Condensed Consolidated Financial Statements
March 31, 2011

UNITYMEDIA GMBH
Aachener Strasse 746-750
50933 Cologne
Germany

UNITYMEDIA GMBH
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UNITYMEDIA GMBH
(see note 1)

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2011	December 31, 2010
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 100.4	€ 58.7
Trade receivables, net	46.3	35.4
Other current assets (note 4)	12.4	11.4
Total current assets	159.1	105.5
Property and equipment, net (note 6)	2,015.6	2,029.2
Goodwill	1,436.1	1,436.1
Intangible assets subject to amortization, net (note 6)	633.3	656.8
Derivative instruments (note 4)	24.2	50.3
Other noncurrent assets	21.3	22.2
Total noncurrent assets	4,130.5	4,194.6
Total assets	€ 4,289.6	€ 4,300.1

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

UNITYMEDIA GMBH
(see note 1)

CONDENSED CONSOLIDATED BALANCE SHEETS - continued

	March 31, 2011	December 31, 2010
	in millions	
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current liabilities:		
Accounts payable	€ 22.6	€ 34.3
Accrued liabilities	146.3	152.7
Accounts payable and accrued liabilities – related party (note 10)	13.4	4.2
Provisions	8.0	18.6
Deferred revenue and advance payments from subscribers and others	148.0	67.7
Current portion of debt and finance lease obligations (note 7)	79.0	21.8
Other current liabilities (note 5)	10.1	10.4
Total current liabilities	427.4	309.7
Long-term debt and finance lease obligations (note 7)	2,576.0	2,689.8
Notes payable – related party (note 10)	1,192.3	1,167.0
Deferred tax liabilities	331.8	333.3
Other long-term liabilities	18.8	17.7
Total noncurrent liabilities	4,118.9	4,207.8
Total liabilities	4,546.3	4,517.5
Commitments and contingencies (note 11)		
Shareholder's deficit (note 9):		
Share capital	—	—
Additional paid-in capital	17.0	17.0
Accumulated deficit	(273.7)	(234.4)
Total shareholder's deficit	(256.7)	(217.4)
Total liabilities and shareholder's deficit	€ 4,289.6	€ 4,300.1

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

UNITYMEDIA GMBH
(see note 1)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended March 31,	
	2011	2010
	in millions	
Revenue	€ 245.8	€ 159.3
Operating costs and expenses:		
Operating (other than depreciation and amortization) (OpEx) (note 10)	68.1	47.7
Selling, general and administration expenses (other than depreciation and amortization) (SG&A)	31.9	23.0
Restructuring and other operating charges (note 3)	—	23.3
Related-party fees and allocations, net (note 10)	7.5	5.8
Total operating costs and expenses	107.5	99.8
Earnings before interest, taxes, depreciation and amortization (EBITDA)	138.3	59.5
Depreciation and amortization	93.1	64.4
Earnings (loss) before interest and taxes (EBIT)	45.2	(4.9)
Interest expense:		
Third party	(61.6)	(69.5)
Related party (note 10)	(25.3)	(16.9)
Foreign currency transaction gains (losses), net	37.2	(5.8)
Realized and unrealized losses on derivative instruments, net (note 4)	(29.1)	(1.7)
Other financial income (expense), net	(1.0)	0.1
Net financial expense	(79.8)	(93.8)
Loss from continuing operations before income taxes	(34.6)	(98.7)
Income tax benefit (expense) (note 8)	(4.7)	2.0
Loss from continuing operations, net of taxes	(39.3)	(96.7)
Loss from discontinued operations (note 3)	—	(0.3)
Net loss/comprehensive loss (a)	€ (39.3)	€ (97.0)
Further details of OpEx and SG&A:		
Direct costs (interconnect, programming, copyright and other)	€ 21.8	€ 15.9
Staff-related costs (excluding restructuring charges)	22.9	15.8
Network operating and technical service costs	22.3	15.0
Sales and marketing costs	15.2	10.7
Indirect costs – other	17.8	13.3
	€ 100.0	€ 70.7
Further detail of restructuring and other operating charges:		
Direct acquisition costs (note 3)	€ —	€ 23.3

(a) There were no items of comprehensive income in the current year or prior period other than the loss for the period and, accordingly, no statement of comprehensive income or loss is presented.

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

Unitymedia

UNITYMEDIA GMBH
(see note 1)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIT

	Additional paid in capital	Accumulated deficit	Total shareholder's deficit
		in millions	
Balance at January 1, 2011	€ 17.0	€ (234.4)	€ (217.4)
Net loss	—	(39.3)	(39.3)
Balance at March 31, 2011	€ 17.0	€ (273.7)	€ (256.7)

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

UNITYMEDIA GMBH
(see note 1)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31,	
	2011	2010
	in millions	
Cash flows from operating activities:		
Net loss	€ (39.3)	€ (97.0)
Loss from discontinued operations	—	0.3
Loss from continuing operations	(39.3)	(96.7)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:		
Restructuring and other operating charges	—	23.3
Related-party fees and allocations, net	7.5	5.8
Depreciation and amortization	93.1	64.4
Amortization of deferred financing costs and non-cash interest accretion	2.9	2.8
Non-cash related-party interest expense	25.3	16.9
Foreign currency transaction losses (gains), net	(37.2)	5.8
Realized and unrealized losses on derivative instruments, net	29.1	1.7
Deferred tax expense (benefit)	(1.4)	(2.9)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	110.7	110.5
Net cash provided by operating activities from continuing operations	190.7	131.6
Net cash provided by discontinued operations	—	2.0
Net cash provided by operating activities	190.7	133.6
Cash flows from investing activities:		
Capital expenditures	(68.8)	(34.6)
Cash paid in connection with acquisitions, net of cash acquired	—	(1,880.1)
Net cash used by investing activities	(68.8)	(1,914.7)
Cash flows from financing activities:		
Repayments of third-party debt and finance lease obligations	(80.2)	(1,685.1)
Increase in cash collateral	—	2,593.6
Borrowings of third-party debt	—	35.0
Net related-party borrowings	—	1,015.7
Net cash paid related to derivative instruments	—	(66.7)
Payment of financing costs and debt premiums	—	(27.1)
Other financing activities	—	3.8
Net cash provided (used) by financing activities	(80.2)	1,869.2
Net increase in cash and cash equivalents	41.7	88.1
Cash and cash equivalents:		
Beginning of period	58.7	—
End of period	€ 100.4	€ 88.1
Cash paid for interest (excluding payments related to derivative instruments)	€ 0.2	€ 40.8
Net cash paid for taxes	€ 3.0	€ 3.5

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

(1) Basis of Presentation

Unitymedia GmbH (Unitymedia) is an indirect subsidiary of Liberty Global, Inc. (LGI). Unitymedia was formed by LGI on October 15, 2009 and registered with the trade register on October 23, 2009 in contemplation of the issuance of debt financing in connection with Unitymedia's then potential acquisition of the entity (Old Unitymedia) that owned the second largest cable operator in Germany. The sole shareholder of Unitymedia is UPC Germany Holding B.V., Schiphol-Rijk, Netherlands (UPC Germany Holding).

