc purchase price for the Note (as the case may be) calculated at the spot rate of exchange on the date of the sale, exchange, retirement or other disposition and (ii) the U.S. dollar value of the U.S. Holder's euro or Swiss franc purchase price for the Note calculated at the spot rate of exchange on the date of purchase of the Note. If the Note is traded on an established securities market, with respect to a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder), such foreign currency gain or loss will equal the difference between

(x) the U.S. dollar value of the U.S. Holder's euro or Swiss franc purchase price for the Note (as the case may be) calculated at the spot rate of exchange on the settlement date of the disposition and (y) the U.S. dollar value of the U.S. Holder's euro or Swiss franc purchase price for the Note calculated at the spot rate of exchange on the settlement date of the purchase of the Note. The realization of any foreign currency gain or loss, including foreign currency gain or loss with respect to amounts attributable to accrued and unpaid stated interest and any OID, will be limited to the amount of overall gain or loss realized on the disposition of the Notes.

Exchange of Amounts in Other than U.S. Dollars

If a U.S. Holder receives euros or Swiss francs as interest on a Note or on the sale exchange, retirement or other or disposition of a Note, such U.S. Holder's tax basis in the euros or Swiss francs will equal the U.S. dollar value when the interest is received or at the time of the sale exchange, retirement or other disposition. If a U.S. Holder purchased a Note with previously owned non-U.S. currency, gain or loss will be recognized in an amount equal to the difference, if any, between the U.S. Holder's tax basis in such currency and the spot rate on the date of purchase. Any such gain or loss generally will be treated as ordinary income or loss from sources within the United States provided that the residence of the U.S. Holder is considered to be the United States for purposes of the rule governing foreign currency transactions.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on IRS Form 8886. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations. U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale exchange, retirement or other disposition of the Notes.

Additional Notes

The Issuer may issue Additional Notes as described under "Description of the Notes". These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may not be fungible with the original Notes for U.S. federal income tax purposes, which may affect the market value of the original Notes even if the additional Notes are not otherwise distinguishable from the original Notes.

U.S. Backup Withholding Tax and Information Reporting

Information reporting requirements may apply to certain payments of principal of, and interest and accruals of OID, if any, on, an obligation and to proceeds of the sale or disposition of an obligation, to certain U.S. Holders. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman or certain of their affiliates, on a Note to, or from gross proceeds of the sale or disposition of a Note paid to, a U.S. Holder if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman (and certain subsidiaries thereof), of principal and interest (including OID, if any) and proceeds of a sale or disposition to a holder of a Note that is not a U.S. person are generally subject to information reporting, but will not be subject to backup withholding tax if an appropriate certification is timely provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for a refund with the IRS and furnishing any required information in a timely manner.

Certain U.S. Holders are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in custodial accounts maintained by certain financial institutions). U.S. Holders are urged to consult their own tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

FATCA

Legislation referred to as the Foreign Account Tax Compliance Act ("FATCA") generally may impose withholding at a rate of 30% on payments made to any foreign entity on debt obligations generating U.S. source interest or certain other debt obligations generating non-U.S. source interest issued by a foreign financial institution entering into certain agreements with the IRS to the extent such payments are attributable to U.S. source income, unless the foreign entity receiving such payments complies with various U.S. information reporting and/or due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with such foreign entity) or otherwise qualifies for an exemption. These rules will begin to phase in starting on January 1, 2014, but withholding on payments on debt obligations issued by foreign financial institutions, including on debt obligations generating non-U.S. source interest, will not occur before 2017. Furthermore, if an Issuer is treated as a foreign financial institution for purposes of FATCA and if any payments on the Notes are treated as "foreign passthru payments", the Notes will only become subject to the FATCA regime described above if the Notes are modified more than six months after the date final regulations define a "foreign passthru payment". Accordingly, even if the withholding under FATCA were otherwise potentially applicable to payments on or with respect to the Notes, such withholding will not apply to those payments under the grandfathering rules in the final regulations. If withholding is required with respect to payments on the Notes or interests therein in order for the relevant payor to comply with FATCA, holders and beneficial owners of the Notes will not be entitled to receive any additional amounts to compensate them for such withholding. Holders should consult their tax advisors regarding the possible implications of this legislation on their investment in the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

CERTAIN EMPLOYEE BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary standards and certain other requirements on employee benefit plans (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA, including entities such as collective investment funds, certain insurance company separate accounts, certain insurance company general accounts, and entities whose underlying assets include the assets of such plans and are treated as being subject to ERISA (collectively, "ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment should be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of such investment, including, but not limited to, the matters discussed above under "Risk Factors" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Notes or any interest therein.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), prohibit certain transactions involving the assets of an ERISA Plan, as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts and Keogh plans (together with ERISA Plans, "Plans"), and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code) having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes or other liabilities under ERISA and the Code, and the transaction may have to be rescinded.

Governmental plans, certain church plans and certain non-U.S. plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to U.S. federal, state, local, non-U.S. or other laws or regulations (such as the prohibited transaction rules of Section 503 of the Code) that are substantially similar to the foregoing provisions of ERISA or the Code ("Similar Laws").

Each of the Issuer, the Initial Purchasers, the Trustee and certain other parties, or their respective affiliates, may be the sponsor of, or "fiduciary" (within the meaning of Section 3(21) of ERISA or Section 4975 of the Code or, with respect to a governmental, church or non-U.S. plan, any definition of "fiduciary" under Similar Laws, (a "Fiduciary")) to, one or more Plans. Because such parties may receive certain benefits in connection with the sale of the Notes to such Plans, the purchase of such Notes using the assets of a Plan with respect to which any of such parties is the sponsor or a Fiduciary might be deemed to be a violation of the prohibited transaction rules of Section 406 of ERISA and/or Section 4975 of the Code for which no exemption may be available. Accordingly, the Notes may not be purchased using the assets of any Plan if any of the Issuer, the Initial Purchasers, the Trustee or their respective affiliates is the sponsor of, or Fiduciary to, such Plan in the absence of an applicable exemption.

In addition, if the Notes are acquired by a Plan with respect to which the Issuer, the Initial Purchasers, the Trustee, any holder of Notes or any of their respective affiliates is a party in interest or a disqualified person, other than a sponsor of, or Fiduciary to, such Plan, such transaction could be deemed to be a direct or indirect prohibited transaction within the meaning of Section 406 of ERISA and/or Section 4975 of the Code. In addition, if a party in interest or disqualified person with respect to a Plan owns or acquires a 50% or more beneficial interest in the Issuer, the acquisition or holding of the Notes by or on behalf of such Plan could be considered to constitute an indirect prohibited transaction. Moreover, the acquisition or holding of the Notes or other indebtedness issued by the Issuer by or on behalf of a party in interest or disqualified person with respect to a Plan that owns or acquires an equity interest in the Issuer also could give rise to an indirect prohibited transaction.

Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code could be applicable, however, to a Plan's acquisition of a Note depending in part upon the type of Fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are U.S. Department of Labor Prohibited Transaction Class Exemption ("PTE") 84-14 regarding transactions effected by a "qualified professional asset manager;" PTE 90-1, regarding investments by insurance company pooled separate accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 96-23, regarding investments by certain "in-house asset managers;" and PTE 95-60, regarding investments by insurance company general accounts. In addition to the class exemptions listed above, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory prohibited transaction exemption for transactions between a Plan and a person or entity that is a party in interest, or a disqualified person, respectively, to such Plan solely by reason of providing services to the Plan (other than a party in interest or a disqualified person that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Plan involved in the transaction), provided that the Plan receives no less, and pays no more than, "adequate consideration" (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code) in connection with the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might not cover all acts which might be construed as prohibited transactions.

EACH ACQUIRER AND EACH TRANSFEREE OF A NOTE OR ANY INTEREST THEREIN WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR ANY INTEREST THEREIN THAT (1) EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE OR AN INTEREST HEREIN WILL NOT BE ACTING ON BEHALF OF) AN EMPLOYEE BENEFIT PLAN, AS DEFINED IN SECTION 3(3) OF ERISA, THAT IS SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE CODE APPLIES, OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA)) BY REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "BENEFIT PLAN INVESTOR") OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAWS, AND NO PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD SUCH NOTE OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE OR ANY INTEREST THEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH, OR NON-U.S. PLAN, A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS); (2) NEITHER THE ISSUER NOR ANY OF ITS AFFILIATES IS A FIDUCIARY (WITHIN THE MEANING OF SECTION 3(21) OF ERISA OR SECTION 4975 OF THE CODE OR, WITH RESPECT TO A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTE, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTE, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER OR HOLDER IN CONNECTION WITH THE NOTE AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTE; AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH NOTE OR ANY INTEREST THEREIN OTHERWISE THAN TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF ANY SUCH NOTE.

THE ISSUER, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, SHALL BE ENTITLED TO CONCLUSIVELY RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY ACQUIRERS AND TRANSFEREES OF ANY NOTES WITHOUT FURTHER INQUIRY. THE ACQUIRER AND ANY FIDUCIARY CAUSING IT TO ACQUIRE AN INTEREST IN ANY NOTES AGREES TO INDEMNIFY AND HOLD HARMLESS THE ISSUER, THE INITIAL PURCHASERS AND THE TRUSTEE, AND THEIR RESPECTIVE AFFILIATES, FROM AND AGAINST ANY COST, DAMAGE OR LOSS INCURRED BY ANY OF THEM AS A RESULT OF ANY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS BEING OR BECOMING FALSE.

ANY PURPORTED ACQUISITION OR TRANSFER OF ANY NOTE OR BENEFICIAL INTEREST THEREIN TO AN ACQUIRER OR TRANSFEREE THAT DOES NOT COMPLY WITH THE REQUIREMENTS DESCRIBED HEREIN SHALL BE NULL AND VOID AB INITIO.

It should be noted that an insurance company's general account may be deemed to include assets of Plans under certain circumstances, e.g., where a Plan purchases an annuity contract issued by such an insurance company, based on the reasoning of the United States Supreme Court in *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993). An insurance company considering the purchase of Notes with assets of its general account should consider such purchase and the insurance company's ability to make the representations described above in light of *John Hancock Mutual Life Ins. Co. v. Harris Trust and Savings Bank*, Section 401(c) of ERISA and a regulation promulgated by the U.S. Department of Labor under Section 401(c) of ERISA, Section 2550.401c-1 of Title 29 of the U.S. Code of Federal Regulations, as amended.

A Fiduciary of an ERISA Plan or other employee benefit plan that is subject to Similar Laws, prior to investing in the Notes or any interest therein, should take into account, among other considerations, whether the Fiduciary has the authority to make the investment; the composition of the plan's portfolio with respect to diversification by type of asset; the plan's funding objectives; the tax effects of the investment; and whether, under the general fiduciary standards of ERISA or other applicable laws, including investment prudence and diversification, an investment in the Notes or any interest therein is appropriate for the plan, taking into account the plan's particular circumstances and all of the facts and circumstances of the investment, including such matters as the overall investment policy of the plan and the composition of the plan's investment portfolio.

The transfer of any Note or any interest therein to a Plan or a governmental, church or non-U.S. plan that is subject to any Similar Laws is in no respect a representation by the Issuer, the Initial Purchasers or the Trustee, or any of their respective affiliates, that such an investment meets all relevant legal requirements with respect to investments by such plans generally or any particular such plan; that the prohibited transaction exemptions described above, or any other prohibited transaction exemption, would apply to such an investment by such plans in general or any particular such plan; or that such an investment is appropriate for such plans generally or any particular such plan.

The discussion of ERISA and Section 4975 of the Code contained in this offering memorandum, is, of necessity, general, and does not purport to be complete. Moreover, the provisions of ERISA and Section 4975 of the Code are subject to extensive and continuing administrative and judicial interpretation and review. Therefore, the matters discussed above may be affected by future regulations, rulings and court decisions, some of which may have retroactive application and effect.

Any Plan or employee benefit plan not subject to ERISA or Section 4975 of the Code, and any Fiduciary thereof, proposing to invest in the Notes or any interest therein should consult with its legal advisors regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA, Section 4975 of the Code and any Similar Laws, to such investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of any applicable requirement of ERISA, Section 4975 of the Code or Similar Laws.

PLAN OF DISTRIBUTION

The Issuers and the Initial Purchasers have entered into a purchase agreement dated as of the date of this offering memorandum (the “Purchase Agreement”), under the terms and conditions of which, the Issuers have agreed to sell to the Initial Purchasers, and, subject to certain conditions contained therein, the Initial Purchasers have agreed to purchase the entire principal amount of the Notes.

The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase Notes from the Issuer, are several and not joint. The Purchase Agreement provides that the Initial Purchasers are obligated to purchase all of the Notes if any of them are purchased.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this offering memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell Notes through certain of their affiliates or through U.S. registered broker dealers.

In the purchase agreement, the Issuer has agreed that:

- subject to certain exceptions, the Issuer will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities Exchange Commission a registration statement under the U.S. Securities Act relating to any debt securities, which are substantially similar to the Notes offered hereby, issued by the Issuer having a maturity of more than one year from the date of issue of the Notes, without the prior consent of Morgan Stanley & Co. International plc and Credit Suisse Securities (Europe) Limited, for a period of 30 days after the closing date of this offering of Notes.
- The Issuer will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

United States

Each purchaser of Notes offered by this offering memorandum, in making its purchase, will be deemed to have made the acknowledgements, representations and agreements as described under “Transfer Restrictions”.

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to non-U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. For a description of certain further restrictions on resale or transfer of the Notes, see “Transfer Restrictions”.

The Notes may not be offered to the public within any jurisdiction. By accepting delivery of this offering memorandum, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Note to the public.

United Kingdom

In the purchase agreement, each Initial Purchaser has also represented and agreed that:

(i) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(ii) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

Each Initial Purchaser has also agreed in the Purchase Agreement that it has complied with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this offering memorandum, and will subject to certain provisions in the Purchase Agreement, obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force.

This offering memorandum is directed solely at persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments or (iii) are persons falling within Article 49(2)(a) to

(d) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as "relevant persons"). This offering memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

European Economic Area

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Notes shall require the publication by the Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospective Directive other than in reliance of Article 3(2)(b).

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC and amendments hereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State, and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each subscriber for or purchaser of the Notes in the offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Initial Purchasers and their affiliates, and others will rely upon the trust and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the offering.

General

The Notes are a new issue of securities and there is currently no established trading market for the Notes. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions". The Issuer will apply to list the Notes on the Irish Stock Exchange's Official List and for trading on its Global Exchange Market. The Initial Purchasers have advised the Issuer that they intend to make a market in the Notes, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the Notes at any time in their sole discretion. In addition, such market making activities will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, the Issuer cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities. In connection with the offering of the Notes, the Initial Purchasers may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the

Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Notes to be higher than it would otherwise be in the absence of those transactions. If the Initial Purchasers engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which will be three business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T + 3").

From time to time, the Initial Purchasers and their affiliates have provided, and may in the future provide, investment banking, commercial banking, consulting, financial advisory and other services to LGI or UPC Holding and its subsidiaries, and any of their respective affiliates, for which such Initial Purchasers have received or may receive customary fees and commissions. In addition, certain of the Initial Purchasers or their respective affiliates are lenders under the UPC Broadband Holding Bank Facility and parties to certain of our hedging arrangements.

LEGAL MATTERS

Certain legal matters in connection with this offering will be passed upon for us by Ropes & Gray International LLP, London, England, as to matters of United States federal, New York and English law; and by Allen & Overy LLP, the Netherlands, as to matters of Dutch law. Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, London, England, as to matters of United States federal and New York law; and by NautaDutilh N.V., as to matters of Dutch law.

ENFORCEMENT OF JUDGMENTS

We have been advised by our Dutch counsel, Allen & Overy LLP, that there is doubt as to the enforceability in the Netherlands of civil liabilities based on the securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. courts. The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not be enforceable in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be relitigated before a competent Dutch court. A final judgment by a U.S. court, however, may under current practice be given binding effect, if and to the extent that the Dutch court finds that the jurisdiction of the U.S. court has been based on grounds which are internationally acceptable and that proper legal procedures have been observed, unless such judgment contravenes principles of Dutch public policy.

Dutch courts usually deny the recognition and enforcement of punitive damages. Moreover, a Dutch court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

Dutch civil procedure differs substantially from U.S. civil procedure in a number of respects. Insofar as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under Dutch law.

INDEPENDENT AUDITORS

The consolidated balance sheets of UPC Holding and its subsidiaries as of December 31, 2012 and 2011 and the consolidated statements of operations and comprehensive loss, owners' deficit, and cash flows for the years ended December 31, 2012, 2011 and 2010 have been audited by KPMG Accountants N.V., Laan van Langerhuize 1, 1186 DS Amstelveen, The Netherlands, independent auditors, as stated in their report appearing herein. KPMG Accountants N.V. is governed by Dutch law in the Netherlands.

LISTING AND GENERAL INFORMATION

Listing

Maples and Calder, as the Irish Listing Agent, is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on it Global Exchange Market.

The Global Exchange Market is an exchange-regulated market operated under the supervision of the Irish Stock Exchange.

The listing of the Notes on the Irish Stock Exchange will be expressed in euro. Transactions will normally be effected for settlement on the third business day after the day of the transaction.

The total expenses to be incurred in connection with the admission to trading on the Irish Stock Exchange are approximately €9,000.

Copies of the following documents may be inspected in physical form during usual business hours on any weekdays (Saturdays, Sundays and public holidays excepted) at the registered offices of the Issuer and the Listing Agent, Transfer Agent and Paying Agent so long as the Notes are listed on the Irish Stock Exchange:

(1) the memorandum and deed of incorporation and articles of association of the Issuer;

(2) the December 31, 2012 Consolidated Financial Statements;

(3) the Indenture governing the Notes;

(4) the purchase agreement;

(5) the Share Pledge; and

(6) the Intercreditor Agreement and accession deed.

Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published in an Irish newspaper of general circulation (which is expected to be the Irish Times).

We reserve a right to vary such appointment and we will publish notice of such change of appointment in an Irish newspaper of general circulation (which is expected to be the Irish Times).

We estimate that the net proceeds from the sale of the Notes offered hereby will be approximately €735.3 million (equivalent) (after deducting the Initial Purchasers' commissions and certain estimated expenses to be incurred in connection with this offering including legal, accounting and other professional fees incurred in connection therewith).

Clearing Information

The Euro Notes sold pursuant to Regulation S and Rule 144A in this offering have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes 090976940 and 090977024 respectively. The international securities identification number (ISIN) for the Euro Notes sold pursuant to Regulation S is XS0909769407 and the international identification number (ISIN) for Euro Notes sold pursuant to Rule 144A is XS0909770249.

The CHF Notes sold pursuant to Regulation S and Rule 144A in this offering have been accepted for clearance through the facilities of Clearstream and Euroclear under common codes 090977105 and 090977199 respectively. The international securities identification number (ISIN) for the CHF Notes sold pursuant to Regulation S is XS0909771056 and the international identification number (ISIN) for CHF Notes sold pursuant to Rule 144A is XS0909771999.