Unitymedia, which operates in the German states of Hesse and North Rhine-Westphalia, provides video, broadband internet and telephony services to its customers. In addition to this core business, Unitymedia's arena segment operated a direct-to-home satellite (DTH) digital pay TV platform that, as further described in note 3, we closed down effective September 30, 2010. We have presented Unitymedia's arena segment as a discontinued operation in our condensed consolidated statements of operations and cash flows. As such, all statement of operations and cash flow statement amounts presented in the notes to these consolidated financial statements relate only to our continuing operations, unless otherwise noted. In the following text, the terms "Unitymedia," "we," "our," "our company," and "us" may refer, as the context requires, to Unitymedia or collectively to Unitymedia and its subsidiaries.

On September 16, 2010, Old Unitymedia merged with Unitymedia and Unitymedia became the surviving entity (the Unitymedia Merger). The Unitymedia Merger, along with the new basis of accounting that resulted from Unitymedia's January 28, 2010 acquisition from Unity Media S.C.A., Luxembourg, the former shareholder of Old Unitymedia, of 100% of Old Unitymedia (the Liberty Global Transaction), has been given effect as of January 28, 2010 in the accompanying condensed consolidated financial statements. As further described in note 3, the new basis of accounting was allocated to the identifiable assets and liabilities of Old Unitymedia based on assessments of their respective fair values, and the excess of the purchase price over the adjusted fair values of such identifiable net assets was allocated to goodwill.

Our unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34. These unaudited condensed consolidated financial statements should be read in conjunction with our 2010 consolidated financial statements and notes thereto included in our 2010 Annual Report, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

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

The UM Senior Secured Notes and UM Senior Notes, each as defined in note 7, are listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF Market, which is not a regulated market (as defined by Article 1(13) of Directive 93/22/EEC).

Unless otherwise indicated, convenience translations into euros are calculated as of March 31, 2011.

These condensed consolidated financial statements were approved for publication by the Managing Directors on May 23, 2011.

(2) Segment Reporting

Through September 30, 2010, we had two segments, cable and arena. Following the September 30, 2010 closure of our arena segment, as discussed in note 3, we operate in the cable segment only. Our cable segment provides video, broadband internet and telephony services to residential and business customers over an integrated broadband communications network.

We operate in one geographical area, the country of Germany.

The revenue of our cable segment by major product category is as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
	in millions	
Subscription revenue (a):		
Video	€ 154.4	€ 107.5
Broadband internet	27.1	14.0
Telephony	33.6	18.8
Total subscription revenue	215.1	140.3
Other revenue (b)	30.7	19.0
Total revenue	€ 245.8	€ 159.3

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees, and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the stand-alone price for each individual service.

(b) Other revenue includes non-subscription revenue (including carriage fee, installation fee and interconnect revenue).

(3) Acquisition and Discontinued Operation

Acquisition

On January 28, 2010, Unitymedia completed the Liberty Global Transaction, whereby Unitymedia paid cash of €2,006.0 million (the Old Unitymedia Purchase Price), to acquire from Unity Media S.C.A. all of the issued and outstanding capital stock of Old Unitymedia. In addition to the €2,006.0 million Old Unitymedia Purchase Price, we acquired Old Unitymedia's net debt (aggregate principal amount of debt and capital lease obligations outstanding less cash and cash equivalents) of €1,586.3 million at January 28, 2010 and incurred direct acquisition costs of €23.3 million, which were recorded during the first quarter of 2010 and which are included in restructuring and other operating charges in our condensed consolidated statements of operations. The Liberty Global Transaction was completed in order to achieve certain financial, operational and strategic benefits through the integration of Old Unitymedia with LGI's existing European operations.

The Old Unitymedia Purchase Price was funded with (i) €849.2 million of cash from certain escrow accounts associated with the Unitymedia Senior Notes (as defined in note 7) and (ii) a note payable to UPC Germany Holding, as further described in note 10.

We have accounted for the Liberty Global Transaction using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill.

The following pro forma statement of operations data of Unitymedia for the three months ended March 31, 2010 gives effect to (i) the formation of Unitymedia, (ii) the Unitymedia Merger, (iii) the Liberty Global Transaction and (iv) the refinancing of Old Unitymedia's debt as if such transactions had been completed as of January 1, 2010. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on such dates. The pro forma adjustments are based on currently available information and certain assumptions that we believe are reasonable (in millions):

Revenue:		
Video	€	153.8
Broadband internet		19.7
Telephony		27.0
Other revenue		27.1
		227.6
Operating costs and expenses:		
OpEx		70.4
SG&A		33.7
Restructuring and other operating charges		23.3
Related-party fees and allocations, net		5.8
		133.2
EBITDA		94.4
Depreciation and amortization		91.7
EBIT		2.7
Interest expense:		
Third party		(60.2)
Related party		(24.6)
Foreign currency transaction losses, net		(2.8)
Realized and unrealized losses on derivative instruments, net		(7.3)
Other financial income		0.1
Net financial expense		(94.8)
Loss before income taxes		(92.1)
Income tax benefit		1.8
Loss from continuing operations	€	(90.3)
Further details of OpEx and SG&A:		
Direct costs (interconnect, programming, copyright and other)	€	23.1
Staff-related costs		22.9
Network operating and technical service costs		22.6
Sales and marketing costs		16.7
Indirect costs – other		18.8
	€	104.1
Further details of Restructuring and other operating charges:		
Direct acquisition costs	€	23.3

Our condensed consolidated statement of operations for the three months ended March 31, 2010 includes revenue and net loss attributable to Old Unitymedia for the period from January 28, 2010 through March 31, 2010 of €159.3 million and €18.0 million, respectively.