Legal Information

The Issuer is a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) and was incorporated under the laws of the Netherlands on June 27, 2000.

The principal office of the Issuer is at Boeing Avenue 53, 1119 PE Schipol-Rijk, the Netherlands, telephone number + 31 (0) 20 778 9840. The Issuer is registered with the Dutch Commercial Register under number 34136926.

Pursuant to Article 3 of its articles of association, the purpose of the Issuer is to incorporate, to participate in any way whatsoever in, to manage, to supervise businesses and companies; to finance businesses and companies; to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities; to render advice and services to businesses and companies with which the Issuer forms a group and to third parties; to grant guarantees, to bind the Issuer and to pledge its assets for obligations of businesses and companies with which it forms a group and on behalf of third parties; to acquire, alienate, manage and exploit registered property and items of property in general; to trade in currencies, securities and items of property in general; to develop and trade in patents, trade marks, licenses, know-how and other industrial property rights to perform any and all activities of an industrial, financial or commercial nature; and do all that is connected therewith or may be conducive thereto.

The Issuer's fiscal year ends on December 31.

The creation and issuance of the Notes has been authorized by resolutions of the management board and the shareholder of the Issuer dated March 20, 2013. The creation of the Share Pledge has been authorized by resolutions of the management board and the shareholder of the Issuer and the management board and the shareholder of LGE Financing dated March 20, 2013.

Offering Memorandum

Except as disclosed in this offering memorandum:

- there has been no significant change in the financial or trading position of the Issuer which has occurred since December 31, 2012 and no material adverse change in the prospects of the Issuer since, December 31, 2012; and
- the Issuer neither is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this offering memorandum which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

The Issuer accepts responsibility for the information contained in this offering memorandum. The information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect import of such information.

The language of this offering memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable laws.

GLOSSARY

"ADSL"	Asymmetrical Digital Subscriber Line; ADSL is an internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone lines.
"B2B"	Business-to-business.
"bandwidth"	The width of a communications channel; in other words, the difference between the highest and lowest frequencies available for network signals. Bandwidth also refers to the capacity to move information.
"broadband"	Any circuit that can transfer data significantly faster than a dial up phone line.
"CLEC"	Competitive local exchange carrier.
"DTH"	Direct-to-home.
"FTTx"	Fiber to the x; FTTx is a generic term for any broadband network architecture that uses optical fiber to replace all or part of the usual metal local loop used for last mile telecommunications. The generic term originated as a generalization of several configurations of fiber deployment (FTTN, FTTC, FTTB, FTTH…), all starting by FTT but differentiated by the last letter, which is substituted by an x in the generalization.
"Internet"	A collection of interconnected networks spanning the entire world, including university, corporate, government and research networks. These networks all use the IP (Internet Protocol) communications protocol.
"MHz"	Megahertz; a unit of frequency equal to one million Hertz.
"MMDS"	Multichannel multipoint (microwave) distribution systems.
"network"	An interconnected collection of components which would, in a telecommunications network, consist of switches connected to each other and to customer equipment by real or virtual links. Transmission links may be based on fiber optic or metallic cable or point to point radio connections.
"SMATVs"	Satellite Master Antenna Television Systems.
"VoD"	Video on demand; a service which provides subscribers with enhanced playback functionality and gives subscribers access to a broad array of on demand programming, including movies, live events, local drama, music videos, kids programming and adult programming.
"VoIP"	Voice over Internet Protocol; a telephone service via internet, or via TCP/IP protocol, which can be accessed using a computer, a sound card, adequate software and a modem.

INDEX TO FINANCIAL INFORMATION

UPC HOLDING B.V.

Consolidated Financial Statements
December 31, 2012

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

Independent Auditors' Report

To: The Board of Directors of UPC Holding B.V.:

We have audited the accompanying consolidated financial statements of UPC Holding B.V. (a B.V. registered in the Netherlands) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive loss, owners' deficit, and cash flows for the years ended December 31, 2012, 2011 and 2010, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of UPC Holding B.V. and its subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years ended December 31, 2012, 2011, and 2010, in accordance with U.S. generally accepted accounting principles.

Amstelveen, the Netherlands, March 19, 2013

KPMG ACCOUNTANTS N.V.

UPC HOLDING B.V.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2012	2011
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 58.3	€ 126.5
Trade receivables, net	439.9	419.3
Deferred income taxes (note 9)	19.2	76.6
Derivative instruments (note 5)	144.3	117.2
Prepaid expenses	31.2	31.7
Other current assets (note 12)	111.7	121.5
Total current assets	804.6	892.8
Investments (including €21.7 million and €21.3 million, respectively, measured at fair value) (note 4)	22.9	23.3
Property and equipment, net (note 7)	4,196.4	4,109.3
Goodwill (note 7)	5,617.3	5,509.3
Intangible assets subject to amortization, net (note 7)	315.0	406.0
Other assets, net (notes 5, 7, 9 and 12)	476.9	469.2
Total assets	€ 11,433.1	€ 11,409.9

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

UPC HOLDING B.V.

CONSOLIDATED BALANCE SHEETS — (Continued)

	December 31,	
	2012	2011
	in millions	
LIABILITIES AND OWNERS' DEFICIT		
Current liabilities:		
Accounts payable (note 12)	€ 284.1	€ 275.7
Accrued and other liabilities (notes 9 and 12)	584.6	538.2
Deferred revenue and advance payments from subscribers and others	418.3	429.0
Accrued interest	156.6	135.4
Derivative instruments (note 5)	367.8	395.7
Current portion of debt and capital lease obligations (note 8)	85.4	80.8
Total current liabilities	1,896.8	1,854.8
Long-term debt and capital lease obligations (note 8):		
Third-party	9,508.3	8,964.6
Related-party (note 12)	8,727.5	8,693.8
Derivative instruments (note 5)	1,466.8	1,199.1
Other long-term liabilities (notes 9 and 12)	217.4	226.8
Total liabilities	21,816.8	20,939.1
Commitments and contingencies (notes 5, 8 and 15)		
Owners' deficit (notes 10 and 14):		
Parent's deficit:		
Distributions and accumulated losses in excess of contributions	(11,138.0)	(10,219.7)
Accumulated other comprehensive earnings, net of taxes	583.7	536.0
Total parent's deficit	(10,554.3)	(9,683.7)
Noncontrolling interests	170.6	154.5
Total owners' deficit	(10,383.7)	(9,529.2)
Total liabilities and owners' deficit	€ 11,433.1	€ 11,409.9

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2012	2011	2010
		in millions	
Revenue (note 12)	€ 4,271.6	€ 4,013.3	€ 3,739.9
Operating costs and expenses:			
Operating (other than depreciation and amortization) (including stock-based compensation) (notes 11 and 12)	1,508.6	1,441.2	1,368.1
Selling, general and administrative (SG&A) (including stock-based compensation) (notes 11 and 12)	706.9	654.8	613.6
Related-party fees and allocations, net (note 12)	(2.4)	5.9	18.1
Depreciation and amortization	1,037.3	970.2	974.0
Impairment, restructuring and other operating items, net (notes 3 and 13)	8.2	26.8	16.0
	3,258.6	3,098.9	2,989.8
Operating income	1,013.0	914.4	750.1
Non-operating income (expense):			
Interest expense:			
Third-party	(594.1)	(518.9)	(456.8)
Related-party (note 12)	(848.5)	(655.0)	(406.0)
Interest income (note 12)	5.5	4.3	5.1
Realized and unrealized losses on derivative instruments, net (note 5)	(559.7)	(3.6)	(813.5)
Foreign currency transaction gains (losses), net	197.9	(270.5)	47.8
Realized and unrealized gains (losses) due to changes in fair values of certain investments, net (notes 4 and 6)	0.2	(9.5)	0.2
Losses on debt modification and extinguishment, net (note 8)	(12.7)	(11.7)	(17.8)
Other expense, net	(0.9)	(2.0)	(3.8)
	(1,812.3)	(1,466.9)	(1,644.8)
Loss before income taxes	(799.3)	(552.5)	(894.7)
Income tax benefit (expense) (note 9)	(86.2)	(241.4)	100.9
Net loss	(885.5)	(793.9)	(793.8)
Net earnings attributable to noncontrolling interests	(36.9)	(22.7)	(23.5)
Net loss attributable to parent	€ (922.4)	€ (816.6)	€ (817.3)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year ended December 31,		
	2012	2011	2010
		in millions	
Net loss	€ (885.5)	€ (793.9)	€ (793.8)
Other comprehensive earnings, net of taxes:			
Foreign currency translation adjustments	44.3	45.3	484.5
Other	8.9	(11.6)	(1.5)
Other comprehensive earnings	53.2	33.7	483.0
Comprehensive loss	(832.3)	(760.2)	(310.8)
Comprehensive earnings attributable to noncontrolling interests	(42.4)	(14.4)	(43.2)
Comprehensive loss attributable to parent	€ (874.7)	€ (774.6)	€ (354.0)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	**Accumulated other comprehensive earnings, net of taxes**	**Total parent's deficit**	**Non-controlling interests**	**Total owners' deficit**
			in millions		
Balance at January 1, 2010	€ (8,600.2)	€ 30.7	€ (8,569.5)	€ 160.7	€ (8,408.8)
Net loss	(817.3)	—	(817.3)	23.5	(793.8)
Other comprehensive earnings, net of taxes (note 14)	—	463.3	463.3	19.7	483.0
Stock-based compensation (note 11)	15.6	—	15.6	—	15.6
Distributions by subsidiaries to noncontrolling interest owners	—	—	—	(26.5)	(26.5)
Capital charge in connection with exercise of LGI stock incentive awards (notes 11 and 12)	(39.8)	—	(39.8)	—	(39.8)
Balance at December 31, 2010	€ (9,441.7)	€ 494.0	€ (8,947.7)	€ 177.4	€ (8,770.3)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT — (Continued)

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings, net of taxes	Total parent's deficit	Non-controlling interests	Total owners' deficit
			in millions		
Balance at January 1, 2011	€ (9,441.7)	€ 494.0	€ (8,947.7)	€ 177.4	€ (8,770.3)
Net loss	(816.6)	—	(816.6)	22.7	(793.9)
Other comprehensive earnings, net of taxes (note 14)	—	42.0	42.0	(8.3)	33.7
Stock-based compensation (note 11)	13.3	—	13.3	—	13.3
Distributions by subsidiaries to noncontrolling interest owners (note 10)	—	—	—	(37.3)	(37.3)
Capital charge in connection with exercise of LGI stock incentive awards (notes 11 and 12)	(37.4)	—	(37.4)	—	(37.4)
Contribution from related-party (note 12)	61.0	—	61.0	—	61.0
Adjustments due to other changes in subsidiaries' equity and other, net	1.7	—	1.7	—	1.7
Balance at December 31, 2011	€ (10,219.7)	€ 536.0	€ (9,683.7)	€ 154.5	€ (9,529.2)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF OWNERS' DEFICIT — (Continued)

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings, net of taxes	Total parent's deficit	Non-controlling interests	Total owners' deficit
			in millions		
Balance at January 1, 2012	€ (10,219.7)	€ 536.0	€ (9,683.7)	€ 154.5	€ (9,529.2)
Net loss	(922.4)	—	(922.4)	36.9	(885.5)
Other comprehensive earnings, net of taxes	—	47.7	47.7	5.5	53.2
Stock-based compensation (note 11)	15.2	—	15.2	—	15.2
Distributions by subsidiaries to noncontrolling interest owners (note 10)	—	—	—	(26.3)	(26.3)
Capital charge in connection with exercise of LGI stock incentive awards (notes 11 and 12)	(25.7)	—	(25.7)	—	(25.7)
Property and equipment contributed by parent company (note 7)	10.2	—	10.2	—	10.2
Adjustments due to changes in subsidiaries' equity and other, net	4.4	—	4.4	—	4.4
Balance at December 31, 2012	€ (11,138.0)	€ 583.7	€ (10,554.3)	€ 170.6	€ (10,383.7)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2012	2011	2010
		in millions	
Cash flows from operating activities:			
Net loss	€ (885.5)	€ (793.9)	€ (793.8)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Stock-based compensation expense	17.8	13.5	17.3
Related-party fees and allocations, net	(2.4)	5.9	18.1
Depreciation and amortization	1,037.3	970.2	974.0
Impairment, restructuring and other operating items, net	8.2	26.8	16.0
Non-cash interest on shareholder loan	848.5	655.0	406.0
Amortization of deferred financing costs and non-cash interest accretion	21.0	11.6	21.5
Realized and unrealized losses on derivative instruments, net	559.7	3.6	813.5
Foreign currency transaction losses (gains), net	(197.9)	270.5	(47.8)
Realized and unrealized losses (gains) due to changes in fair values of certain investments, net	(0.2)	9.5	(0.2)
Losses on debt modification and extinguishment, net	12.7	11.7	17.8
Deferred income tax expense (benefit)	43.6	212.3	(117.7)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:			
Receivables and other operating assets	677.2	466.0	302.8
Payables and accruals	(902.7)	(712.9)	(464.7)
Net cash provided by operating activities	1,237.3	1,149.8	1,162.8
Cash flows from investing activities:			
Capital expenditures	(723.8)	(781.6)	(796.0)
Cash paid in connection with acquisitions, net of cash acquired	(41.6)	(603.4)	(2.9)
Other investing activities, net	4.1	15.4	(2.8)
Net cash used by investing activities	€ (761.3)	€ (1,369.6)	€ (801.7)

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

UPC HOLDING B.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

	Year ended December 31,		
	2012	2011	2010
		in millions	
Cash flows from financing activities:			
Borrowings of third-party debt	€ 1,413.7	€ 3,197.7	€ 1,437.0
Repayments and repurchases of third-party debt and capital lease obligations	(914.1)	(2,368.2)	(1,488.7)
Net repayments of related-party debt	(992.4)	(497.0)	(277.5)
Equity contributions from related-party	—	61.0	—
Change in cash collateral	49.6	(49.1)	—
Net cash received (paid) related to derivative instruments	(54.6)	(40.8)	2.0
Distributions by subsidiaries to noncontrolling interest owners	(26.6)	(37.5)	(26.1)
Payments of financing costs and debt premiums	(17.7)	(28.4)	(44.2)
Other financing activities, net	(9.1)	(8.3)	(8.8)
Net cash provided (used) by financing activities	(551.2)	229.4	(406.3)
Effect of exchange rate changes on cash	7.0	(6.2)	8.6
Net increase (decrease) in cash and cash equivalents	(68.2)	3.4	(36.6)
Cash and cash equivalents:			
Beginning of period	126.5	123.1	159.7
End of period	€ 58.3	€ 126.5	€ 123.1
Cash paid for interest	€ 553.2	€ 479.3	€ 384.8
Net cash paid for taxes	€ 30.2	€ 31.1	€ 9.4

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

(1) Basis of Presentation

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

UPC Holding is an international provider of video, broadband internet and telephony services, with consolidated operations at December 31, 2012 in nine European countries and in Chile. Our European broadband communications and direct-to-home satellite (DTH) operations are collectively referred to as "UPC Europe."

Our broadband communications operations in Chile are provided through our 80%-owned subsidiary, VTR Global Com SA (VTR). In May 2012, VTR Wireless SA (VTR Wireless), an 80%-owned subsidiary of LGI that is outside of UPC Holding, began offering mobile services in Chile through a combination of its own wireless network and certain third-party wireless access arrangements. All references to VTR in these consolidated financial statements exclude the operations and financial position of VTR Wireless.

Unless otherwise indicated, ownership percentages and convenience translations into euros are calculated as of December 31, 2012.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 19, 2013, the date of issuance.

(2) Summary of Significant Accounting Policies

Estimates

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

Reclassifications

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

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and the accounts of all voting interest entities where we exercise a controlling financial interest through the ownership of a direct or indirect controlling voting interest and variable interest entities for which our company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents and Restricted Cash

Cash equivalents consist of money market funds and other investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition. We record money market funds at the net asset value reported by the investment manager as there are no restrictions on our ability, contractual or otherwise, to redeem our investments at the stated net asset value reported by the investment manager.

Restricted cash includes cash held in restricted accounts, including cash held as collateral for debt and other compensating balances. Restricted cash amounts that are required to be used to purchase long-term assets or repay long-term debt are classified as long-term assets. All other cash that is restricted to a specific use is classified as current or long-term based on the expected timing of the disbursement. At December 31, 2012 and 2011, our aggregate current and long-term restricted cash balances aggregated €0.5 million and €51.3 million, respectively.

Our significant non-cash investing and financing activities are disclosed in our consolidated statements of owners' deficit and in notes 3, 7 and 8.

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €50.2 million and €82.0 million at December 31, 2012 and 2011, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers and their dispersion across many different countries worldwide. We also manage this risk by disconnecting services to customers whose accounts are delinquent.

Investments

We make elections, on an investment-by-investment basis, as to whether we measure our investments at fair value. Such elections are generally irrevocable. We have elected the fair value method for most of our investments as we believe this method generally provides the most meaningful information to our investors. However, for investments over which we have significant influence, we have considered the significance of transactions between our company and our equity affiliates and other factors in determining whether the fair value method should be applied. In general, we do not elect the fair value option for those equity method investments with which we or other entities controlled by LGI or its consolidated subsidiaries have significant related- party transactions.

Under the fair value method, investments are recorded at fair value and any changes in fair value are reported in realized and unrealized gains or losses due to changes in fair values of certain investments, net, in our consolidated statements of operations. All costs directly associated with the acquisition of an investment to be accounted for using the fair value method are expensed as incurred. For additional information regarding our fair value method investments, see notes 4 and 6.

Realized gains and losses are determined on an average cost basis. Securities transactions are recorded on the trade date.

Financial Instruments

Due to the short maturities of cash and cash equivalents, restricted cash, short-term liquid investments, trade and other receivables, other current assets, accounts payable, accrued liabilities, subscriber advance payments and deposits and other current liabilities, their respective carrying values approximate their respective fair values. For information concerning the fair values of our investments, derivatives and debt, see notes 4, 5 and 8, respectively. For information concerning how we arrive at certain of our fair value measurements, see note 6.

Derivative Instruments

All derivative instruments, whether designated as hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative instrument is designated as a fair value hedge, the changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative instrument is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative instrument are recorded in other comprehensive earnings or loss and subsequently reclassified into our consolidated statements of operations when the hedged forecasted transaction affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative instrument is not designated as a hedge, changes in the fair value of the derivative instrument are recognized in earnings. We generally do not apply hedge accounting to our derivative instruments. For information regarding our derivative instruments, including our policy for classifying cash flows related to derivative instruments in our consolidated statements of cash flows, see note 5.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. We capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Capitalized construction and installation costs include materials, labor and other directly attributable costs. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred. Interest capitalized with respect to construction activities was not material during any of the periods presented.

Capitalized internal-use software is included as a component of property and equipment. We capitalize internal and external costs directly associated with the development of internal-use software. We also capitalize costs associated with the purchase of software licenses. Maintenance and training costs, as well as costs incurred during the preliminary stage of an internal-use software development project, are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the underlying asset. Equipment under capital leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Useful lives used to depreciate our property and equipment are assessed periodically and are adjusted when warranted. The useful lives of cable distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed. For additional information regarding the useful lives of our property and equipment, see note 7.

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are charged to operations.

We recognize a liability for asset retirement obligations in the period in which it is incurred if sufficient information is available to make a reasonable estimate of fair values. Asset retirement obligations may arise from the loss of rights of way that we obtain from local municipalities or other relevant authorities. Under certain circumstances, the authorities could require us to remove our network equipment from an area if, for example, we were to discontinue using the equipment for an extended period of time or the authorities were to decide not to renew our access rights. However, because the rights of way are integral to our ability to deliver broadband communications services to our customers, we expect to conduct our business in a manner that will allow us to maintain these rights for the foreseeable future. In addition, we have no reason to believe that the authorities will not renew our rights of way and, historically, renewals have always been granted. We also have obligations in lease agreements to restore the property to its original condition or remove our property at the end of the lease term. Sufficient information is not available to estimate the fair value of our asset retirement obligations in certain of our lease arrangements. This is the case in long-term lease arrangements in which the underlying leased property is integral to our operations, there is not an acceptable alternative to the leased property and we have the ability to indefinitely renew the lease. Accordingly, for most of our rights of way and certain lease agreements, the possibility is remote that we will incur significant removal costs in the foreseeable future and, as such, we do not have sufficient information to make a reasonable estimate of fair value for these asset retirement obligations.

As of December 31, 2012 and 2011, the recorded value of our asset retirement obligations was €15.9 million and €15.1 million, respectively.

Intangible Assets

Our primary intangible assets are goodwill, customer relationships and trade names. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Customer relationships and trade names were originally recorded at their fair values in connection with business combinations.

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 on a straight-line basis over their respective estimated useful lives to their estimated residual values, and reviewed for impairment. For additional information regarding the useful lives of our intangible assets, see note 7.

Impairment of Property and Equipment and Intangible Assets

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

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

Income Taxes

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. Net deferred tax assets are then reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Certain of our valuation allowances and tax uncertainties are associated with entities that we acquired in business combinations. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax liabilities related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration are not recognized until it becomes apparent that such amounts will reverse in the foreseeable future. Interest and penalties related to income tax liabilities are included in income tax expense. UPC Holding and its Dutch subsidiaries are part of a Dutch tax fiscal unity with its parent company Liberty Global Europe and certain other non-UPC Holding subsidiaries. The Dutch fiscal unity combines individual tax paying Dutch entities and their parent company as one taxpayer for Dutch tax purposes. The income taxes of UPC Holding and its subsidiaries are presented in our consolidated financial statements on a separate return basis for each tax paying entity or group.

Foreign Currency Translation and Transactions

The reporting currency of our company is the euro. The functional currency of our foreign operations generally is the applicable local currency for each foreign subsidiary and equity method investee. Assets and liabilities of foreign subsidiaries (including intercompany balances for which settlement is not anticipated in the foreseeable future) are translated at the spot rate in effect at the applicable reporting date. With the exception of certain material transactions, the amounts reported in our consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. The resulting unrealized cumulative translation adjustment, net of applicable income taxes, is recorded as a component of accumulated other comprehensive earnings (loss) in our consolidated statements of owners' deficit. With the exception of certain material transactions, the cash flows from our operations in foreign countries are translated at the average rate for the applicable period in our consolidated statements of cash flows. The impacts of material transactions generally are recorded at the applicable spot rates in our consolidated statements of operations and cash flows. The effect of exchange rates on cash balances held in foreign currencies are separately reported in our consolidated statements of cash flows.

Transactions denominated in currencies other than our or our subsidiaries' functional currencies are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to amounts recorded in our consolidated balance sheets related to these non-functional currency transactions result in transaction gains and losses that are reflected in our consolidated statements of operations as unrealized (based on the applicable period end exchange rates) or realized upon settlement of the transactions.

Revenue Recognition

Service Revenue — Cable Networks. We recognize revenue from the provision of video, broadband internet and telephony services over our cable network to customers in the period the related services are provided. Installation revenue (including reconnect fees) related to services provided over our cable network is recognized as revenue in the period during which the installation occurs to the extent these fees are equal to or less than direct selling costs, which costs are expensed as incurred. To the extent installation revenue exceeds direct selling costs, the excess revenue is deferred and amortized over the average expected subscriber life.

Service Revenue — Other. We recognize revenue from DTH, telephony and data services that are not provided over our cable network in the period the related services are provided. Installation revenue (including reconnect fees) related to services that are not provided over our cable network is deferred and amortized over the average expected subscriber life.

Sale of Multiple Products and Services. We sell video, broadband internet and telephony services to our customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Revenue from bundled packages generally is allocated proportionally to the individual services based on the relative standalone price for each respective service.

Promotional Discounts. For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

Subscriber Advance Payments and Deposits. Payments received in advance for the services we provide are deferred and recognized as revenue when the associated services are provided.

Sales, Use and Other Value-Added Taxes. Revenue is recorded net of applicable sales, use and other value-added taxes.

Stock-Based Compensation

We recognize all share-based payments from LGI to employees of our subsidiaries, including grants of employee stock incentive awards based on their grant-date fair values and LGI's estimates of forfeitures. We recognize the fair value of outstanding options as a charge to operations over the vesting period. The cash benefits of tax deductions in excess of deferred taxes on recognized compensation expense are reported as a financing cash flow.

We use the straight-line method to recognize stock-based compensation expense for LGI's outstanding stock awards to employees of our subsidiaries that do not contain a performance condition and the accelerated expense attribution method for our outstanding stock awards that contain a performance condition and vest on a graded basis. We also recognize the equity component of deferred compensation as additional paid-in capital.

LGI has calculated the expected life of options and stock appreciation rights (SARs) granted by LGI to employees based on historical exercise trends. The expected volatility for LGI options and SARs is generally based on a combination of (i) historical volatilities of LGI common stock for a period equal to the expected average life of the LGI awards and (ii) volatilities implied from publicly traded LGI options.

For additional information regarding our stock-based compensation, see note 11.

Litigation Costs

Legal fees and related litigation costs are expensed as incurred.

(3) Acquisition

Aster. On September 16, 2011, a subsidiary of UPC Holding paid total cash consideration equal to PLN 2,445.7 million (€568.8 million at the transaction date) in connection with its acquisition of a 100% equity interest in Aster Sp. z.o.o. (Aster), a broadband communications provider in Poland (the Aster Acquisition). The total cash consideration, which UPC Holding initially funded with available cash and cash equivalents, included the equivalent of PLN 1,602.3 million (€372.2 million at the transaction date) that was used to repay Aster's debt immediately prior to our acquisition of Aster's equity and excludes direct acquisition costs of €4.7 million. The direct acquisition costs, all of which were incurred in 2011, are included in impairment, restructuring and other operating items in our consolidated statement of operations. We completed the Aster Acquisition in order to achieve certain financial, operational and strategic benefits through the integration of Aster with our existing operations in Poland.

The approval of the Aster Acquisition by the regulatory authority in Poland was conditioned upon our agreement to dispose of certain sections of Aster's network on or before March 5, 2013. On March 5, 2013, two subsidiaries of UPC Holding entered into a preliminary agreement with a third-party purchaser (Netia S.A.) under which UPC Holding's Polish subsidiary will (via a demerger) transfer the relevant sections of Aster's network into two special purpose vehicles and then sell these special purpose vehicles to Netia S.A. (the Aster Disposal). Completion of the Aster Disposal is subject to the approval of the Polish regulatory authority and completion of the demerger, which is expected during the second quarter of 2013. If, however, the Polish regulatory authority does not approve the Aster Disposal, we will be required to find an alternative purchaser and will not have met the deadline to satisfy this condition. In this case, we may be subject to fines or penalties or, in the most extreme and we believe unlikely case, the Polish regulatory authority could require us to dispose of the entire Aster network. Although unlikely, a forced disposition of the entire Aster network would be highly disruptive to our operations in Poland and would likely have an adverse impact on our results of operations and financial condition, the extent of which would depend on the relationship between the value we would receive in exchange for the Aster network and our then investment in the Aster network.

We have accounted for the Aster Acquisition 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 purchase price and opening balance sheet for the Aster Acquisition at the September 16, 2011 acquisition date is presented in the following table. The opening balance sheet presented below reflects our final purchase price allocation (in millions):

Cash	€ 16.0
Other current assets	14.0
Property and equipment, net	85.8
Goodwill (a)	345.7
Intangible assets subject to amortization (b)	161.9
Other assets, net	0.3
Other current liabilities	(17.7)
Other long-term liabilities	(37.2)
Total purchase price	€ 568.8

(a) The goodwill recognized in connection with the Aster Acquisition is primarily attributable to (i) the ability to take advantage of Aster'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 Aster with our other broadband communications operations in Poland.

(b) Amount primarily includes intangible assets related to customer relationships. At September 16, 2011, the weighted average useful life of Aster's intangible assets was approximately seven years.

The following unaudited pro forma consolidated operating results give effect to the Aster Acquisition as if it 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 this transaction had occurred on such date. The pro forma adjustments are based on certain assumptions that we believe are reasonable.

	Year ended December 31,	
	2011	**2010**
	in millions	
Revenue	€ 4,090.7	€ 3,851.7
Net loss attributable to parent	€ (816.8)	€ (815.1)

Our consolidated statement of operations for 2011 includes revenue and net loss attributable to Aster of €28.0 million and €2.5 million, respectively.

(4) Investments

The details of our investments are set forth below:

Accounting Method	December 31,	
	2012	**2011**
	in millions	
Fair value	€ 21.7	€ 21.3
Equity	0.9	1.6
Cost	0.3	0.4
Total	€ 22.9	€ 23.3

(5) Derivative Instruments

Through our subsidiaries, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the euro (€), the Swiss franc (CHF), the Chilean peso (CLP), the Czech koruna (CZK), the British pound sterling (£), the Hungarian forint (HUF), the Polish zloty (PLN), the Romanian lei (RON) and the U.S. dollar ($). We generally do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of most of our derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments, net, in our consolidated statements of operations.

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

	December 31, 2012			December 31, 2011		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
			in millions			
Assets:						
Cross-currency and interest rate derivative contracts (b)	€ 143.0	€ 295.6	€ 438.6	€ 115.0	€ 312.2	€ 427.2
Foreign currency forward contracts	0.5	0.3	0.8	1.5	0.2	1.7
Embedded derivatives	0.8	0.8	1.6	0.7	0.3	1.0
Total	€ 144.3	€ 296.7	€ 441.0	€ 117.2	€ 312.7	€ 429.9
Liabilities:						
Cross-currency and interest rate derivative contracts (b)	€ 365.7	€ 1,463.6	€ 1,829.3	€ 394.9	€ 1,195.9	€ 1,590.8
Foreign currency forward contracts	1.8	2.7	4.5	0.1	2.1	2.2
Embedded derivatives	0.3	0.5	0.8	0.7	1.1	1.8
Total	€ 367.8	€ 1,466.8	€ 1,834.6	€ 395.7	€ 1,199.1	€ 1,594.8

(a) Our long-term derivative assets are included in other assets, net, in our consolidated balance sheets.

(b) We consider credit risk in our fair value assessments. As of December 31, 2012 and 2011, (i) the fair values of our cross-currency and interest rate derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €8.5 million and €34.6 million, respectively, and (ii) the fair values of our cross-currency and interest rate derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating €102.5 million and €188.5 million, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market and market quotations for certain of our subsidiaries' debt instruments, as applicable. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains (losses) of (€60.2 million), €27.5 million and €73.9 million during 2012, 2011 and 2010, respectively. These amounts are included in realized and unrealized losses on derivative instruments, net, in our consolidated statements of operations. For further information concerning our fair value measurements, see note 6.

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

	Year ended December 31,		
	2012	2011	2010
		in millions	
Cross-currency and interest rate derivative contracts	€ (559.1)	€ 5.5	€ (808.7)
Foreign currency forward contracts	(3.4)	(9.0)	(6.2)
Embedded derivatives	2.8	(0.1)	1.4
Total	€ (559.7)	€ (3.6)	€ (813.5)

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the 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 classification of these cash inflows (outflows) are as follows:

	Year ended December 31,		
	2012	2011	2010
		in millions	
Operating activities	€ (282.0)	€ (278.2)	€ (279.4)
Financing activities	(54.6)	(40.8)	2.0
Total	€ (336.6)	€ (319.0)	€ (277.4)

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. We and our counterparties do not post collateral or other security, nor have we entered into master netting arrangements with any of our counterparties. At December 31, 2012, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €441.0 million.

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.

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps:

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

Subsidiary / 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				
UPC Holding:						
April 2016 (b)	$	400.0	CHF	441.8	9.88%	9.87%
UPC Broadband Holding B.V. (UPC Broadband Holding), a subsidiary of UPC Holding:						
November 2019	$	500.0	€	362.9	7.25%	7.74%
October 2020	$	300.0	€	219.1	6 mo. LIBOR + 3.00%	6 mo. EURIBOR + 3.04%
October 2017	$	200.0	€	145.7	6 mo. LIBOR + 3.50%	6 mo. EURIBOR + 3.33%
January 2020	$	197.5	€	150.5	6 mo. LIBOR + 4.92%	6 mo. EURIBOR + 4.91%
December 2016	$	340.0	CHF	370.9	6 mo. LIBOR + 3.50%	6 mo. CHF LIBOR + 4.01%
December 2014	$	171.5	CHF	187.1	6 mo. LIBOR + 2.75%	6 mo. CHF LIBOR + 2.95%
December 2014	€	898.4	CHF	1,466.0	6 mo. EURIBOR + 1.68%	6 mo. CHF LIBOR + 1.94%
December 2014 — December 2016	€	360.4	CHF	589.0	6 mo. EURIBOR + 3.75%	6 mo. CHF LIBOR + 3.94%
January 2020	€	175.0	CHF	258.6	7.63%	6.76%
July 2020	€	107.4	CHF	129.0	6 mo. EURIBOR + 3.00%	6 mo. CHF LIBOR + 3.28%
January 2017	€	75.0	CHF	110.9	7.63%	6.98%
July 2015	€	123.8	CLP	86,500.0	2.50%	5.84%
December 2015	€	69.1	CLP	53,000.0	3.50%	5.75%
December 2014	€	365.8	CZK	10,521.8	5.48%	5.56%
December 2014 — December 2016	€	60.0	CZK	1,703.1	5.50%	6.99%
July 2017	€	39.6	CZK	1,000.0	3.00%	3.75%
December 2014	€	260.0	HUF	75,570.0	5.50%	9.40%
December 2014 — December 2016	€	260.0	HUF	75,570.0	5.50%	10.56%
December 2016	€	150.0	HUF	43,367.5	5.50%	9.20%
July 2018	€	78.0	HUF	19,500.0	5.50%	9.15%
December 2014	€	400.5	PLN	1,605.6	5.50%	7.50%
December 2014 — December 2016	€	245.0	PLN	1,000.6	5.50%	9.03%
September 2016	€	200.0	PLN	892.7	6.00%	8.19%
July 2017	€	82.0	PLN	318.0	3.00%	5.60%

(a) For each subsidiary, the notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. For derivative instruments that were in effect as of December 31, 2012, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2012, we present a range of dates that represents the period covered by the applicable derivative instrument.

(b) Unlike the other cross-currency swaps presented in this table, the UPC Holding cross-currency swap does not involve the exchange of notional amounts at the inception and maturity of the instrument. Accordingly, the only cash flows associated with this instrument are interest payments and receipts.

Cross-currency Interest Rate Swaps:

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

Subsidiary / 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	
UPC Broadband Holding:						
July 2018	$	425.0	€	320.9	6 mo. LIBOR + 1.75%	6.08%
September 2014 — January 2020	$	327.5	€	249.5	6 mo. LIBOR + 4.92%	7.52%
December 2014	$	300.0	€	226.5	6 mo. LIBOR + 1.75%	5.78%
December 2014 — July 2018	$	300.0	€	226.5	6 mo. LIBOR + 2.58%	6.80%
December 2016	$	296.6	€	219.8	6 mo. LIBOR + 3.50%	6.75%
March 2013	$	100.0	€	75.4	6 mo. LIBOR + 2.00%	5.73%
March 2013 — July 2018	$	100.0	€	75.4	6 mo. LIBOR + 3.00%	6.97%
November 2019	$	250.0	CHF	226.8	7.25%	6 mo. CHF LIBOR + 5.01%
January 2020	$	225.0	CHF	206.3	6 mo. LIBOR + 4.81%	5.44%
December 2014	$	340.0	CLP	181,322.0	6 mo. LIBOR + 1.75%	8.76%
December 2016	$	201.5	RON	489.3	6 mo. LIBOR + 3.50%	14.01%
December 2014	€	134.2	CLP	107,800.0	6 mo. EURIBOR + 2.00%	10.00%
VTR:						
September 2014	$	446.5	CLP	247,137.8	6 mo. LIBOR + 3.00%	11.16%

(a) For each subsidiary, the notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. For derivative instruments that were in effect as of December 31, 2012, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2012, we present a range of dates that represents the period covered by the applicable derivative instrument.

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at December 31, 2012 are as follows:

Subsidiary / Final maturity date (a)	Notional amount		Interest rate due from counterparty	Interest rate due to counterparty
	in millions			
UPC Broadband Holding:				
January 2013 — January 2014	$	1,300.0	1 mo. LIBOR + 3.49%	6 mo. LIBOR + 3.32%
January 2013	$	1,043.0	1 mo. LIBOR + 3.23%	6 mo. LIBOR + 3.03%
July 2020	$	1,000.0	6.63%	6 mo. LIBOR + 3.03%
January 2022	$	750.0	6.88%	6 mo. LIBOR + 4.89%
January 2013 — January 2014	€	2,750.0	1 mo. EURIBOR + 3.76%	6 mo. EURIBOR + 3.52%
January 2013	€	2,720.0	1 mo. EURIBOR + 3.60%	6 mo. EURIBOR + 3.13%
December 2014	€	971.8	6 mo. EURIBOR	2.97%
July 2020	€	750.0	6.38%	6 mo. EURIBOR + 3.16%
January 2015 — January 2021	€	750.0	6 mo. EURIBOR	2.57%
July 2013 — December 2014	€	500.0	6 mo. EURIBOR	4.67%
January 2015 — December 2016	€	500.0	6 mo. EURIBOR	4.32%
July 2014	€	337.0	6 mo. EURIBOR	3.94%
January 2015 — January 2023	€	290.0	6 mo. EURIBOR	2.79%
December 2015	€	263.3	6 mo. EURIBOR	3.97%
January 2023	€	210.0	6 mo. EURIBOR	2.88%
January 2014	€	185.0	6 mo. EURIBOR	4.04%
January 2015 — January 2018	€	175.0	6 mo. EURIBOR	3.74%
July 2020	€	171.3	6 mo. EURIBOR	4.32%
January 2015 — July 2020	€	171.3	6 mo. EURIBOR	3.95%
January 2015 — November 2021	€	107.0	6 mo. EURIBOR	2.89%
December 2013	€	90.5	6 mo. EURIBOR	0.90%
December 2014	CHF	2,380.0	6 mo. CHF LIBOR	2.81%
January 2015 — January 2022	CHF	711.5	6 mo. CHF LIBOR	1.89%
January 2015 — January 2021	CHF	500.0	6 mo. CHF LIBOR	1.65%
January 2015 — January 2018	CHF	400.0	6 mo. CHF LIBOR	2.51%
January 2015 — December 2016	CHF	370.9	6 mo. CHF LIBOR	3.82%
January 2015 — November 2019	CHF	226.8	6 mo. CHF LIBOR + 5.01%	6.88%
July 2013	CLP	61,500.0	6.77%	6 mo TAB
VTR:				
July 2013	CLP	61,500.0	6 mo. TAB	7.78%

(a) For each subsidiary, the notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. For derivative instruments that were in effect as of December 31, 2012, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2012, we present a range of dates that represents the period covered by the applicable derivative instrument.