Discontinued Operations

Effective September 30, 2010, we closed down the DTH operations of our arena segment. The operating results of our arena segment from January 28, 2010 to March 31, 2010 are classified as discontinued operations in our condensed consolidated statement of operations and are summarized in the following table (in millions):

Revenue	€ 2.5
Operating costs and expenses	€ 2.5
EBITDA	€ —
Loss before income taxes	€ —
Income tax expense	€ (0.3)
Loss from discontinued operations	€ (0.3)

(4) Derivative Instruments

We have entered into certain derivative instruments to manage foreign currency exposure with respect to the U.S. dollar. We are also party to an interest rate swap contract that was originally entered into to manage interest rate risk with respect to our senior secured floating rate notes due 2013, which were repaid on March 2, 2010.

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

	March 31, 2011			December 31, 2010		
	Current (a)	Long-term	Total	Current (a)	Long-term	Total
	in millions					
Assets:						
Cross-currency derivative contracts (b)	€ 0.2	€ 24.2	€ 24.4	€ 3.0	€ 50.3	€ 53.3
Liabilities:						
Interest rate derivative contract (b)	€ 4.5	€ —	€ 4.5	€ 9.2	€ —	€ 9.2

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

(b) We consider credit risk in our fair value assessments. As of March 31, 2011 and December 31, 2010, (i) the fair values of our cross-currency derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €1.4 million and €3.2 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 that were not significant. Adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market. The changes in the credit risk valuation adjustments associated with our derivative instruments resulted in a net gain (loss) of €1.7 million and (€8.8 million) during the three months ended March 31, 2011 and 2010, respectively, and these amounts are included in realized and unrealized losses on derivative instruments, net in our condensed consolidated statements of operations. For further information concerning our fair value measurements, see note 5.

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

	Three months ended March 31, 2011	Three months ended March 31, 2010
	in millions	
Cross-currency derivative contracts	€ (29.0)	€ 0.5
Interest rate derivative contract	(0.1)	(2.2)
Total	€ (29.1)	€ (1.7)

The net cash paid related to our derivative instruments is classified as an operating, investing or financing activity in our condensed consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. The classifications of these cash outflows are as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
	in millions	
Operating activities	€ (4.8)	€ (10.0)
Financing activities	—	(66.6)
Total	€ (4.8)	€ (76.6)

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swap:

The terms of our outstanding cross-currency swap contracts at March 31, 2011 are as follows:

Maturity date	Notional amount due from counterparty	Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
	in millions			
December 2017	$ 845.0	€ 569.4	8.13%	8.49%

Interest Rate Swap:

The terms of our outstanding interest rate swap contract at March 31, 2011 are as follows:

Maturity date	Notional amount	Interest rate due from counterparty	Interest rate due to counterparty
	in millions		
April 2011	€ 800.0	3 months EURIBOR	3.35 %

(5) Fair Value Measurements

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

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

As further described in note 4, we have entered into derivative instruments to manage our interest rate risk and our foreign currency risk with respect to the U.S. dollar. Our derivative financial instruments are measured at fair value as the present value of the estimated future cash flows based on observable yield curves and fall under the Level 2 fair value hierarchy. The fair value measurements of these derivative instruments are determined using discounted cash flow models. All but one of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes interest rates, swap rates and yield curves, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative instruments, we believe that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 4. The reported fair values of our derivative assets and liabilities as of March 31, 2011 likely will not represent the value that will be realized upon their ultimate settlement or disposition. In this regard, we expect that the values realized will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

As of March 31, 2011, we had no additional financial assets and liabilities accounted at fair value apart from derivatives, thus no financial assets and liabilities that fall under Level 1 or Level 3 of the fair value hierarchy.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of reporting units, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of reporting units is based at least in part on discounted cash flow analyses. With the exception of certain inputs in our discount rate assumptions that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges, and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During 2010, we performed nonrecurring fair value measurements in connection with acquisitions and goodwill impairment assessments. For additional information, see note 3.

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

	Category according to IAS 39 (a)	March 31, 2011 Carrying amount	March 31, 2011 Fair value	December 31, 2010 Carrying amount	December 31, 2010 Fair value
		in millions			
Assets carried at fair value:					
Derivative financial instruments	I	€ 24.4	€ 24.4	€ 53.3	€ 53.3
Assets carried at cost or amortized cost:					
Trade receivables	II	€ 46.3	€ 46.3	€ 35.4	€ 35.4
Restricted cash	II	1.6	1.6	1.6	1.6
Other current and long-term financial assets	II	15.9	15.9	9.1	9.1
Cash and cash equivalents	II	100.4	100.4	58.7	58.7
Total assets carried at cost or amortized cost		€ 164.2	€ 164.2	€ 104.8	€ 104.8
Liabilities carried at fair value:					
Derivative financial instruments	I	€ 4.5	€ 4.5	€ 9.2	€ 9.2
Liabilities carried at cost or amortized cost:					
Debt obligation and accrued interest	III	€ 2,650.6	€ 2,935.6	€ 2,707.0	€ 3,012.0
Notes payable – related party	III	1,192.3	1,192.3	1,167.0	1,167.0
Finance lease obligations	III	4.4	4.4	4.6	4.6
Total liabilities carried at cost or amortized cost		€ 3,847.3	€ 4,132.3	€ 3,878.6	€ 4,183.6

(a) Category I refers to financial assets and liabilities held for trading. Category II refers to loans and receivables. Category III refers to financial liabilities.

(6) Long-lived Assets

Property and Equipment, Net

The following table represents the reconciliation of carrying amounts of property and equipment at the beginning and end of the period from January 1, 2011 until March 31, 2011:

	Cable distribution systems	Support equipment, buildings and land	Total
		in millions	
Cost:			
January 1, 2011	€ 2,129.4	€ 106.3	€ 2,235.7
Additions	43.5	1.5	45.0
Disposal	(1.6)	—	(1.6)
March 31, 2011	€ 2,171.3	€ 107.8	€ 2,279.1
Accumulated depreciation:			
January 1, 2011	€ 193.2	€ 13.3	€ 206.5
Depreciation	54.3	4.3	58.6
Disposal	(1.6)	—	(1.6)
March 31, 2011	€ 245.9	€ 17.6	€ 263.5
Property and equipment, net:			
March 31, 2011	€ 1,925.4	€ 90.2	€ 2,015.6

During the three months ended March 31, 2011, no borrowing costs were capitalized.