Interest Rate Cap

Our sold interest rate cap contract with respect to EURIBOR is detailed below:

Subsidiary / Final maturity date (a)	December 31, 2012 Notional amount	EURIBOR cap rate
	in millions	
Interest rate cap sold (b):		
UPC Broadband Holding:		
January 2015 — January 2020	€ 735.0	7.00%

(a) As this derivative instrument becomes effective subsequent to December 31, 2012, we present a range of dates that represents the period covered by the derivative instrument.

(b) Our sold interest rate cap requires that we make payments to the counterparty when EURIBOR exceeds the EURIBOR cap rate.

Interest Rate Collars

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

Subsidiary / Final maturity date (a)	December 31, 2012 Notional amount	EURIBOR floor rate (b)	EURIBOR cap rate (c)
	in millions		
UPC Broadband Holding:			
January 2015 — January 2020	€ 1,135.0	1.00%	3.54%

(a) As this derivative instrument becomes effective subsequent to December 31, 2012, we present a range of dates that represents the period covered by the derivative instrument.

(b) We make payments to the counterparty when EURIBOR is less than the EURIBOR floor rate.

(c) We receive payments from the counterparty when EURIBOR is greater than the EURIBOR cap rate.

UPC Holding Cross-Currency Options

Pursuant to its cross-currency option contracts, UPC Holding has the option to deliver U.S. dollars to the counterparty in exchange for Swiss francs at a fixed exchange rate of approximately 0.74 Swiss francs per one U.S. dollar, in the notional amounts listed below:

Contract expiration date	Notional amount at December 31, 2012
	in millions
April 2018	$ 419.8
October 2016	$ 19.8
April 2017	$ 19.8
October 2017	$ 19.8

Foreign Currency Forwards

The following table summarizes our outstanding foreign currency forward contracts at December 31, 2012:

Subsidiary	Currency purchased forward		Currency sold forward		Maturity dates
	in millions				
UPC Holding	$	479.0	CHF	415.1	October 2016 — April 2018
UPC Broadband Holding	$	1.3	CZK	23.6	January 2013 — May 2013
UPC Broadband Holding	€	44.8	CHF	53.8	January 2013 — December 2013
UPC Broadband Holding	€	8.3	CZK	209.9	January 2013 — September 2013
UPC Broadband Holding	€	13.0	HUF	3,825.0	January 2013 — September 2013
UPC Broadband Holding	€	36.7	PLN	155.4	January 2013 — September 2013
UPC Broadband Holding	£	2.7	€	3.4	January 2013 — September 2013
UPC Broadband Holding	CHF	75.0	€	62.1	January 2013
UPC Broadband Holding	CZK	260.0	€	10.4	January 2013
UPC Broadband Holding	HUF	7,000.0	€	24.1	January 2013
UPC Broadband Holding	PLN	107.0	€	26.2	January 2013
UPC Broadband Holding	RON	35.0	€	7.9	January 2013
VTR	$	29.9	CLP	15,078.8	January 2013 — November 2013

(6) Fair Value Measurements

We use the fair value method to account for (i) certain of our investments and (ii) our derivative instruments. The reported fair values of these investments and derivative instruments as of December 31, 2012 likely will not represent the value that will be realized upon the ultimate settlement or disposition of these assets and liabilities. In the case of the investments that we account for using the fair value method, the values we realize upon disposition will be dependent upon, among other factors, market conditions and the historical and forecasted financial performance of the investees at the time of any such disposition. With respect to our derivative instruments, we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of assets or liabilities in or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During 2012, no such transfers were made.

All of our Level 2 inputs (interest rate futures, swap rates and certain of the inputs for our weighted average cost of capital calculations) and certain of our Level 3 inputs (forecasted volatilities and credit spreads) are obtained from pricing services. These inputs, or interpolations or extrapolations thereof, are used in our internal models to calculate, among other items, yield curves, forward interest and currency rates and weighted average cost of capital rates. In the normal course of business, we receive 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.

Our investments that we account for at fair value are privately-held companies, and therefore, quoted market prices are unavailable. The valuation technique we use for such investments is a combination of an income approach (discounted cash flow model based on forecasts) and a market approach (market multiples of similar businesses). With the exception of certain inputs for our weighted average cost of capital calculations that are derived from pricing services, the inputs used to value these investments are based on unobservable inputs derived from our assumptions. Therefore, the valuation of our privately-held investments falls under Level 3 of the fair value hierarchy. Any reasonably foreseeable changes in assumed levels of unobservable inputs would not be expected to have a material impact on our financial position or results of operations.

As further described in note 5, we have entered into various derivative instruments to manage our interest rate and foreign currency exchange risk. The recurring fair value measurements of these derivative instruments are determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes 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 5.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of reporting units, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of private reporting units is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We performed nonrecurring fair value measurements in connection with the Aster Acquisition during the third quarter of 2011 that included a valuation of the acquired Aster customer relationships. The discount rate used to value these customer relationships was 10%. For additional information, see note 3.

A summary of our assets and liabilities that are measured at fair value on a recurring basis is as follows:

Description	December 31, 2012	Fair value measurements at December 31, 2012 using: Significant other observable inputs (Level 2)	Fair value measurements at December 31, 2012 using: Significant unobservable inputs (Level 3)
		in millions	
Assets:			
Derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 438.6	€ 438.6	€ —
Foreign currency forward contracts	0.8	0.8	—
Embedded derivatives	1.6	1.6	—
Total derivative instruments	441.0	441.0	—
Investments	21.7	—	21.7
Total assets	€ 462.7	€ 441.0	€ 21.7
Liabilities — derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 1,829.3	€ 1,829.3	€ —
Foreign currency forward contracts	4.5	4.5	—
Embedded derivatives	0.8	0.8	—
Total liabilities	€ 1,834.6	€ 1,834.6	€ —

Description	December 31, 2011	Fair value measurements at December 31, 2011 using: Significant other observable inputs (Level 2)	Fair value measurements at December 31, 2011 using: Significant unobservable inputs (Level 3)
		in millions	
Assets:			
Derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 427.2	€ 427.2	€ —
Foreign currency forward contracts	1.7	1.7	—
Embedded derivatives	1.0	1.0	—
Total derivative instruments	429.9	429.9	—
Investments	21.3	—	21.3
Total assets	€ 451.2	€ 429.9	€ 21.3
Liabilities — derivative instruments:			
Cross-currency and interest rate derivative contracts	€ 1,590.8	€ 1,590.8	€ —
Foreign currency forward contracts	2.2	2.2	—
Embedded derivatives	1.8	1.8	—
Total liabilities	€ 1,594.8	€ 1,594.8	€ —

A reconciliation of the beginning and ending balances of our investments measured at fair value on a recurring basis using significant unobservable, or Level 3, inputs is as follows (in millions):

Balance at January 1, 2012	€ 21.3
Net gain (a)	0.2
Foreign currency translation adjustments and other, net	0.2
Balance at December 31, 2012	€ 21.7

(a) The net gain recognized during 2012, which is included in other expense, net, in our consolidated statement of operations, relates to investments that we continue to carry on our consolidated balance sheet as of December 31, 2012.

(7) Long-lived Assets

Property and Equipment, Net

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

	Estimated useful life at December 31, 2012	December 31, 2012	December 31, 2011
		in millions	
Distribution systems	4 to 30 years	€ 5,331.8	€ 5,597.9
Customer premises equipment	3 to 5 years	2,012.4	1,916.4
Support equipment, buildings and land	3 to 40 years	931.7	1,023.9
		8,275.9	8,538.2
Accumulated depreciation		(4,079.5)	(4,428.9)
Total property and equipment, net		€ 4,196.4	€ 4,109.3

Depreciation expense related to our property and equipment was €921.3 million, €864.8 million and €842.2 million during 2012, 2011 and 2010, respectively.

At December 31, 2012 and 2011, the amount of property and equipment, net, recorded under capital leases was €32.2 million and €24.0 million, respectively. Most of these amounts relate to assets included in our distribution systems category. Depreciation of assets under capital leases is included in depreciation and amortization in our consolidated statements of operations.

During 2012, 2011, and 2010 we recorded non-cash increases to our property and equipment related to (i) assets acquired under capital leases of €1.9 million, €1.4 million and €5.9 million, respectively, and (ii) vendor financing arrangements of €81.5 million, €73.2 million and nil, respectively. Furthermore, during 2012, we recorded non-cash increases to our property and equipment aggregating €120.5 million related to assets acquired on our behalf by Liberty Global Europe B.V. (LG Europe), a subsidiary of LGI outside of UPC Holding, including €79.1 million acquired pursuant to vendor financing and capital lease arrangements of LG Europe. The transfer of these assets to our company was settled during 2012 through (i) a €110.3 million increase to the shareholder loan payable, as further described in note 8, and (ii) a €10.2 million non-cash contribution from our parent company, as further described in note 12.

Goodwill

Changes in the carrying amount of our goodwill during 2012 are set forth below:

	January 1, 2012	Acquisitions and related adjustments	Foreign currency translation adjustments	December 31, 2012
	in millions			
UPC Europe:				
The Netherlands	€ 912.1	€ 2.2	€ —	€ 914.3
Switzerland	2,335.4	0.8	18.7	2,354.9
Other Western Europe	781.6	—	(0.1)	781.5
Total Western Europe	4,029.1	3.0	18.6	4,050.7
Central and Eastern Europe	1,083.5	—	60.4	1,143.9
Total UPC Europe	5,112.6	3.0	79.0	5,194.6
VTR (Chile)	396.7	—	26.0	422.7
Total	€ 5,509.3	€ 3.0	€ 105.0	€ 5,617.3

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

At December 31, 2012 and December 31, 2011 and based on exchange rates as of those dates, the amount of our accumulated goodwill impairments was €174.9 million and €179.7 million, respectively. These amounts include accumulated impairments related to our broadband communications operations in Romania, which are included within UPC Europe's Central and Eastern Europe segment.

Changes in the carrying amount of our goodwill during 2011 are set forth below:

	January 1, 2011	Acquisitions and related adjustments	Foreign currency translation adjustments	December 31, 2011
	in millions			
UPC Europe:				
The Netherlands	€ 912.1	€ —	€ —	€ 912.1
Switzerland	2,276.4	(0.1)	59.1	2,335.4
Other Western Europe	781.6	—	—	781.6
Total Western Europe	3,970.1	(0.1)	59.1	4,029.1
Central and Eastern Europe	795.8	347.8	(60.1)	1,083.5
Total UPC Europe	4,765.9	347.7	(1.0)	5,112.6
VTR (Chile)	426.9	—	(30.2)	396.7
Total	€ 5,192.8	€ 347.7	€ (31.2)	€ 5,509.3

Intangible Assets Subject to Amortization, Net

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

	Estimated useful life at December 31, 2012	December 31, 2012			December 31, 2011		
		Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
		in millions					
Customer relationships	4 to 15 years	€ 943.3	€ (636.8)	€ 306.5	€ 1,110.2	€ (720.2)	€ 390.0
Other	2 to 15 years	19.6	(11.1)	8.5	20.8	(4.8)	16.0
Total		€ 962.9	€ (647.9)	€ 315.0	€ 1,131.0	€ (725.0)	€ 406.0

Amortization of intangible assets with finite useful lives was €116.0 million, €105.4 million and €131.8 million during 2012, 2011 and 2010, respectively. Based on our amortizable intangible asset balances at December 31, 2012, we expect that amortization expense will be as follows for the next five years and thereafter. Amounts presented below represent euro equivalents based on December 31, 2012 exchange rates (in millions):

2013	€ 91.8
2014	81.9
2015	61.5
2016	27.2
2017	25.2
Thereafter	27.4
Total	€ 315.0

Indefinite-lived Intangible Assets

At December 31, 2012 and 2011, indefinite-lived intangible assets aggregating €21.0 million and €22.2 million, respectively, were included in other assets, net, in our consolidated balance sheets.

(8) Debt and Capital Lease Obligations

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

	December 31, 2012		Estimated fair value (c)		Carrying value (d)	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
			in millions			
Third-party debt:						
Parent — UPC Holding Senior Notes	8.24%	€ —	€ 2,417.2	€ 1,648.9	€ 2,202.0	€ 1,607.9
Subsidiaries:						
UPC Broadband Holding Bank Facility	3.85%	1,078.1	4,163.4	4,529.9	4,142.5	4,737.1
UPCB SPE Notes	6.88%	—	3,411.6	2,540.8	3,140.9	2,596.6
Vendor financing (e)	3.75%	—	82.9	77.1	82.9	77.1
Other	6.60%	—	0.2	0.4	0.2	0.4
Total third-party debt	5.86%	1,078.1	€ 10,075.3	€ 8,797.1	9,568.5	9,019.1
Related-party debt (note 12):						
Shareholder loan (f)	9.79%	—	(g)	(g)	8,712.3	8,693.8
Other (h)	9.29%	—	(g)	(g)	15.2	—
Total related-party debt	9.79%	—			8,727.5	8,693.8
Total debt	7.73%	€ 1,078.1			18,296.0	17,712.9
Capital lease obligations					25.2	26.3
Total debt and capital lease obligations					18,321.2	17,739.2
Current maturities					(85.4)	(80.8)
Long-term debt and capital lease obligations					€ 18,235.8	€ 17,658.4

(a) Represents the weighted average interest rate in effect at December 31, 2012 for all borrowings outstanding pursuant to each debt instrument including any applicable margin. The interest rates presented represent stated rates and do not include the impact of our interest rate derivative agreements, deferred financing costs, original issue discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue discounts and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our aggregate third-party indebtedness was approximately 7.8% at December 31, 2012. For information concerning our derivative instruments, see note 5.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at December 31, 2012 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2012, our availability under the UPC Broadband Holding Bank Facility was limited to €467.7 million. When the relevant December 31, 2012 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €789.2 million.

(c) 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 of the applicable entity, to the extent available, and other relevant factors. For additional information concerning fair value hierarchies, see note 6.

(d) Amounts include the impact of discounts, where applicable.

(e) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are generally due within one year. At December 31, 2012 and 2011, the amounts owed pursuant to these arrangements include (i) €67.3 million and nil, respectively, related to third-party vendor financing obligations for which we and LG Europe are co-obligors, and (ii) €5.8 million and €9.0 million, respectively, of value-added taxes that were paid on our behalf by the vendor. Repayments of vendor financing obligations are included in repayments and repurchases of debt and capital lease obligations in our consolidated cash flow statements.

(f) UPC Holding has an unsecured shareholder loan with its immediate parent, Liberty Global Europe Financing B.V. (LGE Financing), which, as amended, is scheduled to be repaid in 2030 and is subordinated in right of payment to the prior payment in full of the UPC Holding Senior Notes in the event of (i) a total or partial liquidation, dissolution or winding up of UPC Holding, (ii) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (iii) an assignment for the benefit of creditors or (iv) any marshaling of UPC Holding's assets or liabilities. Accrued interest is included in other long-term liabilities until the end of each fiscal year and then it is transferred to the loan balance. The interest rate on the shareholder loan is reviewed annually, with adjustments effective on January 1 of each year. The interest rate was 9.79%, 7.75% and 4.8% for the years ended December 31, 2012, 2011 and 2010, respectively. The net increase in the shareholder loan balance during 2012 includes (i) cash payments of €2,272.6 million, (ii) cash borrowings of €1,265.0 million, (iii) additions of €847.8 million in non-cash accrued interest, (iv) an increase of €110.3 million in non-cash settlement of related-party capital additions and (v) a €68.0 million non-cash increase related to the settlement of related-party charges and allocations. The net increase in the shareholder loan balance during 2011 includes (i) cash payments of €3,868.1 million, (ii) cash borrowings of €3,371.1 million, (iii) additions of €652.8 million in non-cash accrued interest and (iv) a €26.6 million non-cash increase related to the settlement of related-party charges and allocations. The net increase in the shareholder loan balance during 2010 includes (i) cash payments of €2,325.9 million, (ii) cash borrowings of €2,048.4 million, (iii) additions of €406.0 million in non-cash accrued interest, (iv) a €59.5 million non-cash increase related to the settlement of related-party charges and allocations and (v) individually insignificant net non-cash decreases aggregating €8.0 million. During the three-year period ended December 31, 2012, none of the debt repayments were payments of interest.

(g) The fair values are not subject to reasonable estimation due to the related-party nature of these loans.

(h) Represents borrowings under a loan agreement between a subsidiary of LGI and UPC Equipment B.V., an unrestricted subsidiary of UPC Broadband Holding, as contemplated by the UPC Broadband Holding Bank Facility. This note bears interest at 9.29% as of December 31, 2012 and matures in March 2032. The interest rate on this note is reviewed annually, with adjustments effective on January 1 of each year. Accrued interest is included in other long-term liabilities until the end of each fiscal year and then it is transferred to the loan balance.

UPC Broadband Holding Bank Facility

The UPC Broadband Holding Bank Facility, as amended, is the senior secured credit facility of UPC Broadband Holding. The security package for the UPC Broadband Holding Bank Facility includes a pledge over the shares of UPC Broadband Holding and the shares of certain of UPC Broadband Holding's majority-owned operating companies. The UPC Broadband Holding Bank Facility is also guaranteed by UPC Holding, the immediate parent of UPC Broadband Holding, and is senior to other long-term debt obligations of UPC Broadband Holding and UPC Holding. The agreement governing the UPC Broadband Holding Bank Facility contains covenants that limit, among other things, UPC Broadband Holding's ability to merge with or into another company, acquire other companies, incur additional debt, dispose of assets, make distributions or pay dividends, provide loans and guarantees and enter into hedging agreements. In addition to customary default provisions, including defaults on other indebtedness of UPC Broadband Holding and its subsidiaries, the UPC Broadband Holding Bank Facility provides that any event of default with respect to indebtedness of €50.0 million or more in the aggregate of (i) Liberty Global Europe, Inc. (a subsidiary of LGI and the indirect parent of Liberty Global Europe), (ii) any other company of which UPC Broadband Holding is a subsidiary and which is a subsidiary of Liberty Global Europe, Inc. and (iii) UPC Holding II BV (a subsidiary of UPC Holding) is an event of default under the UPC Broadband Holding Bank Facility.

The UPC Broadband Holding Bank Facility permits UPC Broadband Holding to transfer funds to its parent company (and indirectly to LGI) through loans, advances or dividends provided that UPC Broadband Holding maintains compliance with applicable covenants. If a Change of Control occurs, as defined in the UPC Broadband Holding Bank Facility, the facility agent may (if required by the majority lenders) cancel each facility and declare all outstanding amounts immediately due and payable. The UPC Broadband Holding Bank Facility requires compliance with various financial covenants such as: (i) Senior Debt to Annualized EBITDA, (ii) EBITDA to Total Cash Interest, (iii) EBITDA to Senior Debt Service, (iv) EBITDA to Senior Interest and (v) Total Debt to Annualized EBITDA, each capitalized term as defined in the UPC Broadband Holding Bank Facility.

The covenant in the UPC Broadband Holding Bank Facility relating to disposals of assets includes a basket for permitted disposals of assets, the Annualized EBITDA of which does not exceed a certain percentage of the Annualized EBITDA of the Borrower Group, each capitalized term as defined in the UPC Broadband Holding Bank Facility. The UPC Broadband Holding Bank Facility includes a recrediting mechanism, in relation to the permitted disposals basket, based on the proportion of net sales proceeds that are (i) used to prepay facilities and (ii) reinvested in the Borrower Group.

The UPC Broadband Holding Bank Facility includes a mandatory prepayment requirement of four times Annualized EBITDA of certain disposed assets. The prepayment amount may be allocated to one or more of the facilities at UPC Broadband Holding's discretion and then applied to the loans under the relevant facility on a pro rata basis. A prepayment may be waived by the majority lenders subject to the requirement to maintain pro forma covenant compliance. If the mandatory prepayment amount is less than €100.0 million then no prepayment is required (subject to pro forma covenant compliance). No such prepayment is required to be made where an amount, equal to the amount that would otherwise be required to be prepaid, is deposited in a blocked account on terms that the principal amount deposited may only be released in order to make the relevant prepayment or to reinvest in assets in accordance with the terms of the UPC Broadband Holding Bank Facility, which expressly includes permitted acquisitions and capital expenditures. Any amounts deposited in the blocked account that have not been reinvested (or contracted to be so reinvested), within 12 months of the relevant permitted disposal, are required to be applied in prepayment in accordance with the terms of the UPC Broadband Holding Bank Facility.

The details of our borrowings under the UPC Broadband Holding Bank Facility are summarized in the following table:

		December 31, 2012			
Facility	**Final maturity date**	**Interest rate**	**Facility amount (in borrowing currency) (a)**	**Unused borrowing capacity (b)**	**Carrying value (c)**
				in millions	
Q	July 31, 2014	EURIBOR + 2.75%	€ 30.0	€ 30.0	€ —
R	December 31, 2015	EURIBOR + 3.25%	€ 290.7	—	290.7
S	December 31, 2016	EURIBOR + 3.75%	€ 1,204.5	—	1,204.5
T	December 31, 2016	LIBOR + 3.50%	$ 260.2	—	196.1
U	December 31, 2017	EURIBOR + 4.00%	€ 750.8	—	750.8
V (d)	January 15, 2020	7.625%	€ 500.0	—	500.0
W	March 31, 2015	EURIBOR + 3.00%	€ 144.1	144.1	—
X	December 31, 2017	LIBOR + 3.50%	$ 1,042.8	—	790.2
Y (d)	July 1, 2020	6.375%	€ 750.0	—	750.0
Z (d)	July 1, 2020	6.625%	$ 1,000.0	—	757.7
AA	July 31, 2016	EURIBOR + 3.25%	€ 904.0	904.0	—
AC (d)	November 15, 2021	7.250%	$ 750.0	—	568.3
AD (d)	January 15, 2022	6.875%	$ 750.0	—	568.3
AE	December 31, 2019	EURIBOR + 3.75%	€ 535.5	—	535.5
AF	January 31, 2021	LIBOR + 3.00% (e)	$ 500.0	—	374.7
Elimination of Facilities V, Y, Z, AC and AD in consolidation (d)				—	(3,144.3)
Total				€ 1,078.1	€ 4,142.5

(a) Except as described in (d) below, amounts represent total third-party facility amounts at December 31, 2012 without giving effect to the impact of discounts.

(b) At December 31, 2012, our availability under the UPC Broadband Holding Bank Facility was limited to €467.7 million. When the relevant December 31, 2012 compliance reporting requirements have been completed, we anticipate that our availability under the UPC Broadband Holding Bank Facility will be limited to €789.2 million. Facility Q, Facility W and Facility AA have commitment fees on unused and uncanceled balances of 0.75%, 1.2% and 1.3% per year, respectively.

(c) The carrying values of Facilities T and AF include the impact of discounts.

(d) As further discussed in the below description of the UPCB SPE Notes, the amounts outstanding under Facilities V, Y, Z, AC and AD are eliminated in our consolidated financial statements. (e) Facility AF has a LIBOR floor of 1.00%.

Refinancing Transactions. During 2012, 2011 and 2010, we completed a number of refinancing transactions. These refinancing transactions, which generally were undertaken to extend the maturities of our borrowings under the UPC Broadband Holding Bank Facility, are set forth below.

2012 Transactions. On February 23, 2012, UPC Broadband Holding entered into a new additional facility accession agreement (the Additional Facility AE Accession Agreement) under the UPC Broadband Holding Bank Facility. Pursuant to the Additional Facility AE Accession Agreement, certain of the lenders under Facility S (the Rolling S Lenders) rolled all or part of their existing commitments under Facility S into the new Facility AE in an aggregate amount of €535.5 million Liberty Global Services B.V. (Liberty Global Services) (formerly known as UPC Broadband Operations B.V.), a wholly-owned subsidiary of UPC Broadband Holding, was the initial lender under the Additional Facility AE Accession Agreement and novated its Facility AE commitments to the Rolling S Lenders. We recognized a loss on debt modification of €1.5 million associated with the third-party costs incurred in connection with the execution of Facility AE.

On November 21, 2012, UPC Broadband Holding entered into a new additional facility accession agreement (the Additional Facility AF Accession Agreement) under the UPC Broadband Holding Bank Facility. Pursuant to the Additional Facility AF Accession Agreement, certain of the lenders under Facility AB (the Rolling AB Lenders) rolled their existing Facility AB commitments into a new term loan facility of $500.0 million (€378.9 million) (Facility AF). The Rolling AB Lenders novated their existing Facility AB commitments to Liberty Global Services and became lenders under the new Facility AF. Certain other new lenders (the New Lenders) agreed to make available commitments under Facility AF. The underwriters of Facility AF (the Underwriters) entered into cash novation certificates under the Additional Facility AF Accession Agreement on behalf of the New Lenders and the commitments thereunder were used to repay amounts outstanding under Facility AB. Liberty Global Services, the initial lender under Facility AF, novated its Facility AF commitment to the Rolling AB Lenders and to the Underwriters, as applicable. At any time during the twelve-month period that began on November 21, 2012, upon the occurrence of a voluntary prepayment of any or all of Facility AF, UPC Financing Partnership (UPC Financing) would be required to pay a prepayment fee (in addition to the principal amount of the prepayment) in an amount equal to 1.0% of the principal amount of the outstanding Facility AF advance being prepaid, plus accrued and unpaid interest then due on the amount of the outstanding Facility AF advance prepaid to the date of prepayment. In connection with prepayment of Facility AB, we recognized a loss on debt extinguishment of €9.8 million associated with the write-off of deferred financing costs and an unamortized discount.

In addition, during the first quarter of 2012, we refinanced amounts outstanding under the UPC Broadband Holding Bank Facility with proceeds received from the issuance of certain of the UPCB SPE Notes, as defined and described below. In connection with this refinancing transaction, we recognized losses on debt extinguishment aggregating €1.5 million, representing the write-off of deferred financing costs in connection with the prepayment of amounts outstanding under Facilities M, N and O with proceeds from the UPCB Finance VI Notes, as defined and described below.

2011 Transactions. In July and August 2011, UPC Broadband Holding entered into various additional facility accession agreements resulting in a new redrawable term loan facility (Facility AA) with an aggregate principal amount of €904.0 million. In connection with these transactions, certain lenders under existing Facilities L, M, N, Q and W novated their drawn and undrawn commitments to Liberty Global Services, and entered into the new Facility AA. As a result of these transactions, total commitments of (i) €129.7 million under Facility L, (ii) €36.8 million under Facility M, (iii) $30.0 million (€22.7 million) under Facility N, (iv) €392.0 million under Facility Q and (v) €125.0 million under Facility W were effectively rolled into Facility AA.

On October 25, 2011, UPC Broadband Holding entered into a new additional facility accession agreement (the Additional Facility AB Accession Agreement) under the UPC Broadband Holding Bank Facility. Pursuant to the Additional Facility AB Accession Agreement, certain lenders agreed to make available a term loan facility in an aggregate principal amount of $500.0 million (€378.9 million) (Facility AB). On October 28, 2011, we borrowed the total amount of Facility AB, receiving proceeds of $485.0 million (€342.5 million at the transaction date) on a net basis after payment of original issue discount of 3.0%. UPC Broadband Holding used a portion of the net proceeds to repay €285.0 million of outstanding redrawable term loans under Facility AA.

In addition, during the first and fourth quarters of 2011, we refinanced amounts outstanding under the UPC Broadband Holding Bank Facility with proceeds received from the issuance of certain of the UPCB SPE Notes, as defined and described below. In connection with the refinancing transactions completed during the first quarter of 2011, we recognized losses on debt extinguishments aggregating €11.3 million, representing the write-off of deferred financing costs and an unamortized discount in connection with the prepayment of certain amounts outstanding under the UPC Broadband Holding Bank Facility with proceeds from certain of the UPCB SPE Notes.

2010 Transactions. During 2010, pursuant to various additional facility accession agreements, (i) new Facilities W and X were executed and (ii) commitments under existing Facilities R, S and T were increased. Facility W is a redrawable term loan facility and Facility X is a non-redrawable term loan facility. In connection with these transactions, certain lenders under existing Facilities M, N and P novated their commitments to Liberty Global Services and entered into one or more of Facilities R, S, T, W or X. As a result, total commitments of (i) €218.1 million under Facility M were rolled into Facility W, (ii) $1,042.8 million

(€790.2 million) under Facility N were rolled into Facility X and (iii) $322.9 million (€244.7 million) under Facility P were rolled into Facilities R, S, T and W. In addition, in July 2010, Facility W was increased by an aggregate principal amount of €25.0 million.

In addition, during the first quarter of 2010, we refinanced amounts outstanding under the UPC Broadband Holding Bank Facility with proceeds received from the issuance of the UPCB Finance I Notes, as defined and described below.

UPC Holding Senior Notes

2012 Transaction. On September 21, 2012, UPC Holding issued €600.0 million principal amount of 6.375% senior notes (the 6.375% Senior Notes) at an issue price of 99.094%, resulting in cash proceeds before commissions and fees of €594.6 million.

2010 Transactions. On August 13, 2010, UPC Holding issued €640.0 million principal amount of 8.375% senior notes (the 8.375% Senior Notes), resulting in net cash proceeds after fees of €627.2 million. The proceeds of the issuance of the 8.375% Senior Notes were used to purchase and redeem the €384.6 million aggregate principal amount of 7.75% Senior Notes due 2014 (the 7.75% Senior Notes) and the €230.9 million aggregate principal amount of 8.625% Senior Notes due 2014 (the 8.625% Senior Notes and together with the 7.75% Senior Notes, the 2014 Senior Notes). In connection with the repurchase and redemption of the 2014 Senior Notes, we paid debt redemption premiums of €12.4 million and wrote off deferred financing costs of €6.8 million. These amounts are included in losses on debt modification and extinguishment, net, in our consolidated statement of operations.

We collectively refer to the 6.375% Senior Notes, the 8.375% Senior Notes, UPC Holding's €400.0 million principal amount of 9.75% senior notes due 2018 (the 9.75% Senior Notes), UPC Holding's $400.0 million (€303.1 million) principal amount of 9.875% senior notes due 2018 (the 9.875% Senior Notes) and UPC Holding's €300.0 million principal amount of 8.0% senior notes due 2016 (the 8.0% Senior Notes) as the "UPC Holding Senior Notes."

The details of the UPC Holding Senior Notes are summarized in the following table:

		December 31, 2012			
		Outstanding principal amount			
UPC Holding Senior Notes	Maturity	Borrowing currency	Euro equivalent	Estimated fair value	Carrying value (a)
			in millions		
8.0% Senior Notes	November 1, 2016	€ 300.0	€ 300.0	€ 311.3	€ 300.0
9.75% Senior Notes	April 15, 2018	€ 400.0	400.0	429.7	380.5
9.875% Senior Notes	April 15, 2018	$ 400.0	303.1	342.0	286.8
8.375% Senior Notes	August 15, 2020	€ 640.0	640.0	720.0	640.0
6.375% Senior Notes	September 15, 2022	€ 600.0	600.0	614.2	594.7
			€ 2,243.1	€ 2,417.2	€ 2,202.0

(a) Amounts include the impact of discounts, where applicable.

Each issue of the UPC Holding Senior Notes are senior obligations that rank equally with all of the existing and future senior debt and are senior to all existing and future subordinated debt of UPC Holding. The UPC Holding Senior Notes are secured (on a shared basis) by pledges of the shares of UPC Holding. The UPC Holding Senior 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 LGI is subject to a Consolidated Leverage Ratio test, as defined in the applicable indenture. In addition, the UPC Holding Senior Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €50.0 million or more in the aggregate of UPC Holding or its Restricted Subsidiaries (as defined in the applicable indenture), including UPC Broadband Holding, is an event of default under the UPC Holding Senior Notes.

At any time prior to April 15, 2013 in the case of the 9.75% Senior Notes, April 15, 2014 in the case of the 9.875% Senior Notes, August 15, 2015 in the case of the 8.375% Senior Notes and September 15, 2017 in the case of the 6.375% Senior Notes, UPC Holding may redeem some or all of such UPC Holding Senior Notes by paying a "make-whole" premium, which is the present value of all scheduled interest payments until April 15, 2013, April 15, 2014, August 15, 2015 or September 15, 2017, as the case may be, using the discount rate (as specified in the applicable indenture) as of the redemption date, plus 50 basis points. In addition, at any time prior to August 15, 2013 in the case of the 8.375% Senior Notes, and September 15, 2017 in the case of the 6.375% Senior Notes, UPC Holding may redeem up to 35% of the 9.75%, 9.875% and 8.375% Senior Notes (at a redemption price of 109.75%, 109.875% and 108.375% of the principal amount, respectively) or 40% of the 6.375% Senior Notes (at a redemption price of 106.375% of the principal amount) with the net proceeds from one or more specified equity offerings.

UPC Holding may redeem some or all of the UPC Holding Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and Additional Amounts (as defined in the applicable indenture), if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on November 1 in the case of the 8.0% Senior Notes, April 15 in the case of the 9.75% and 9.875% Senior Notes, August 15 in the case of the 8.375% Senior Notes and September 15 in the case of the 6.375% Senior Notes, of the years set forth below:

	Redemption price				
Year	**8.0% Senior Notes**	**9.75% Senior Notes**	**9.875% Senior Notes**	**8.375% Senior Notes**	**6.375% Senior Notes**
2012	102.660%	N.A.	N.A.	N.A.	N.A.
2013	101.330%	104.875%	N.A.	N.A.	N.A.
2014	100.000%	102.437%	104.938%	N.A.	N.A.
2015	100.000%	100.000%	102.469%	104.188%	N.A.
2016	100.000%	100.000%	100.000%	102.792%	N.A.
2017	N.A.	100.000%	100.000%	101.396%	103.188%
2018	N.A.	100.000%	100.000%	100.000%	102.125%
2019	N.A.	N.A.	N.A.	100.000%	101.063%
2020 and thereafter	N.A.	N.A.	N.A.	100.000%	100.000%

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

UPCB SPE Notes

UPCB Finance Limited (UPCB Finance I), UPCB Finance II Limited (UPCB Finance II), UPCB Finance III Limited (UPCB Finance III), UPCB Finance V Limited (UPCB Finance V) and UPCB Finance VI Limited (UPCB Finance VI and, together with UPCB Finance I, UPCB Finance II, UPCB Finance III and UPCB Finance V, the UPCB SPEs) are each special purpose financing entities that are owned 100% by a charitable trust. The UPCB SPEs were created for the primary purposes of facilitating the offerings of €500.0 million principal amount of 7.625% senior secured notes (the UPCB Finance I Notes), €750.0 million principal amount of 6.375% senior secured notes (the UPCB Finance II Notes), $1.0 billion (€757.7 million) principal amount of 6.625% senior secured notes (the UPCB Finance III Notes), $750.0 million (€568.3 million) principal amount of 7.25% senior secured notes (the UPCB Finance V Notes) and $750.0 million (€568.3 million) principal amount of 6.875% senior secured notes (the UPCB Finance VI Notes and, together with the UPCB Finance I Notes, the UPCB Finance II Notes, the UPCB Finance III Notes and the UPCB Finance V Notes, the UPCB SPE Notes), respectively. The UPCB Finance I Notes, the UPCB Finance II Notes, the UPCB Finance III Notes, the UPCB Finance V Notes and the UPCB Finance VI Notes were issued on January 20, 2010, January 31, 2011, February 16, 2011, November 16, 2011 and February 7, 2012, respectively.

The UPCB Finance I Notes were issued at an original issue discount of 0.862%, resulting in cash proceeds before commissions and fees of €495.7 million. The UPCB Finance II Notes, UPCB Finance III Notes, UPCB

Finance V Notes and UPCB Finance VI Notes were each issued at par. UPCB Finance I, UPCB Finance II, UPCB Finance III, UPCB Finance V and UPCB Finance VI used the proceeds from the (i) UPCB Finance I Notes and available cash, (ii) UPCB Finance II Notes, (iii) UPCB Finance III Notes, (iv) UPCB Finance V Notes and (v) UPCB Finance VI Notes to fund new additional Facilities V, Y, Z, AC and AD, respectively, (each, a Funded Facility) under the UPC Broadband Holding Bank Facility, with UPC Financing as the borrower. The proceeds from Facility V were used to reduce outstanding amounts under Facilities M and Q of the UPC Broadband Holding Bank Facility through (i) the purchase of €152.7 million of loans under Facility M by Liberty Global Services and (ii) the repayment of €347.3 million of borrowings under Facility Q. The proceeds from Facility Y were used to repay outstanding amounts under Facilities M and U of the UPC Broadband Holding Bank Facility. The proceeds from Facility Z were used to repay in full Facility P of the UPC Broadband Holding Bank Facility and to repay $811.4 million (€614.8 million) under Facility T of the UPC Broadband Holding Bank Facility. Of the proceeds from Facility AC, €507.1 million was used to reduce the amounts outstanding under Facilities AA and W of the UPC Broadband Holding Bank Facility. The proceeds from Facility AD were used to repay in full amounts outstanding under Facilities M, N and O of the UPC Broadband Holding Bank Facility.