Intangible Assets Subject to Amortization, Net

The following table represents the reconciliation of carrying amounts of intangible assets at the beginning and end of the period from January 1, 2011 until March 31, 2011:

	Customer relationships	Trade name	Other	Total
		in millions		
Cost:				
January 1, 2011	€ 731.6	€ 9.0	€ 30.7	€ 771.3
Additions	11.0	—	—	11.0
Disposal	(6.9)	—	—	(6.9)
March 31, 2011	€ 735.7	€ 9.0	€ 30.7	€ 775.4
Accumulated amortization:				
January 1, 2011	€ 101.7	€ 1.7	€ 11.1	€ 114.5
Amortization	31.9	0.4	2.2	34.5
Disposal	(6.9)	—	—	(6.9)
March 31, 2011	€ 126.7	€ 2.1	€ 13.3	€ 142.1
Intangible assets subject to amortization, net:				
March 31, 2011	€ 609.0	€ 6.9	€ 17.4	€ 633.3

(7) Debt and Finance Lease Obligations – Third-Party

As of March 31, 2011, our consolidated third-party debt included (i) €1,430.0 million principal amount of 8.125% senior secured notes (the UM Euro Senior Secured Notes), (ii) $845.0 million (€595.6 million) principal amount of 8.125% senior secured notes (the UM Dollar Senior Secured Notes, and together with the UM Euro Senior Secured Notes, the UM Senior Secured Notes), (iii) €665.0 million principal amount of 9.625% senior notes (the UM Senior Notes, and together with the UM Senior Secured Notes, the Unitymedia Senior Notes) and (iv) an €80.0 million secured credit facility (the Revolving Credit Facility).

The euro equivalents of the components of our consolidated third-party debt and finance lease obligations are as follows:

	March 31, 2011				Fair value		Carrying value (c)	
	Interest rate (a)	Borrowing currency	Euro equivalent	Unused borrowing capacity (b)	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
					in millions			
Parent:								
UM Senior Notes due 2019	9.625%	€ 665.0	€ 665.0	€ N/A	€ 728.4	€ 729.8	€ 650.7	€ 650.5
Subsidiaries:								
Revolving Credit Facility due 2014	4.726%	€ 80.0	€ 80.0	€ 80.0	€ —	€ 76.0	—	80.0
UM Euro Senior Secured Notes due 2017	8.125%	€ 1,430.0	€ 1,430.0	€ N/A	€ 1,505.2	€ 1,516.3	1,403.0	1,402.3
UM Dollar Senior Secured Notes due 2017	8.125%	$ 845.0	€ 595.6	€ N/A	€ 625.0	€ 670.4	583.9	620.2
Transaction costs							(63.9)	(65.5)
Accrued interest							76.9	19.5
Finance lease obligations							4.4	4.6
Total third-party debt and finance lease obligations							2,655.0	2,711.6
Current maturities							(79.0)	(21.8)
Long-term third-party debt and finance lease obligations							€ 2,576.0	€ 2,689.8

(a) Represents the nominal interest rate and does not include the impact of our interest rate derivative agreements, deferred financing costs, discounts or commitment fees, all of which affect our overall cost of borrowing. For information concerning our derivative instruments, see note 4. The nominal interest rate for the Revolving Credit Facility is EURIBOR + 375 basis points. Including the effects of derivative instruments, discounts and commitments fees, but excluding the impact of financing costs, our estimated weighted average interest rate on our aggregate indebtedness was approximately 8.4% at March 31, 2011. Interest payments for the Unitymedia Senior Notes commenced on June 1, 2010 and are made semi-annually on June 1 and December 1.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at March 31, 2011 without regard to covenant compliance calculations.

(c) Amounts include the impact of discounts, where applicable.

Maturities of Third-Party Debt and Finance Lease Obligations

Maturities of our third-party debt and finance lease obligations as of March 31, 2011 are presented below. Amounts presented below represent euro equivalents based on March 31, 2011 exchange rates (in millions):

Year ended December 31:		
2011 (remainder of year)	€	—
2012		—
2013		—
2014		—
2015		—
2016		—
Thereafter		2,690.6
Total third-party debt maturities		2,690.6
Unamortized discount		(53.0)
Total third-party debt		2,637.6
Present value of net minimum lease payments for finance lease obligations		4.4
Total third-party debt and finance lease obligations	€	2,642.0

(8) Income Taxes

Income tax benefit (expense) attributable to our loss from continuing operations before income taxes differs from the income tax benefit computed by applying the German income tax rate of 31.58% as a result of the following:

	Three months ended March 31, 2011	Three months ended March 31, 2010
	in millions	
Computed "expected" income tax benefit	€ 10.9	€ 31.2
Unrecognized net operating losses and interest carryforwards	(9.9)	(17.0)
Non-deductible or non-taxable interest and other expenses	(3.7)	(5.5)
Other, net	(2.0)	(6.7)
Total	€ (4.7)	€ 2.0

(9) Shareholder's Deficit

As of March 31, 2011, we reported a deficit of €39.3 million. Under the applicable rules in Germany, over-indebtedness is deemed to exist under insolvency law if the existing liabilities are no longer covered by the debtor's assets, unless an entity's ability to continue as a going concern is most likely under the circumstances known.

We assume that our ability to continue as a going concern is most likely and did not file an insolvency petition. Should the future excess of funds from operating activities not be sufficient to pay future interest charges and other obligations we will continue to depend on the financial support of UPC Germany Holding and/or additional borrowed funds to continue as a going concern.

One of our indirect parent companies (Liberty Global Europe Holding B.V., Schiphol-Rijk, Netherlands) has granted a €75 million financing commitment for us and our wholly-owned subsidiaries through December 31, 2012, of which €58.0 million is unused at March 31, 2011. Taking into account the financing commitment and based on our financial projections we expect to continue as a going concern until December 31, 2012 despite the over-indebtedness reported in the March 31, 2011 condensed consolidated balance sheet.

(10) Related Party Transactions

Our related party transactions consist of the following:

	Three months ended March 31, 2011	Three months ended March 31, 2010
	in millions	
OpEx	€ 1.8	€ —
Fees and allocations, net	7.5	5.8
Included in EBIT	9.3	5.8
Interest expense	25.3	16.9
Included in loss from continuing operations	€ 34.6	€ 22.7
Tangible assets acquired	€ 0.1	€ —

OpEx. The amounts represent charges from other LGI subsidiaries, including UPC Holding B.V. (UPC Holding), to our company for (i) technology related costs based on LGI's global contract for encryption services and (ii) certain backbone costs. Settlement of these charges is expected to occur in cash or, as jointly agreed by the parties, as an adjustment to the loan payable to UPC Germany Holding, as further described below.

Fees and allocations, net. These amounts represent charges from other LGI subsidiaries, including UPC Holding, to our company following the Liberty Global Transaction, including charges for management, finance, legal, technology, marketing and other services that support our company's broadband communications operations. The amounts charged generally are based on our company's estimated share of the applicable costs (including personnel, stock-based compensation and other costs related to the services provided) incurred by the other LGI subsidiaries plus a mark-up. The monthly amounts charged are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year. These charges have or will be settled through adjustments to the loan payable to our immediate parent as further described below.

Interest expense. Related-party interest expense relates to our notes payables to UPC Germany Holding, as further described below.

General. Although we believe that the intercompany fees and allocations described above are reasonable, no assurance can be given that the costs and expenses reflected in our condensed consolidated statements of operations are reflective of the costs that we would incur on a stand-alone basis.

Notes payable – related party. At March 31, 2011 and December 31, 2010, our notes payable – related party represented net loans payable to UPC Germany Holding. The loans primarily are the result of (i) transactions that were completed in connection with the Liberty Global Transaction and (ii) fees and allocations from other LGI subsidiaries. All principal (€1,167.0 million and €1,081.2 million at March 31, 2011 and December 31, 2010, respectively) and accrued interest (€25.3 million and €85.8 million at March 31, 2011 and December 31, 2010, respectively) outstanding under these loans is due and payable on January 1, 2030. The amounts outstanding under these loans bear interest at 8.58% per annum. Accrued interest is transferred to the loan balance annually on January 1. The net increase in the principal of the notes payable – related party during the three months ended March 31, 2011 includes (i) cash borrowings of €50.0 million, (ii) cash payments of €50.0 million and (iii) the transfer of €85.8 million in non-cash accrued interest to the loan balance.

Accounts payable and accrued liabilities – related party. At March 31, 2011 and December 31, 2010, our accounts payable and accrued liabilities – related party represent (i) various fees and allocations from other LGI subsidiaries, which, as described above, are expected to be settled as adjustments to the related-party notes payable (€8.0 million and nil at March 31, 2011 and December 31, 2010, respectively), (ii) various operating expenses charged by other LGI subsidiaries (€4.3 million and €3.1 million at March 31, 2011 and December 31, 2010, respectively) and (iii) tangible assets acquired from other LGI operating subsidiaries (€1.1 million at each of March 31, 2011 and December 31, 2010).

Parent guarantee. At March 31, 2011, our accumulated deficit exceeded paid-in capital. As described in note 9, one of our indirect parent companies has granted a financing commitment for us and our wholly-owned subsidiaries through December 31, 2012. The terms of the amounts funded under this parental guarantee are the same as those for our notes payable described above.

(11) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancellable operating leases, programming contracts, purchases of customer premise equipment and other items. These include several long-term term agreements with Deutsche Telekom AG, Bonn (Deutsche Telekom) and its affiliates with respect to usage and access for underground cable ducts space, the use of fiber optic transmission systems, tower and facility space. In general, these agreements primarily impose fixed prices for a limited period of time, which may then be raised to reflect services requested additionally and increased costs, subject to index-linked limitations. Some agreements impose prices based on the cost to Deutsche Telekom of services that are passed through to us. In accordance with EU-IFRS, we treat these agreements as operating rather than finance leases or as other commitments, as applicable. We expect that in the ordinary course of business, operating leases that expire generally will be renewed or replaced by similar leases.

Guarantees and Other Credit Enhancements

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

Other Contingencies

We have contingent liabilities related to legal proceedings and other matters arising in the ordinary course of business. We expect that the amounts, if any, which may be required to satisfy these contingencies will not be material in relation to our results of operations or financial position.

Capital Risk Management

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Our principal source of liquidity includes (i) the cash and cash equivalents held by Unitymedia, (ii) borrowing availability under the Revolving Credit Facility, (iii) contributions or loans from UPC Germany Holding, Liberty Global Europe or other Liberty Global subsidiaries and (iv) subject to applicable restrictions, proceeds in the form of distributions or loans from Unitymedia Hessen, Unitymedia NRW or other operating subsidiaries.

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control.

To the extent that we are not able to fund any principal payment at maturity with respect to any of our indebtedness, we will be required to refinance this indebtedness with additional credit facilities and/or the issue of new debt or equity securities in the capital markets. Due in part to the level of our existing indebtedness, no assurance can be given that we would be able to complete such financing transactions on favorable terms, or at all. To the extent that we are unable to fund any principal payment at maturity, any failure to raise additional necessary funds to refinance such indebtedness would result in a default under the Revolving Credit Facility and our other indebtedness, including the Unitymedia Senior Notes. In addition, further indebtedness incurred could reduce the amount of our cash flow available to make payments on our indebtedness and increase our leverage. We currently anticipate that we will have to refinance in part certain principal amounts of the existing indebtedness prior to maturity.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis, which should be read in conjunction with our condensed consolidated financial statements and the discussion and analysis included in our 2010 Annual Report, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Forward-Looking Statements.* This section provides a description of certain of the factors that could cause actual results or events to differ materially from anticipated results or events.

- *Overview.* This section provides a general description of our business, our product offerings and recent events.

- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three months ended March 31, 2011 and, on a pro forma basis, the three months ended March 31, 2010, as further described below.

- *Material Changes in Financial Condition.* This section provides an analysis of our liquidity, condensed consolidated cash flow statements and our off balance sheet arrangements.