Each UPCB SPE is dependent on payments from UPC Financing under the applicable Funded Facility in order to service its payment obligations under its UPCB SPE Notes. Although UPC Financing has no equity or voting interest in any of the UPCB SPEs, each of the Funded Facility loans creates a variable interest in the respective UPCB SPE for which UPC Financing is the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Financing and its parent entities, including UPC Holding and LGI, are required by the provisions of U.S. GAAP to consolidate the UPCB SPEs. As a result, the amounts outstanding under Facilities V, Y, Z, AC and AD are eliminated in LGI's and UPC Holding's consolidated financial statements.

Pursuant to the respective indentures for the UPCB SPE Notes (the UPCB SPE Indentures) and the respective accession agreements for the Funded Facilities, the call provisions, maturity and applicable interest rate for each Funded Facility are the same as those of the related UPCB SPE Notes. The UPCB SPEs, as lenders under the UPC Broadband Holding Bank Facility, are treated the same as the other lenders under the UPC Broadband Holding Bank Facility, with benefits, rights and protections similar to those afforded to the other lenders. Through the covenants in the applicable UPCB SPE Indenture and the applicable security interests over (i) all of the issued shares of the relevant UPCB SPE and (ii) the relevant UPCB SPE's rights under the applicable Funded Facility granted to secure the relevant UPCB SPE's obligations under the relevant UPCB SPE Notes, the holders of the UPCB SPE Notes are provided indirectly with the benefits, rights, protections and covenants granted to the UPCB SPEs as lenders under the UPC Broadband Holding Bank Facility.

The UPCB SPEs are prohibited from incurring any additional indebtedness, subject to certain exceptions under the UPCB SPE Indentures.

The details of the UPCB SPE Notes are summarized in the following table:

			December 31, 2012			
			Outstanding principal amount			
UPCB SPEs	Maturity	Interest rate	Borrowing currency	Euro equivalent	Estimated fair value	Carrying value (a)
				in millions		
UPCB Finance I Notes	January 15, 2020	7.625%	€ 500.0	€ 500.0	€ 551.0	€ 496.6
UPCB Finance II Notes ...	July 1, 2020	6.375%	€ 750.0	750.0	801.1	750.0
UPCB Finance III Notes ...	July 1, 2020	6.625%	$1,000.0	757.7	816.0	757.7
UPCB Finance V Notes ...	November 15, 2021	7.25%	$ 750.0	568.3	628.0	568.3
UPCB Finance VI Notes ...	January 15, 2022	6.875%	$ 750.0	568.3	615.5	568.3
				€ 3,144.3	€ 3,411.6	€ 3,140.9

(a) Amounts include the impact of discounts, where applicable.

Subject to the circumstances described below, the UPCB Finance I Notes are non-callable until January 15, 2015, the UPCB Finance II Notes and the UPCB Finance III Notes are non-callable until July 1, 2015, the UPCB Finance V Notes are non-callable until November 15, 2016 and the UPCB Finance VI Notes are non-callable until January 15, 2017 (each a UPCB SPE Notes Call Date). If, however, at any time prior to the applicable UPCB SPE Notes Call Date, all or a portion of the loans under the related Funded Facility are voluntarily prepaid (an Early Redemption Event), then the applicable UPCB SPE will be required to redeem an aggregate principal amount of its UPCB SPE Notes equal to the aggregate principal amount of loans so prepaid under the related Funded Facility. In general, the redemption price payable will equal the sum of (i) 100% of the principal amount of the applicable UPCB SPE Notes to be redeemed, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price of such UPCB SPE Notes on the applicable UPCB SPE Notes Call Date, as determined in accordance with the table below, plus (2) all required remaining scheduled interest payments thereon due through the applicable UPCB SPE Notes Call Date (excluding accrued and unpaid interest to such redemption date), computed using the discount rate specified in the applicable UPCB SPE Indenture, over (b) the principal amount of such UPCB SPE Notes to be redeemed and (iii) accrued but unpaid interest thereon and Additional Amounts (as defined in the applicable UPCB SPE Indenture), if any, to the applicable redemption date (the Make-Whole Redemption Price). However, in the case of an Early Redemption Event with respect to Facility Z, AC or AD occurring prior to the applicable UPCB SPE Notes Call Date, the redemption price payable upon redemption of an aggregate principal amount of the relevant UPCB SPE Notes not exceeding 10% of the original aggregate principal amount of such UPCB SPE Notes during each twelve-month period commencing on February 16, 2011, in the case of Facility Z, November 16, 2011, in the case of Facility AC or February 7, 2012, in the case of Facility AD, will equal 103% of the principal amount of the relevant UPCB SPE Notes redeemed plus accrued and unpaid interest thereon and Additional Amounts, if any, to the applicable redemption date. The redemption price payable for any principal amount of such UPCB SPE Notes redeemed in excess of the 10% limitation will be the Make-Whole Redemption Price.

Upon the occurrence of an Early Redemption Event on or after the applicable UPCB SPE Notes Call Date, the applicable UPCB SPE will redeem an aggregate principal amount of its UPCB SPE Notes equal to the principal amount of the related Funded Facility prepaid at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on January 15 in the case of the UPCB Finance I Notes and the UPCB Finance VI Notes, July 1 in the case of the UPCB Finance II Notes and the UPCB Finance III Notes and November 15 in the case of the UPCB Finance V Notes, of the years set forth below:

	Redemption Price				
Year	**UPCB Finance I Notes**	**UPCB Finance II Notes**	**UPCB Finance III Notes**	**UPCB Finance V Notes**	**UPCB Finance VI Notes**
2015	103.813%	103.188%	103.313%	N.A.	N.A.
2016	102.542%	102.125%	102.208%	103.625%	N.A.
2017	101.271%	101.063%	101.104%	102.417%	103.438%
2018	100.000%	100.000%	100.000%	101.208%	102.292%
2019	100.000%	100.000%	100.000%	100.000%	101.146%
2020 and thereafter	100.000%	100.000%	100.000%	100.000%	100.000%

Maturities of Debt and Capital Lease Obligations

Maturities of our debt and capital lease obligations as of December 31, 2012 are presented below and such amounts represent euro equivalents based on December 31, 2012 exchange rates:

Debt:

	Third-party debt (a)	Shareholder loan and related-party debt	Total
		in millions	
Year ended December 31:			
2013	€ 83.1	€ —	€ 83.1
2014	—	—	—
2015	290.7	—	290.7
2016	1,701.6	—	1,701.6
2017	1,541.0	—	1,541.0
Thereafter	6,001.9	8,727.5	14,729.4
Total debt maturities	9,618.3	8,727.5	18,345.8
Unamortized discount	(49.8)	—	(49.8)
Total debt	€ 9,568.5	€ 8,727.5	€ 18,296.0
Current portion	€ 83.1	€ —	€ 83.1
Noncurrent portion	€ 9,485.4	€ 8,727.5	€ 18,212.9

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

Capital lease obligations (in millions):

Year ended December 31:	
2013	€ 4.1
2014	3.5
2015	3.1
2016	3.0
2017	2.9
Thereafter	22.9
Total principal and interest payments	39.5
Amounts representing interest	(14.3)
Present value of net minimum lease payments	€ 25.2
Current portion	€ 2.3
Noncurrent portion	€ 22.9

Non-cash Refinancing Transactions

During 2012, 2011 and 2010, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating €666.6 million, €712.3 million and €991.5 million, respectively.

(9) Income Taxes

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

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

The domestic (Dutch fiscal unity) and foreign components of our loss before income taxes are as follows:

	Year ended December 31,		
	2012	2011	2010
		in millions	
Domestic	€ (1,084.9)	€ (722.2)	€ (1,028.7)
Foreign	285.6	169.7	134.0
Total	€ (799.3)	€ (552.5)	€ (894.7)

Income tax benefit (expense) consists of:

	Current	Deferred	Total
		in millions	
Year ended December 31, 2012:			
Domestic	€ —	€ 0.6	€ 0.6
Foreign	(42.6)	(44.2)	(86.8)
Total	€ (42.6)	€ (43.6)	€ (86.2)
Year ended December 31, 2011:			
Domestic	€ —	€ —	€ —
Foreign	(29.1)	(212.3)	(241.4)
Total	€ (29.1)	€ (212.3)	€ (241.4)
Year ended December 31, 2010:			
Domestic	€ —	€ (0.7)	€ (0.7)
Foreign	(16.8)	118.4	101.6
Total	€ (16.8)	€ 117.7	€ 100.9

Income tax expense attributable to our loss before income taxes differs from the amounts computed by applying the Dutch income tax rate of 25.0% for 2012 and 2011 and 25.5% for 2010 as a result of the following:

	Year ended December 31,		
	2012	2011	2010
		in millions	
Computed expected tax benefit	€ 199.8	€ 138.1	€ 228.1
Non-deductible or non-taxable interest and other expenses	(186.9)	(140.3)	(63.7)
Change in valuation allowances	(85.6)	(209.7)	(45.2)
Basis and other differences in the treatment of items associated with investments in subsidiaries	(11.2)	(1.8)	1.1
Enacted tax law and rate changes	9.1	(5.4)	(14.5)
Non-deductible foreign exchange results	(6.5)	(16.8)	—
Other, net	(4.9)	(5.5)	(4.9)
Total	€ (86.2)	€ (241.4)	€ 100.9

The current and noncurrent components of our deferred tax assets (liabilities) are as follows:

	December 31,	
	2012	2011
	in millions	
Current deferred tax assets	€ 19.2	€ 76.6
Noncurrent deferred tax assets (a)	44.4	27.9
Current deferred tax liabilities (a)	(1.0)	(0.8)
Noncurrent deferred tax liabilities (a)	(84.0)	(76.0)
Net deferred tax asset (liability)	€ (21.4)	€ 27.7

(a) Our current deferred tax liabilities are included in accrued and other liabilities and our noncurrent deferred tax assets and liabilities are included in other assets, net, and other long-term liabilities, respectively, in our consolidated balance sheets.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	December 31,	
	2012	2011
	in millions	
Deferred tax assets:		
Net operating loss and other carryforwards	€ 1,020.7	€ 983.8
Derivative instruments	332.3	274.6
Property and equipment, net	227.4	248.8
Debt	37.0	82.1
Intangible assets	67.0	39.1
Other future deductible amounts	37.1	60.1
Deferred tax assets	1,721.5	1,688.5
Valuation allowance	(1,580.7)	(1,495.7)
Deferred tax assets, net of valuation allowance	140.8	192.8
Deferred tax liabilities:		
Intangible assets	(76.9)	(91.4)
Property and equipment, net	(53.3)	(53.5)
Other future taxable amounts	(32.0)	(20.2)
Deferred tax liabilities	(162.2)	(165.1)
Net deferred tax asset (liability)	€ (21.4)	€ 27.7

Our deferred income tax valuation allowance increased €85.0 million during 2012, substantially all of which relates to our 2012 net tax expense. The significant components of our tax loss carryforwards and related tax assets at December 31, 2012 are as follows:

Country	Tax loss carryforward	Related tax asset	Expiration date
	in millions		
The Netherlands	€ 2,281.7	€ 570.4	2013-2021
Luxembourg	704.0	205.7	Indefinite
France	488.2	168.1	Indefinite
Ireland	389.8	48.7	Indefinite
Hungary	113.5	11.4	Indefinite
Romania	51.1	8.2	2013-2019
Chile	20.3	4.1	Indefinite
Austria	4.3	1.1	Indefinite
Other	15.0	3.0	Various
Total	€ 4,067.9	€ 1,020.7	

Our tax loss carryforwards within each jurisdiction combine all companies' tax losses (both capital and ordinary losses) in that jurisdiction, however, certain tax jurisdictions limit the ability to offset taxable income of a separate company or different tax group with the tax losses associated with another separate company or group. Some losses are limited in use due to change in control or same business tests. In addition, the pre-fiscal unity losses in the Netherlands of Liberty Global Europe and of UPC Holding and its subsidiaries can only be offset with profits that occur within these groups. Losses that relate to UPC Holding and its subsidiaries can also be offset against profits of other entities within the fiscal unity of Liberty Global Europe.

Although we intend to take reasonable tax planning measures to limit our tax exposures, there can be no assurance we will be able to do so.

We and our subsidiaries file various consolidated and standalone income tax returns in various foreign jurisdictions. In the normal course of business, our income tax filings are subject to review by various taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in that tax jurisdiction. Such disputes may result in future tax and interest and penalty assessments by these taxing authorities. The ultimate resolution of tax contingencies will take place upon the earlier of (i) the settlement date with the applicable tax authorities in either cash or agreement of income tax positions or (ii) the date when the tax authorities are statutorily prohibited from adjusting the company's tax computations.

With a few exceptions in certain foreign jurisdictions, tax returns filed by our company or our subsidiaries for years prior to 2008 are no longer subject to examination by tax authorities. Currently our foreign subsidiary in Hungary is involved in income tax examinations for the years 2009-2011. Any adjustments that might arise from the foregoing examinations are not expected to have a material impact on our consolidated financial position or results of operations.

The changes in our unrecognized tax benefits are summarized below:

	Year ended December 31,		
	2012	2011	2010
	in millions		
Balance at January 1	€ 19.0	€ 29.7	€ 12.1
Reductions for tax positions of prior years	(4.3)	(17.3)	(5.0)
Additions based on tax positions related to the current year	4.1	2.7	1.9
Lapse of statute of limitations	(3.8)	—	—
Additions for tax positions of prior years	2.1	4.7	20.3
Foreign currency translation	0.8	(0.8)	0.4
Balance at December 31	€ 17.9	€ 19.0	€ 29.7

No assurance can be given that any of these tax benefits will be recognized or realized.

As of December 31, 2012, our unrecognized tax benefits included €13.9 million of tax benefits that would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances.

During 2013, it is reasonably possible that the resolution of currently ongoing examinations by tax authorities could result in changes to our unrecognized tax benefits related to tax positions taken as of December 31, 2012. We do not expect that any such changes will have a material impact on our unrecognized tax benefits. No assurance can be given as to the nature or impact of any changes in our unrecognized tax positions during 2013.

(10) Owners' Deficit

General. UPC Holding is a private limited liability company under Dutch law. The authorized share capital of our company equals one hundred thousand euros (€100,000), divided into one thousand shares with a nominal value of one hundred euros (€100) each. As of December 31, 2012 and 2011, two hundred shares have been issued and fully paid-in. All shares are registered; no share certificates can be issued. All shares are ordinary shares for a private limited liability company under Dutch law. A shareholder wishing to transfer one or more shares must first offer such shares to co-shareholders in a written notification to the management board, stating the number of shares to be transferred, and the management board is required to notify the co-shareholders within two weeks. Co-shareholders then have two weeks to notify the management board of a decision to purchase the shares. If the company itself is a co-shareholder, it can only be entitled to act as an interested party with the consent of the offer or of the shares. Each shareholder has the right of pre-emption in proportion to the aggregate nominal value of its shares subject to certain limitations including as prescribed by Dutch Law. No preference or priority rights exist for profit distribution, voting or dissolution and liquidation.

VTR. On January 26, 2012, we and the 20% noncontrolling interest owner in VTR (the VTR NCI Owner) approved a distribution of CLP 35.0 billion (€54.6 million at the applicable rate). Our share of this distribution is CLP 28.0 billion (€43.7 million at the applicable rate) and the VTR NCI Owner's share of this distribution is CLP 7.0 billion (€10.9 million at the applicable rate). During September 2012, we and the VTR NCI Owner approved an additional distribution of CLP 20.0 billion (€33.1 million at the applicable rate). Our share of this additional distribution was CLP 16.0 billion (€26.5 million at the applicable rate) and the VTR NCI Owner's share of this distribution was CLP 4.0 billion (€6.6 million at the applicable rate). The aggregate amount of these distributions was paid by VTR during 2012.

In March 2011, we and the VTR NCI Owner approved a distribution of CLP 58.5 billion (€88.8 million at the applicable rate). Of the approved distribution amount, CLP 53.2 billion (€77.7 million at the applicable rate) was paid during the second quarter of 2011 and the remaining amount was paid in July 2011. The VTR NCI Owner's share of the approved distribution was CLP 11.7 billion (€17.4 million at the applicable rate). During October 2011, we and the VTR NCI Owner approved an additional distribution of CLP 38.0 billion (€54.6 million at the applicable rate), all of which was paid in December 2011. The VTR NCI Owner's share of the approved distribution was CLP 7.6 billion (€11.0 million at the applicable rate).

(11) Stock Incentive Awards

Our stock-based compensation expense includes amounts allocated to our company by LGI and amounts that are based on stock incentive awards related to shares of one of our subsidiaries. The amounts allocated by LGI to our company represent the stock-based compensation associated with the LGI stock incentive awards held by certain employees of our subsidiaries. Stock- based compensation expense allocated to our company by LGI is reflected as a decrease to parent's deficit.

The following table summarizes the U.S. dollar and euro equivalent (convenience translations at the applicable average rate for the period) of our stock-based compensation expense:

	Year ended December 31,					
	2012		2011		2010	
	U.S. $	Euro equivalent	U.S. $	Euro equivalent	U.S. $	Euro equivalent
	in millions					
LGI common stock:						
LGI performance-based incentive awards (a)	$ 9.4	€ 7.3	$ 7.8	€ 5.6	$ 8.9	€ 6.7
Other LGI stock-based incentive awards	11.8	9.2	10.7	7.7	11.9	9.0
Total LGI common stock	21.2	16.5	18.5	13.3	20.8	15.7
Other (b)	1.6	1.3	0.3	0.2	2.1	1.6
Total	$ 22.8	€ 17.8	$ 18.8	€ 13.5	$ 22.9	€ 17.3
Included in:						
Operating expenses	$ 0.6	€ 0.5	$ 1.8	€ 1.3	$ 2.6	€ 2.0
SG&A expenses	22.2	17.3	17.0	12.2	20.3	15.3
Total	$ 22.8	€ 17.8	$ 18.8	€ 13.5	$ 22.9	€ 17.3

(a) Includes stock-based compensation expense related to LGI performance-based restricted share units (PSUs) and, during 2011 and 2010, LGI's five-year performance-based incentive plans for LGI senior executives and certain key employees (the LGI Performance Plans).

(b) The 2012 amount includes stock-based compensation expense related to performance-based awards granted pursuant to a liability-based plan in which VTR employees participate. These awards were granted during the first quarter of 2012 and, based on the level of the specified performance criteria achieved during 2012, these awards will vest on December 31, 2013.

The following table provides certain information related to stock-based compensation not yet recognized for LGI stock incentive awards held by employees of our subsidiaries related to LGI common stock as of December 31, 2012:

	LGI common stock (a)		LGI PSUs (b)	
	U.S. $	Euro equivalent (c)	U.S. $	Euro equivalent (c)
Total compensation expense not yet recognized (in millions)	$ 24.5	€ 18.6	$ 7.6	€ 5.8
Weighted average period remaining for expense recognition (in years)	2.7		1.2	

(a) Amounts relate to awards (other than LGI PSUs) granted under the Liberty Global, Inc. 2005 Incentive Plan (as amended and restated October 31, 2006) (the LGI Incentive Plan).

(b) Amounts relate to PSUs granted in 2012 and 2011 as described below.

(c) Convenience translations into euros are calculated as of December 31, 2012.

The following table summarizes certain information related to the incentive awards granted and exercised by employees of our subsidiaries with respect to LGI common stock:

	Year ended December 31,		
	2012	2011	2010
Assumptions used to estimate fair value of options and stock appreciation rights (SARs) granted:			
Risk-free interest rate	0.37 - 0.66%	0.93 - 1.42%	1.26 - 2.53%
Expected life	3.3 - 3.9 years	3.4 - 3.7 years	3.4 - 4.9 years
Expected volatility	28.0 - 40.4%	40.7 - 41.8%	42.1 - 45.5%
Expected dividend yield	none	none	none
Weighted average grant-date fair value per share of awards granted:			
SARs	$ 12.84	$ 14.28	$ 9.27
Restricted shares and restricted share units	$ 49.25	$ 45.14	$ 24.79
PSUs	$ 50.10	$ 39.98	$ 27.65
Total intrinsic value of awards exercised (in millions):			
Options	$ —	$ 0.6	$ 11.8
SARs	$ 16.4	$ 14.1	$ 17.6
Cash received by LGI from exercise of options (in millions)	$ —	$ 1.7	$ 18.8
Income tax benefit related to stock-based compensation (in millions)	$ 0.3	$ —	$ 0.4

Stock Incentive Plans — LGI Common Stock

The LGI Incentive Plan

General. The LGI Incentive Plan is administered by the compensation committee of LGI's board of directors. The compensation committee of LGI's board of directors has full power and authority to grant eligible persons the awards described below and to determine the terms and conditions under which any awards are made. The incentive plan is designed to provide additional remuneration to certain employees and independent contractors for exceptional service and to encourage their investment in our company. The compensation committee of LGI's board of directors may grant non-qualified stock options, SARs, restricted shares, restricted share units, cash awards, performance awards or any combination of the foregoing under this incentive plan (collectively, awards).

The maximum number of shares of LGI common stock with respect to which awards may be issued under the incentive plan is 50 million, subject to anti-dilution and other adjustment provisions of the LGI Incentive Plan, of which no more than 25 million shares may consist of LGI Series B common stock. With limited exceptions, no person may be granted in any calendar year awards covering more than four million shares of LGI common stock, of which no more than two million shares may consist of LGI Series B common stock. In addition, no person may receive payment for cash awards during any calendar year in excess of $10 million (€8 million). Shares of LGI common stock issuable pursuant to awards made under the incentive plan are made available from either authorized but unissued shares or shares that have been issued but reacquired by LGI. Awards under the LGI Incentive Plan issued prior to June 2005 are fully vested and expire 10 years after the grant date. Awards (other than performance-based awards) under the LGI Incentive Plan issued after June 2005 generally (i) vest 12.5% on the six month anniversary of the grant date and then vest at a rate of 6.25% each quarter thereafter and (ii) expire seven years after the grant date. The LGI Incentive Plan had 8,778,271 shares available for grant as of December 31, 2012.

LGI Performance Plans. The LGI Senior Executive Performance Plan and the LGI Management Performance Plan (collectively the LGI Performance Plans) were five-year performance-based incentive plans for LGI's senior executives and certain key employees, respectively. The LGI Performance Plans had a two-year performance period, which began January 1, 2007, and a three-year service period, which began January 1, 2009. At the end of the two-year performance period, each participant became eligible to receive varying percentages of the maximum achievable award specified for such participant based on LGI's achievement of a specified compound annual growth rate (CAGR) in consolidated operating cash flow (see note 16), adjusted for events such as acquisitions, dispositions and changes in foreign currency exchange rates that affect comparability (OCF CAGR), and the participant's annual performance ratings during the performance period.

Following completion of the performance period, on February 18, 2009, the compensation committee of LGI's board of directors determined that an OCF CAGR of approximately 15.5% had been achieved during the performance period. Based on this determination and after deducting forfeited awards, participants in the LGI Performance Plans (including certain employees of our subsidiaries) that met minimum annual performance rating levels earned $316.5 million (€239.8 million) or 87.4% of their aggregate maximum achievable awards. Earned awards were to be paid in six equal semi-annual installments on each March 31 and September 30 commencing on March 31, 2009, subject to forfeiture upon certain events of termination of employment or acceleration in certain circumstances. The first two installments of the awards were settled during 2009 with a combination of cash and restricted share units.

On February 16, 2010, the compensation committee of LGI's board of directors determined the method of payment for the four remaining installments of the awards that had been earned. In accordance with the determination of the compensation committee of LGI's board of directors, LGI (i) paid cash aggregating $50.9 million (€38.6 million) (including $10.2 million (€7.9 million) paid to employees of our subsidiaries), together with 32,802 restricted plan shares (as defined in the LGI Performance Plans) of LGI Series A common stock and 31,708 restricted plan shares of LGI Series C common stock to settle the March 31, 2010 installment, and (ii) granted an aggregate of 3,248,061 restricted plan shares of LGI Series A common stock and 3,139,707 restricted plan shares of LGI Series C common stock (including 630,684 and 609,639 respectively, granted to employees of our subsidiaries) to settle the remaining balance of each participant's earned award, which shares vested in three equal installments. In accordance with the LGI Performance Plans, restricted plan shares may be restricted shares or restricted share units. The restricted plan shares issued in relation to the March 31, 2010 and September 30, 2010 installments vested in full on those dates and the remaining restricted plan shares vested in equal installments on March 31, 2011 and September 30, 2011**.** For purposes of determining the number of restricted plan shares to be granted, the compensation committee of LGI's board of directors valued the restricted plan shares at the respective closing market prices for LGI Series A and Series C common stock on February 16, 2010. The decision by the compensation committee of LGI's board of directors to settle the final three installments of each earned award with restricted plan shares represented a modification that resulted in the reclassification of this portion of the earned awards from a liability to equity during the first quarter of 2010.

Compensation expense under the LGI Performance Plans was (i) recognized using the accelerated attribution method based on our assessment of the awards that were probable to be earned and (ii) reported as stock-based compensation in our consolidated statement of operations, notwithstanding the fact that the compensation committee of LGI's board of directors elected to cash settle a portion of the vested awards under the LGI Performance Plans.

LGI PSUs. In March 2010, the compensation committee of LGI's board of directors determined to modify the equity incentive award component of our executive officers' and other key employees' compensation packages, whereby a target annual equity value would be set for each executive or key employee, of which approximately two-thirds would be delivered in the form of an annual award of PSUs and approximately one-third in the form of an annual award of SARs. Each PSU represents the right to receive one share of Series A common stock or Series C common stock, as applicable, subject to performance and vesting.

During 2010, the compensation committee of LGI's board of directors approved the grant to LGI's executive officers and certain key employees a total of 692,678 LGI Series A PSUs and 692,678 LGI Series C PSUs (including 193,172 and 193,172 respectively granted to employees of our subsidiaries) pursuant to the LGI Incentive Plan. The performance period for these PSUs (the 2010 PSUs) was January 1, 2010 to December 31, 2011. The final performance target as adjusted by the compensation committee of LGI's board of directors was the achievement of a Target OCF CAGR (as defined in the grant agreement) of approximately 6% for the two-year performance period, determined by comparing LGI's 2011 Adjusted OCF to LGI's 2009 Adjusted OCF (each as defined in the grant agreement). In February 2012, the compensation committee of LGI's board of directors determined that an OCF CAGR of 5.7% was achieved with respect to the 2010 PSUs, resulting in award recipients earning approximately 87.5% of their 2010 PSUs. One-half of the earned 2010 PSUs vested on March 31, 2012 and the balance vested on September 30, 2012.

During 2011, the compensation committee of LGI's board of directors approved the grant to LGI's executive officers and certain key employees a total of 513,268 LGI Series A PSUs and 513,268 LGI Series C PSUs (including 141,934 and 141,934 respectively, granted to employees of our subsidiaries) pursuant to the LGI Incentive Plan. The performance period for these PSUs (the 2011 PSUs) is January 1, 2011 to December 31, 2012. The performance target selected by the compensation committee of LGI's board of directors is the achievement of a Target OCF CAGR (as defined in the grant agreement) of approximately 4.5% for the two-year performance period, determined by comparing 2012 Adjusted OCF to 2010 Adjusted OCF (each as defined in the grant agreement), and subject to upward or downward adjustment for certain events in accordance with the terms of the grant agreement. A performance range of 75% to 125% of the Target OCF CAGR would generally result in award recipients earning 50% to 150% of their 2011 PSUs, subject to reduction or forfeiture based on individual performance. One-half of the earned 2011 PSUs are scheduled to vest on March 31, 2013 and the remaining 2011 PSUs are scheduled to vest on September 30, 2013. On December 31, 2012, the compensation committee of LGI's board of directors certified that the base performance objective for the two-year performance period had been achieved.

During 2012, the compensation committee of LGI's board of directors granted to LGI's executive officers and certain key employees a total of 427,960 LGI Series A PSUs and 427,960 LGI Series C PSUs (including 135,630 and 135,630 respectively, granted to employees of our subsidiaries) pursuant to the LGI Incentive Plan. Each PSU represents the right to receive one share of Series A common stock or Series C common stock, as applicable, subject to performance and vesting. The performance period for these PSUs (the 2012 PSUs) is January 1, 2012 to December 31, 2013. As the performance measure, the compensation committee of LGI's board of directors selected the compound annual growth rate in LGI's consolidated operating cash flow (OCF CAGR) from 2011 to 2013, as adjusted for events such as acquisitions, dispositions and changes in foreign currency exchange rates and accounting principles or policies that effect comparability. The target OCF CAGR selected by the committee was based upon a comparison of LGI's 2011 actual results to those reflected in LGI's then existing long-range plan for 2013. The target OCF CAGR is subject to upward or downward adjustment for certain events in accordance with the terms of the grant agreement. A performance range of 75% to 125% of the target OCF CAGR would generally result in award recipients earning 50% to 150% of their 2012 PSUs, subject to reduction or forfeiture based on individual performance. One-half of the earned 2012 PSUs will vest on March 31, 2014 and the balance will vest on September 30, 2014. The compensation committee of LGI's board of directors also established a minimum OCF CAGR base performance objective, subject to certain limited adjustments, which must be satisfied in order for LGI's named executive officers to be eligible to earn any of their 2012 PSUs.

Compensation expense attributable to the 2012, 2011 and PSUs is recognized over the requisite service period of the awards.

Stock Award Activity — LGI Common Stock

The following tables summarize the stock award activity during 2012 with respect to LGI common stock held by employees of our subsidiaries:

Options — LGI Series A and Series C common stock	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding and exercisable at December 31, 2012:				
LGI Series A common stock	31,720	$ 22.68	0.2	$ 1.3
LGI Series C common stock	31,720	$ 21.66	0.2	$ 1.2

SARs — LGI Series A common stock	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2012	917,864	$ 31.31		
Granted	406,192	$ 50.08		
Exercised	(326,687)	$ 26.15		
Forfeited or expired	(27,564)	$ 36.04		
Transfers	2,525	$ 17.84		
Outstanding at December 31, 2012	972,330	$ 40.72	5.3	$ 21.6
Exercisable at December 31, 2012	231,365	$ 34.22	4.6	$ 6.6

SARs — LGI Series C common stock	Number of shares	Weighted average base price	Weighted average remaining contractual term	Aggregate intrinsic value
			in years	in millions
Outstanding at January 1, 2012	890,917	$ 30.54		
Granted	406,192	$ 48.27		
Exercised	(295,203)	$ 25.66		
Forfeited or expired	(27,564)	$ 28.77		
Transfers	2,525	$ 17.56		
Outstanding at December 31, 2012	976,867	$ 39.23	5.3	$ 19.0
Exercisable at December 31, 2012	235,902	$ 33.05	4.6	$ 6.0

Restricted shares and share units — LGI Series A common stock	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term
			in years
Outstanding at January 1, 2012	132,533	$ 30.72	
Granted	60,944	$ 50.16	
Released from restrictions	(68,563)	$ 29.53	
Forfeited	(9,313)	$ 35.78	
Transfers	226	$ 21.08	
Outstanding at December 31, 2012	115,827	$ 41.23	2.4

Restricted shares and share units — LGI Series C common stock	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term
			in years
Outstanding at January 1, 2012	132,533	$ 29.73	
Granted	60,944	$ 48.33	
Released from restrictions	(68,563)	$ 28.60	
Forfeited	(9,313)	$ 34.61	
Transfers	226	$ 21.26	
Outstanding at December 31, 2012	115,827	$ 39.78	2.4

PSUs — LGI Series A common stock	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term
			in years
Outstanding at January 1, 2012	247,829	$ 35.15	
Granted	135,630	$ 51.16	
Released from restrictions	(92,695)	$ 27.64	
Performance adjustment	(13,200)	$ 27.64	
Outstanding at December 31, 2012	277,564	$ 45.83	1.2

PSUs — LGI Series C common stock	Number of shares	Weighted average grant-date fair value per share	Weighted average remaining contractual term
			in years
Outstanding at January 1, 2012	247,829	$ 34.10	
Granted	135,630	$ 49.05	
Released from restrictions	(92,695)	$ 27.25	
Performance adjustment	(13,200)	$ 27.25	
Outstanding at December 31, 2012	277,564	$ 44.02	1.2

(12) Related-Party Transactions

Our related-party transactions are as follows:

	Year ended December 31,		
	2012	2011	2010
		in millions	
Revenue	€ 12.9	€ 11.0	€ 10.2
Operating expenses	(60.2)	(62.5)	(64.2)
SG&A expenses	1.5	(1.4)	(3.9)
Allocated stock-based compensation expense	(16.5)	(13.3)	(15.7)
Fees and allocations, net	2.4	(5.9)	(18.1)
Included in operating income	(59.9)	(72.1)	(91.7)
Interest expense	(848.5)	(655.0)	(406.0)
Interest income	1.1	—	—
Included in net loss	€ (907.3)	€ (727.1)	€ (497.7)

Revenue. Amounts consist primarily of cash settled construction and programming services provided to our affiliates, programming services provided to Chellomedia B.V. (Chellomedia) and cash settled backbone capacity provided to Unitymedia KabelBW GmbH (Unitymedia KabelBW). Each of Chellomedia and Unitymedia KabelBW are subsidiaries of LGI that are outside of UPC Holding. In addition, the 2012 and 2011 amounts include €1.5 million and €0.9 million, respectively, of cash settled backbone capacity provided to VTR Wireless.

Operating expenses. Amounts consist primarily of cash settled programming and digital interactive services provided by Chellomedia of €58.7 million, €56.8 million and €56.3 million during the years ended December 31, 2012, 2011 and 2010, respectively. Operating expenses include costs for cash settled programming and interconnect fees charged by certain of LGI's affiliates of €12.3 million, €10.2 million and €9.2 million for the years ended December 31, 2012, 2011 and 2010, respectively. In addition, the 2012, 2011 and 2010 amounts are net of (i) €7.4 million, €4.0 million and €1.3 million, respectively, of cash settled encryption and other operating expenses charged to Unitymedia KabelBW, (ii) €2.0 million, €0.5 million and nil, respectively, of net cash settled facilities and other operating expenses charged by VTR to VTR Wireless and (iii) €1.4 million, nil and nil, respectively, of net cash settled network and maintenance expenses charged to LG Europe.

SG&A expenses. Amounts consist primarily of (i) net cash settled SG&A expenses between VTR and VTR Wireless that resulted in credits of €3.5 million and €1.6 million for the years ended December 31, 2012 and 2011, respectively, and (ii) net cash settled administrative expenses, primarily between our company, Chellomedia and LG Europe, that resulted in charges of €2.0 million, €3.0 million and €3.5 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Allocated stock-based compensation expense. As further described in note 11, LGI allocates stock-based compensation to our company.

Fees and allocations, net. These amounts represent the aggregate net effect of charges between subsidiaries of UPC Holding and various LGI subsidiaries outside of UPC Holding, including, during 2012, 2011 and 2010, (i) aggregate charges from LG Europe and Liberty Global Europe Ltd. (LGE Ltd.) of €61.6 million, €56.8 million and €52.6 million, respectively, (ii) charges to Unitymedia KabelBW of €53.7 million, €35.8 million and €23.8 million, respectively, and (iii) charges to LGI and certain other LGI subsidiaries of €10.3 million, €15.1 million and €10.7 million, respectively. These charges generally relate to management, finance, legal, technology and other corporate and administrative services provided to or by our subsidiaries and, in the case of charges to Unitymedia KabelBW, also include charges related to marketing and other services that support Unitymedia KabelBW's broadband communications operations, including the use of the UPC trademark. The amounts charged generally are based on the respective subsidiary's estimated share of the applicable costs incurred (including personnel and other costs related to the services provided) plus a mark-up. The quarterly charges are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year. The annual revision to reflect actual costs for 2011, 2010 and 2009 amounted to decreases of €0.7 million, €2.2 million and €2.8 million, respectively, in our billings to LGI and certain other LGI subsidiaries during the three months ended March 31, 2012, 2011 and 2010 respectively.

Interest expense. Amount includes interest accrued on our shareholder loan. Interest expense is accrued and included in other long-term liabilities during the year, and then added to the shareholder loan balance at the end of the year. For additional information, see note 8.

Interest income. Amounts represent interest income related to a loan receivable from Unitymedia Hessen GmbH & Co. KG, a subsidiary of Unitymedia KabelBW, as described below.

Except as noted above, our related-party transactions are loan settled. 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 charges and fees 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. In addition to the net operating and SG&A expenses charged by VTR to VTR Wireless, as set forth above, VTR and VTR Wireless each pay certain operating and SG&A expenses on behalf of the other party and settle amounts due at a later date.

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

	December 31,	
	2012	**2011**
	in millions	
Other current assets (a)	€ 76.9	€ 30.0
Other noncurrent assets (b)	€ 11.4	€ —
Accounts payable	€ 29.4	€ 27.5
Accrued and other liabilities	25.1	17.3
Shareholder loan (note 8)	8,712.3	8,693.8
Other related-party debt (note 8)	15.2	—
Other long-term liabilities	0.8	—
Total	€ 8,782.8	€ 8,738.6

(a) Represents related-party receivables.