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

Forward-Looking Statements

Certain statements in this quarterly report constitute forward-looking statements. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* contain forward-looking statements, including statements regarding business, product and finance strategies, our capital expenditures, subscriber growth rates, competitive and economic factors and liquidity. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In addition to the risk factors, described in our 2010 annual report, 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 markets in which we operate;

- the competitive environment in the broadband communications and programming industries in the markets in which we operate;

- competitor responses to our products and services;

- fluctuations in currency exchange rates and interest rates;

- 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 cable, broadband internet and telephony services;

- consumer acceptance of new technology, programming alternatives and broadband services that we may offer;

- our ability to manage rapid technological changes;

- our ability to maintain or increase the number of subscriptions to our digital cable, broadband internet and telephony services and our average revenue per household;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in the markets in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that opens our broadband distribution networks to competitors;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions, as well as our ability to satisfy conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully negotiate rate increases where applicable;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the markets in which we operate;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- our ability to successfully integrate and recognize anticipated efficiencies from the businesses we acquire;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- the ability of suppliers and vendors to timely deliver products, equipment, software and services;
- the availability of attractive programming for our digital cable services at reasonable costs;
- our availability to maintain or increase our revenue from channel carriage arrangements;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners;
- changes in the nature of key relationships with Deutsche Telekom and certain of its affiliates for the access and operation of a significant portion of our network;
- our ability to successfully interact with labor councils and unions, and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, 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 quarterly report are subject to a significant degree of risk. These forward-looking statements and the above-described risks, uncertainties and other factors speak only as of the date of this quarterly report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

Overview

We are the second largest cable operator in Germany, as measured by the number of video subscribers, and a subsidiary of LGI. We provide analog and digital cable television services as well as broadband internet and telephony services to our customers who reside in our upgraded network area in the federal states of North Rhine-Westphalia and Hesse. As of March 31, 2011, we served approximately 4,477,400 video revenue generating units (RGUs) (including 1,589,500 digital cable RGUs), 840,100 internet RGUs and 838,800 telephony RGUs over a broadband communications network that passed approximately 8,694,400 homes.

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

In our upgraded network coverage area we provide an integrated triple-play service under the brand "Unity3play," offering our customers access to broadband internet, telephony and digital cable services in addition to our analog video services.

Effective September 30, 2010, we closed down our arena segment, which operated a DTH digital pay TV platform in Germany. As further discussed in note 3 to our condensed consolidated financial statements, our condensed consolidated statements of operations and cash flows have been reclassified to present our arena segment as a discontinued operation. In the following discussion and analysis, the operating statistics, results of operations, cash flows and financial condition that we present and discuss are those of our continuing operations unless otherwise indicated.

We provide the following products and services to our customers:

- *Video Services.* As of March 31, 2011, we provided our analog and digital cable services to 4,477,400 subscribers, or 51.5% of homes passed by our network. Our analog video service offerings include basic programming of up to 36 television channels, depending on the geographic area. Our digital cable service offerings include basic and premium digital programming and incremental product and service offerings such as pay-per-view programming, HD and DVR video services. As of March 31, 2011, 35.5% of our video base subscribed to digital cable services. We provide video services via individual contracts with single dwelling units or bulk contracts with landlords or housing associations. In addition, we receive carriage fees from both public and commercial broadcasters.

- *Broadband Internet Services.* We provide broadband internet services both on a retail and wholesale basis. As of March 31, 2011, we provided our broadband internet services to approximately 840,100 RGUs. Our current retail service portfolio consists of services with download speeds ranging from 16 Mbps to 128 Mbps with no time or data volume restrictions. Our customers can choose between various packages, including our core triple-play product, Unity3play. As of March 31, 2011, we had expanded the availability of our ultra high-speed broadband internet services through the deployment of Euro DOCSIS 3.0 capable equipment to approximately 84.2% of our two-way homes passed.

- *Telephony Services.* As of March 31, 2011, we provided our telephony services to approximately 838,800 RGUs. We market our telephony services principally as a component of our Unity3play and double-play product bundles and also on a standalone basis.

We added a total of 108,700 RGUs during the three months ended March 31, 2011, as compared to 92,400 RGUs that were added during the corresponding period in 2010. The RGU growth during 2011 is attributable to the growth of our (i) broadband internet services, which added 59,800 RGUs, (ii) telephony services, which added 59,500 RGUs and (iii) digital cable services, which added 55,700 RGUs. The growth of our broadband internet, telephony services and digital cable was partially offset by a decline in our analog cable RGUs of 66,300.

Competition

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

(i) satellite based and other broadband cable-based reception of analog and digital Free-to-Air (FTA) programming in our basic video business;

(ii) Sky Deutschland GmbH and Deutsche Telekom with their respective content offerings in our premium digital cable business; and

(iii) Deutsche Telekom and alternative digital subscriber line (DSL) operators with their bundled offerings in our internet and telephony business.

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

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

Material Changes in Results of Operations

This section provides an analysis of our results of operations for the three months ended March 31, 2011 and 2010. As further described in note 1 to our condensed consolidated financial statements, Old Unitymedia is not included in our historical consolidated financial statements prior to January 28, 2010. In order to provide meaningful comparisons, the following discussion and analysis of our results of operations is based on pro forma statement of operations and statistical data that gives effect to (i) the formation of Unitymedia, (ii) the Unitymedia Merger, (iii) the Liberty Global Transaction and (iv) the refinancing of Old Unitymedia’s debt as if such transactions had been completed as of January 1, 2010.

Financial Performance

Historical results for the three months ended March 31, 2011 compared to pro forma results for the three months ended March 31, 2010

The following table presents a comparison of our historical results from continuing operations for the three months ended March 31, 2011 and our pro forma results from continuing operations for the three months ended March 31, 2010:

	Three months ended March 31,	
	2011	**2010 pro forma**
	in millions	
Revenue	€ 245.8	€ 227.6
Operating costs and expenses:		
OpEx	68.1	70.4
SG&A	31.9	33.7
Restructuring and other operating charges	—	23.3
Related-party fees and allocations, net	7.5	5.8
	107.5	133.2
EBITDA	138.3	94.4
Depreciation and amortization	93.1	91.7
EBIT	45.2	2.7
Interest expense:		
Third party	(61.6)	(60.2)
Related party	(25.3)	(24.6)
Foreign currency transaction gains (losses)	37.2	(2.8)
Realized and unrealized losses on derivative instruments, net	(29.1)	(7.3)
Other financial income (expense), net	(1.0)	0.1
Net financial expense	(79.8)	(94.8)
Loss before income taxes	(34.6)	(92.1)
Income tax benefit (expense)	(4.7)	1.8
Loss from continuing operations	€ (39.3)	€ (90.3)

———————————————

N.M. – Not meaningful.

Revenue

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

	Three months ended March 31,		Increase	
	2011	2010	€	%
		pro forma in millions		
Subscription revenue:				
Video	€ 154.4	€ 153.8	€ 0.6	0.4
Broadband internet	27.1	19.7	7.4	37.6
Telephony	33.6	27.0	6.6	24.4
Total subscription revenue	215.1	200.5	14.6	7.3
Other revenue	30.7	27.1	3.6	13.3
Total	€ 245.8	€ 227.6	€ 18.2	8.0

Total revenue increased €18.2 million or 8.0% during the three months ended March 31, 2011, as compared to the corresponding period in 2010. This increase is primarily attributable to an increase in subscription revenue and, to a lesser extent, non-subscription revenue. The increase in subscription revenue is attributable to (i) higher overall ARPU and (ii) a higher average number of RGUs. The increase in overall ARPU during the three months ended March 31, 2011, as compared to the corresponding period in 2010, is primarily due to (i) an improvement in RGU mix, attributable to higher proportions of digital cable, telephony and broadband internet RGUs, and (ii) the net impact of the following factors: (a) higher ARPU due to a May 2010 price increase for certain digital cable services, (b) higher ARPU from premium digital cable products and services, (c) lower ARPU due to competition, including the impact of product bundling and promotional discounts, (d) lower ARPU due to higher proportions of customers receiving discounted analog cable services through bulk agreements (see below) and (e) lower ARPU due to a decrease in telephony call volumes for customers on usage-based calling plans. The increase in the average number of RGUs is attributable to the net effect of (i) increases in the average numbers of broadband internet, telephony and digital cable RGUs and (ii) a decline in the average number of analog cable RGUs. The decline in our average number of analog cable RGUs led to a decline in the average number of total video RGUs during the three months ended March 31, 2011, as compared to the corresponding period in 2010. This analog cable decline is primarily attributable to (i) the effects of competition and (ii) the migration of analog cable customers to digital cable services. The increase in our non-subscription revenue is primarily attributable to increases in (i) interconnect revenue and (ii) installation revenue.

Our subscription revenue includes revenue from multi-year bulk agreements with the landlord or housing association or with a third party (Professional Operator) that operates and administers the in-building network on behalf of housing associations. These bulk agreements, which generally allow for the procurement of the basic analog signals from Unitymedia at volume-based discounts, provide access to nearly two-thirds of our analog cable subscribers. The 20 largest of these agreements accounted for approximately 9% of our total revenue (including amounts billed directly by our company to the building occupants for premium cable, broadband internet and telephony services) during the three months ended March 31, 2011. No assurance can be given that our bulk agreements will be renewed or extended on financially equivalent terms or at all. our non-subscription revenue includes fees received for the carriage of channels on our analog and digital cable services. These fees, which represented approximately 8% of our total revenue during the three months ended March 31, 2011, are subject to contracts that expire or are otherwise terminable by either party at various dates ranging from 2011 through 2014. No assurance can be given that these contracts will be renewed or extended on financially equivalent terms, or at all.

OpEx

General. OpEx includes programming, network operations, interconnect, customer operations, customer care and other operating costs. Our most significant costs include payments under long term agreements with Deutsche Telekom for the use of assets and other services provided by Deutsche Telekom. The details of our OpEx are provided in the below table:

	Three months ended March 31,		Increase (decrease)	
	2011	2010 pro forma	€	%
	in millions			
Direct costs (interconnect, programming, copyright and other)	€ 21.8	€ 23.1	(1.3)	(5.6)
Staff related costs	13.8	13.8	—	—
Network operating and technical service costs	22.3	22.6	(0.3)	(1.3)
Indirect costs – other	10.2	10.9	(0.7)	(6.4)
	€ 68.1	€ 70.4	(2.3)	(3.3)

Our total OpEx decreased by €2.3 million or 3.3% during the three months ended March 31, 2011, as compared to the corresponding period in 2010. This decrease includes the following factors:

- A decrease in direct costs of €1.3 million or 5.6%, primarily attributable to (i) a decrease of €0.8 million associated with costs incurred in the prior period in connection with wireless routers, which were expensed during the 2010 period, when the routers were provided to customers free-of-charge, and capitalized during the 2011 period, when the routers were rented to customers, and (ii) a decrease in programming and related costs of €0.8 million, due primarily to lower copyright fees; and

- A decrease in indirect costs – other of €0.7 million or 6.4%, primarily attributable to the net impact of (i) an increase of €1.6 million that represents increased encryption costs, due largely to increased numbers of installed digital cable set-top boxes, (ii) a decrease in bad debt and collection expenses of €1.2 million due primarily to improved collection experience and (iii) a decrease in outsourced labor of €1.0 million due in part to a lower number of service calls.

SG&A

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

	Three months ended March 31,		Increase (decrease)	
	2011	2010 pro forma	€	%
	in millions			
Staff related costs	€ 9.1	€ 9.1	—	—
Sales and marketing costs	15.2	16.7	(1.5)	(9.0)
Indirect costs - other	7.6	7.9	(0.3)	(3.8)
	€ 31.9	€ 33.7	(1.8)	(5.3)

Our total SG&A decreased by €1.8 million or 5.3% during the three months ended March 31, 2011, as compared to the corresponding period in 2010. This decrease is primarily attributable to a decrease in sales and marketing costs of €1.5 million or 9.0%.

Restructuring Costs and Other Operating Charges

We recognized restructuring costs and other operating charges of €23.3 million during the three months ended March 31, 2010. This amount represents direct acquisition costs incurred in connection with the Liberty Global Transaction (see note 3).

Related-Party Fees and Allocations, net

We recorded expenses of €7.5 million and €5.8 million during the three months ended March 31, 2011 and 2010, respectively, related to corporate services performed by LGI. These amounts represent charges from other LGI subsidiaries to our company following the Liberty Global Transaction, including charges for management, finance, legal, technology, marketing and other services that support our company's operations. For further details, please see note 10 to our condensed consolidated financial statements.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by €1.4 million or 1.5% during the three months ended March 31, 2011 as compared to the corresponding period in 2010. This increase is primarily due to an increase in property and equipment related to capital expenditures, partially offset by a decrease associated with changes in the estimated useful lives of certain property and equipment that were made during the second half of 2010.