(b) Represents amounts loaned under an agreement between Unitymedia Hessen GmbH & Co. KG and Unitymedia International GmbH (UMI). This note bears interest at 10.0% as of December 31, 2012 and matures in December 31, 2025. The interest rate on this note is reviewed annually, with adjustments effective on January 1 of each year. UMI was formed for the purpose of effecting certain asset purchase and related leasing transactions involving certain of our subsidiaries, including certain purchase and leaseback transactions that were initiated in December 2011. Although UPC Holding has no equity or voting interest in UMI, the transactions between UMI and certain of our subsidiaries create a variable interest in UMI for which we are the primary beneficiary, as contemplated by U.S. GAAP. As such, UPC Holding is required by the provisions of U.S. GAAP to consolidate UMI. As a result, in our consolidated financial statements, Unitymedia Hessen GmbH & Co. KG's initial €61.0 million investment in UMI is reflected as an equity contribution, and the transactions between UMI and our subsidiaries are eliminated.

During 2012, 2011 and 2010, we recorded aggregate capital charges of €25.7 million, €37.4 million and €39.8 million, respectively, in our consolidated statements of owners' deficit in connection with the exercise of LGI SARs and stock options and the vesting of LGI restricted stock awards held by employees of our subsidiaries. These capital charges, which generally are loan settled, are based on the fair value of the underlying LGI common stock on the exercise or vesting date, as applicable.

During 2012, LG Europe leased certain property and equipment on our behalf. This property and equipment was contributed by LG Europe to our company during 2012. As a result, LG Europe's €10.2 million carrying value in this property and equipment has been reflected as a decrease to parent's deficit in our consolidated statement of owners' deficit.

(13) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2012 is set forth in the table below:

	Employee severance and termination	Office closures	Programming and lease contract termination	Total
		in millions		
Restructuring liability as of January 1, 2012	€ 5.4	€ 2.8	€ 0.4	€ 8.6
Restructuring charges	6.0	1.3	—	7.3
Cash paid	(7.2)	(1.0)	(0.4)	(8.6)
Foreign currency translation adjustments	0.2	—	—	0.2
Restructuring liability as of December 31, 2012	€ 4.4	€ 3.1	€ —	€ 7.5
Short-term portion	€ 4.3	€ 1.6	€ —	€ 5.9
Long-term portion	0.1	1.5	—	1.6
Total	€ 4.4	€ 3.1	€ —	€ 7.5

Our 2012 restructuring charges for employee severance and termination costs relate to reorganization and integration activities in certain of our European operations and in Chile.

A summary of changes in our restructuring liabilities during 2011 is set forth in the table below:

	Employee severance and termination	Office closures	Programming and lease contract termination	Other	Total
			in millions		
Restructuring liability as of January 1, 2011	€ 3.1	€ 3.9	€ —	€ 0.1	€ 7.1
Restructuring charges	14.2	0.2	0.5	—	14.9
Cash paid	(11.7)	(1.4)	(0.1)	(0.1)	(13.3)
Foreign currency translation adjustments	(0.2)	0.1	—	—	(0.1)
Restructuring liability as of December 31, 2011	€ 5.4	€ 2.8	€ 0.4	€ —	€ 8.6
Short-term portion	€ 5.3	€ 0.5	€ 0.4	€ —	€ 6.2
Long-term portion	0.1	2.3	—	—	2.4
Total	€ 5.4	€ 2.8	€ 0.4	€ —	€ 8.6

Our 2011 restructuring charges for employee severance and termination costs relate to reorganization and integration activities in certain of our European operations and in Chile.

A summary of changes in our restructuring liabilities during 2010 is set forth in the table below:

	Employee severance and termination	Office closures	Programming and lease contract termination	Other	Total
			in millions		
Restructuring liability as of January 1, 2010	€ 3.7	€ 6.6	€ —	€ —	€ 10.3
Restructuring charges	2.1	0.2	5.6	7.0	14.9
Cash paid	(2.4)	(3.1)	(5.6)	(7.0)	(18.1)
Foreign currency translation adjustments	(0.3)	0.2	—	0.1	—
Restructuring liability as of December 31, 2010	€ 3.1	€ 3.9	€ —	€ 0.1	€ 7.1
Short-term portion	€ 2.9	€ 1.6	€ —	€ 0.1	€ 4.6
Long-term portion	0.2	2.3	—	—	2.5
Total	€ 3.1	€ 3.9	€ —	€ 0.1	€ 7.1

Our 2010 restructuring charges include €12.6 million, representing dish-turning and duplicate satellite costs incurred in connection with the migration of UPC Europe's DTH operations in the Czech Republic, Hungary and Slovakia to a new satellite. Our 2010 restructuring charges for employee severance and termination costs relate to reorganization and integration activities in certain of our European operations.

(14) Accumulated Other Comprehensive Earnings

Accumulated other comprehensive earnings included in our consolidated balance sheets and statements of owners' deficit reflect the aggregate impact of foreign currency translation adjustments and pension related adjustments. The changes in the components of accumulated other comprehensive earnings, net of taxes, are summarized as below. Except as noted below, we were not required to provide income taxes on amounts recorded in other comprehensive earnings for the periods presented in the table below.

	Parent				
	Foreign currency translation adjustments	Pension related adjustments (a)	Accumulated other comprehensive earnings	Non-controlling interests	Total accumulated other comprehensive earnings
		in millions			
Balance at January 1, 2010	€ 28.2	€ 2.5	€ 30.7	€ (2.6)	€ 28.1
Other comprehensive earnings	464.8	(1.5)	463.3	19.7	483.0
Balance at December 31, 2010	493.0	1.0	494.0	17.1	511.1
Other comprehensive earnings	53.6	(11.6)	42.0	(8.3)	33.7
Balance at December 31, 2011	546.6	(10.6)	536.0	8.8	544.8
Other comprehensive earnings	38.8	8.9	47.7	5.5	53.2
Balance at December 31, 2012	€ 585.4	€ (1.7)	€ 583.7	€ 14.3	€ 598.0

(a) The pension related adjustments included in other comprehensive earnings are net of income tax benefit (expense) of , and , for the years ended December 31, 2012, 2011 and 2010, respectively.

(15) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancelable operating leases, programming contracts, satellite carriage commitments, purchases of customer premises equipment and other items. As of December 31, 2012, the euro equivalents (based on December 31, 2012 exchange rates) of such 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	€ 80.4	€ 49.4	€ 46.4	€ 38.1	€ 32.3	€ 147.9	€ 394.5
Programming obligations	76.5	34.9	32.7	32.0	31.6	—	207.7
Other commitments	229.8	50.8	41.0	27.5	19.6	39.9	408.6
Total	€ 386.7	€ 135.1	€ 120.1	€ 97.6	€ 83.5	€ 187.8	€ 1,010.8

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. 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. In this regard, during 2012, 2011 and 2010, the programming and copyright costs incurred by our broadband communications and DTH operations aggregated €515.4 million, €467.0 million, and €423.1 million respectively.

Other commitments relate primarily to (i) satellite commitments associated with satellite carriage services provided to our company, (ii) purchase obligations associated with commitments to purchase customer premises and other equipment that are enforceable and legally binding on us, including €98.5 million related to related-party purchase obligations, and (iii) certain fixed minimum contractual commitments associated with our agreements with franchise or municipal authorities. Commitments arising from acquisition agreements are not reflected in the above table.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments pursuant to which we expect to make payments in future periods. For information concerning our derivative instruments, including the net cash paid or received in connection with these instruments during 2012, 2011 and 2010, see note 5.

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

Rental expense under non-cancelable operating lease arrangements amounted to €69.4 million, €79.1 million and €85.8 million in 2012, 2011 and 2010, respectively. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

We have established various defined contribution benefit plans for our subsidiaries' employees. The aggregate expense of our matching contributions under the various defined contribution employee benefit plans was €16.5 million, €14.3 million and €12.4 million in 2012, 2011 and 2010, respectively.

Contingent Obligations

We are a party to various stockholder and similar agreements pursuant to which we could be required to make capital contributions to the entity in which we have invested or purchase another investor's interest. We do not expect any payments made under these provisions to be material in relationship to our financial position or results of operations.

Guarantees and Other Credit Enhancements

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

Legal and Regulatory Proceedings and Other Contingencies

Netherlands Regulatory Developments. In December 2011, the Dutch National Regulatory Authority (OPTA) completed a market assessment of the television market in the Netherlands, concluding that there were no grounds for regulation of that market. This final assessment is not open for appeal, as confirmed by the Dutch Supreme Administrative Court on June 18, 2012. As a result, no new regulations relating to the television market may be proposed without a new analysis. On December 22, 2011, referring to its final assessment of the television market, OPTA rejected previously filed requests from a number of providers to perform a new market analysis of the television market. This decision by OPTA was appealed by such providers to the Dutch Supreme Administrative Court. On November 5, 2012, the Dutch Supreme Administrative Court rejected the appeals against OPTA's decision.

In May 2012, the Dutch Senate adopted laws that (i) provide the power to OPTA to impose an obligation for the mandatory resale of television services and to the Commissariaat voor de Media to supervise a new introduced resale by law obligation and (ii) provide for "net neutrality" on the internet, including limitations on the ability of broadband service providers to delay, choke or block traffic except under specific circumstances.

These laws became effective on January 1, 2013 notwithstanding the above- described November 5, 2012 decision of the Dutch Supreme Administrative Court. On October 24, 2012, the European Commission opened formal infringement proceedings against the Dutch government on the basis that the new laws pertaining to resale breach EU law. We agree with the EU that the new laws pertaining to resale are contrary to EU law and we, along with other market participants, will contest their application. We have received requests under the new Commissariaat voor de Media resale regulation and are in early negotiations. We cannot predict the outcome of these negotiations nor whether or when we will begin selling our television services in the Netherlands pursuant to the new resale regulation. In this regard, any implementation of a resale regime would likely take several months or more and, if implemented, its application may strengthen our competitors by granting them resale access to our network to offer competing products and services notwithstanding our substantial historical financial outlays in developing the infrastructure. In addition, any resale access granted to our competitors could (i) limit the bandwidth available to us to provide new or expanded products and services to the customers served by our network and (ii) adversely impact our ability to maintain or increase our revenue and cash flows. The new regulation concerning “net neutrality” needs to work within a broader EU framework, requires some implementation by relevant authorities and is subject to challenge by market participants. It is unclear therefore what its impact on our business and the industry in general will be at this stage, if any.

Other Regulatory Issues. Video distribution, broadband internet, telephony and content businesses are regulated in each of the countries in which we operate. The scope of regulation varies from country to country, although in some significant respects regulation in European markets is harmonized under the regulatory structure of the EU. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, 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. In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) wage, property, sales and other tax issues and (iii) disputes over interconnection, programming, copyright and carriage fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from the estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations or cash flows in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

(16) Segment Reporting

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

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

Beginning in the fourth quarter of 2012, the management responsibility for certain of our operations in Switzerland was transferred to our Austrian operations and, accordingly, such operations are now reported within our Other Western Europe segment. Segment information for all periods presented has been retrospectively revised to reflect this change. We have identified the following consolidated operating segments as our reportable segments:

- UPC Europe:
  - The Netherlands
  - Switzerland
  - Other Western Europe
  - Central and Eastern Europe
- VTR (Chile)

All of the reportable segments set forth above derive their revenue primarily from broadband communications services, including video, broadband internet and telephony services. Most reportable segments also provide business-to-business (B2B) services. At December 31, 2012, our UPC Europe operating segments provided broadband communications services in nine European countries and DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia through a Luxembourg- based organization that we refer to as "UPC DTH." Our Other Western Europe segment includes our broadband communications operating segments in Austria and Ireland. Our Central and Eastern Europe segment includes our broadband communications operating segments in the Czech Republic, Hungary, Poland, Romania and Slovakia. VTR provides video, broadband internet and telephony services in Chile. UPC Europe's central and other category includes (i) the UPC DTH operating segment, (ii) costs associated with certain centralized functions, including billing systems, network operations, technology, marketing, facilities, finance and other administrative functions and (iii) intersegment eliminations within UPC Europe.

Performance Measures of Our Reportable Segments

The amounts presented below represent 100% of each of our reportable segment's revenue and operating cash flow. As we have the ability to control VTR, we consolidate 100% of the revenue and expenses of VTR in our consolidated statements of operations despite the fact that a third party owns a significant interest in VTR. The noncontrolling owners' interest in the operating results of VTR and other less significant majority-owned subsidiaries are reflected in net earnings or loss attributable to noncontrolling interests in our consolidated statements of operations.

	Year ended December 31,					
	2012		2011		2010	
	Revenue	Operating cash flow	Revenue	Operating cash flow	Revenue	Operating cash flow
	in millions					
UPC Europe:						
The Netherlands	€ 955.6	€ 573.1	€ 914.9	€ 542.5	€ 871.6	€ 507.8
Switzerland	979.6	558.4	921.3	518.5	804.9	443.5
Other Western Europe	659.5	316.9	641.8	300.6	624.9	288.5
Total Western Europe	2,594.7	1,448.4	2,478.0	1,361.6	2,301.4	1,239.8
Central and Eastern Europe	867.5	431.7	806.6	393.5	754.5	374.3
Central and other	91.2	(122.2)	89.3	(95.3)	81.4	(90.3)
Total UPC Europe	3,553.4	1,757.9	3,373.9	1,659.8	3,137.3	1,523.8
VTR (Chile)	718.2	316.0	639.4	271.0	602.6	251.7
Total	€ 4,271.6	€ 2,073.9	€ 4,013.3	€ 1,930.8	€ 3,739.9	€ 1,775.5

The following table provides a reconciliation of total segment operating cash flow to loss before income taxes:

	Year ended December 31,		
	2012	2011	2010
	in millions		
Total segment operating cash flow	€ 2,073.9	€ 1,930.8	€ 1,775.5
Stock-based compensation expense	(17.8)	(13.5)	(17.3)
Related-party fees and allocations, net	2.4	(5.9)	(18.1)
Depreciation and amortization	(1,037.3)	(970.2)	(974.0)
Impairment, restructuring and other operating items, net	(8.2)	(26.8)	(16.0)
Operating income	1,013.0	914.4	750.1
Interest expense:			
Third-party	(594.1)	(518.9)	(456.8)
Related-party	(848.5)	(655.0)	(406.0)
Interest income	5.5	4.3	5.1
Realized and unrealized losses on derivative instruments, net	(559.7)	(3.6)	(813.5)
Foreign currency transaction gains (losses), net	197.9	(270.5)	47.8
Realized and unrealized gains (losses) due to changes in fair values of certain investments, net	0.2	(9.5)	0.2
Losses on debt modification and extinguishment, net	(12.7)	(11.7)	(17.8)
Other expense, net	(0.9)	(2.0)	(3.8)
Loss before income taxes	€ (799.3)	€ (552.5)	€ (894.7)

Balance Sheet Data of our Reportable Segments

Selected balance sheet data of our reportable segments is set forth below:

	Long-lived assets		Total assets	
	December 31,		December 31,	
	2012	2011	2012	2011
	in millions			
UPC Europe:				
The Netherlands	€ 1,802.1	€ 1,792.8	€ 2,052.7	€ 2,041.9
Switzerland	3,550.5	3,575.9	3,826.9	3,896.3
Other Western Europe	1,429.8	1,461.0	1,491.3	1,514.6
Total Western Europe	6,782.4	6,829.7	7,370.9	7,452.8
Central and Eastern Europe	2,171.7	2,117.5	2,235.8	2,206.8
Central and other	262.2	223.3	797.1	750.1
Total UPC Europe	9,216.3	9,170.5	10,403.8	10,409.7
VTR (Chile)	933.4	876.3	1,029.3	1,000.2
Total	€ 10,149.7	€ 10,046.8	€ 11,433.1	€ 11,409.9

Property and Equipment Additions of our Reportable Segments

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

	Year ended December 31,		
	2012	2011	2010
	in millions		
UPC Europe:			
The Netherlands	€ 172.3	€ 166.6	€ 124.5
Switzerland	173.2	169.5	160.1
Other Western Europe	112.7	139.4	149.5
Total Western Europe	458.2	475.5	434.1
Central and Eastern Europe	176.7	144.9	154.3
Central and other	120.2	120.7	82.4
Total UPC Europe	755.1	741.1	670.8
VTR (Chile)	160.6	132.1	131.6
Property and equipment additions	915.7	873.2	802.4
Assets acquired under capital-related vendor financing arrangements (including related-party amounts)	(160.6)	(73.2)	—
Assets acquired under capital leases	(1.9)	(1.4)	(5.9)
Asset acquisitions settled through increases to shareholder loan	(31.2)	—	—
Assets contributed by parent company	(10.2)	—	—
Changes in current liabilities related to capital expenditures (including related-party amounts)	12.0	(17.0)	(0.5)
Total capital expenditures	€ 723.8	€ 781.6	€ 796.0

Revenue by Major Category

Our revenue by major category is set forth below:

	Year ended December 31,		
	2012	2011 (a)	2010 (a)
		in millions	
Subscription revenue (b):			
Video	€ 2,064.3	€ 1,981.0	€ 1,860.5
Broadband internet	1,131.6	1,023.4	940.6
Telephony	615.5	574.0	535.6
Total subscription revenue	3,811.4	3,578.4	3,336.7
Non-subscription revenue (c)	460.2	434.9	403.2
Total	€ 4,271.6	€ 4,013.3	€ 3,739.9

(a) Effective January 1, 2012, we began classifying the monthly revenue derived from certain small office and home office (SOHO) subscribers as subscription revenue. SOHO subscribers pay a premium price to receive enhanced service levels along with video programming, internet or telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. Prior period amounts have been conformed to the current period presentation by reclassifying the corresponding SOHO revenue from non-subscription revenue to subscription revenue.

(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 B2B, interconnect and installation revenue.

Geographic Segments

The revenue of our geographic segments is set forth below:

	Year ended December 31,		
	2012	2011	2010
		in millions	
Europe:			
The Netherlands	€ 955.6	€ 914.9	€ 871.6
Switzerland	979.6	921.3	804.9
Austria	328.0	332.7	345.1
Ireland	331.5	309.1	279.8
Poland	349.8	281.3	238.3
Hungary	193.1	194.4	189.6
The Czech Republic	176.1	180.8	169.8
Romania	101.1	103.1	111.1
Slovakia	47.4	47.0	45.7
Other (a)	91.2	89.3	81.4
Total Europe	3,553.4	3,373.9	3,137.3
Chile	718.2	639.4	602.6
Total	€ 4,271.6	€ 4,013.3	€ 3,739.9

(a) Primarily represents revenue of UPC DTH from customers located in Hungary, the Czech Republic, Romania and Slovakia.

The long-lived assets of our geographic segments are set forth below:

	December 31,	
	2012	2011
	in millions	
Europe:		
The Netherlands	€ 1,802.1	€ 1,792.8
Switzerland	3,550.5	3,575.9
Austria	871.2	881.6
Ireland	558.6	579.4
Poland	888.7	838.5
Hungary	472.2	433.4
The Czech Republic	561.3	588.3
Romania	151.7	158.9
Slovakia	97.8	98.4
Other (a)	262.2	223.3
Total Europe	9,216.3	9,170.5
Chile	933.4	876.3
Total	€ 10,149.7	€ 10,046.8

(a) Primarily represents long-lived assets of UPC Europe's central operations, which are located in the Netherlands.

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