Net Financial Expense

The net financial expense primarily includes interest income, interest expense, foreign currency transaction gains (losses), and realized and unrealized gains (losses) on derivative instruments. As further described below, our net financial expense during the three months ended March 31, 2011 decreased to €79.8 million, compared to €94.8 million during the corresponding period in 2010.

Interest expense – third party

Interest expense – third party increased by €1.4 million or 2.3% during the three months ended March 31, 2011, as compared to the corresponding period in 2010.

Interest expense – related party

Interest expense – related party increased €0.7 million or 2.8% during the three months ended March 31, 2011, as compared to the corresponding period in 2010. Our related-party interest expense relates to our loans payable to UPC Germany Holding, as further described in note 9 to our condensed consolidated financial statements.

Foreign currency transaction gains (losses)

We recognized foreign currency transaction gains (losses) of €37.2 million and (€2.8 million) during the three months ended March 31, 2011 and 2010, respectively. These changes primarily resulted from the remeasurement of the UM Dollar Senior Secured Notes into euros.

Realized and unrealized losses on derivative instruments, net

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

	Three months ended March 31,	
	2011	2010 pro forma
	in millions	
Cross-currency derivative contracts	€ (29.0)	€ (2.7)
Interest rate derivative contract	(0.1)	(4.6)
Total	€ (29.1)	€ (7.3)

Income tax benefit (expense)

We recognized income tax benefit (expense) of (€4.7 million) and €1.8 million during the three months ended March 31, 2011 and 2010, respectively. The income tax benefit (expense) during the three months ended March

31, 2011 and 2010 differs from the expected income tax benefit of €10.9 million and €29.1 million, respectively (based on the German 31.58% income tax rate), due primarily to the negative impacts of (i) a net increase in unrecognized net operating losses and interest carryforwards and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other nondeductible expenses.

Loss from Continuing Operations

We reported losses from continuing operations of €39.3 million and €90.3 million during the three months ended March 31, 2011 and 2010, respectively.

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

Financial Condition

Sources and Uses of Cash

Cash and cash equivalents

Although our consolidated operating subsidiaries have generated cash from operating activities, the terms of the indentures for the Unitymedia Senior Notes governing the indebtedness of Unitymedia Hessen, Unitymedia NRW and Unitymedia restrict our ability to access the assets of our subsidiaries. Our subsidiaries accounted for substantially all of our consolidated cash and cash equivalents (€100.4 million at March 31, 2011). In addition, our ability to access the liquidity of our subsidiaries may be limited by tax considerations or other factors.

Liquidity of Unitymedia

Our principal source of corporate liquidity includes (i) the cash and cash equivalents held by Unitymedia, (ii) borrowing availability under the Revolving Credit Facility, (iii) contributions or loans from UPC Germany Holding and (iv) subject to the restrictions noted above, proceeds in the form of distributions or loans from Unitymedia Hessen, Unitymedia NRW or other operating subsidiaries.

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

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

In addition to cash and cash equivalents, the primary sources of liquidity of Unitymedia Hessen, Unitymedia NRW and our other operating subsidiaries is cash provided by operations and, in the case of Unitymedia Hessen and Unitymedia NRW, any borrowing availability under the Revolving Credit Facility. At March 31, 2011, the Revolving Credit Facility was undrawn. The liquidity of Unitymedia Hessen, Unitymedia NRW and our other operating subsidiaries generally is used to capital expenditures and interest payments on our outstanding debt. For a discussion of our consolidated capital expenditures, cash provided by operating activities and cash used by financing activities, see the discussion under *Condensed Consolidated Cash Flow Statements* below. Our subsidiaries may also require funding in connection with (i) the repayment of outstanding debt, (ii) acquisitions and other investment opportunities or (iii) distributions or loans to Unitymedia. Due in part to the level of the existing indebtedness of Unitymedia Hessen and Unitymedia NRW, no assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

Capitalization

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash on hand, the cash provided from the operations of our subsidiaries, any available borrowings under the Revolving Credit Facility and a €75 million financing commitment from another LGI subsidiary, of which €58.0 million is unused at March 31, 2011, will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements through December 31, 2012, although we cannot assure you that this will be the case.

To the extent that we are not able to fund any principal payment at maturity with respect to any of our indebtedness, we will be required to refinance this indebtedness with additional credit facilities and/or the issuance of new debt or equity securities in the capital markets. Due in part to the level of our existing indebtedness, no assurance can be given that we would be able to complete such financing transactions on favorable terms, or at all. To the extent that we are unable to fund any principal payment at maturity, any failure to raise additional necessary funds to refinance such indebtedness would result in a default under the Revolving Credit Facility and our other indebtedness, including the Unitymedia Senior Notes. In addition, further indebtedness incurred could reduce the amount of our cash flow available to make payments on our indebtedness and increase our leverage. We currently anticipate that we will have to refinance in part certain principal amounts of the existing indebtedness at maturity.

Seasonality

Certain aspects of our liquidity are subject to seasonal factors. In particular we have a disproportionately high level of annual prepayments in December, January and February, which results in higher levels of trade receivable and cash flow from operations in these months each year, offset by associated value added tax payments. We also generally have a higher relative level of capital expenditures in the second half of each calendar year, which generally results in higher payments in the fourth and first quarters of each calendar year. Our interest payments for our outstanding Unitymedia Senior Notes are paid semi-annually at June 1 and December 1.

Condensed Consolidated Cash Flow Statements

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

Summary. During the three months ended March 31, 2011, we used net cash provided by our operating activities of €190.7 million to fund net cash used by our investing activities of €68.8 million, net cash used by our financing activities of €80.2 million and a €41.7 million increase in our existing cash and cash equivalents.

Cash flows provided by operating activities

Net cash provided by our operating activities increased €59.1 million, from €131.6 million during the 2010 period to €190.7 million during the first three months of 2011. This increase in cash is provided is primarily attributable to (i) an increase due to lower cash payments for interest, primarily related to the March 2, 2010 repayment of Old Unitymedia´s then existing debt, and (ii) an increase in the cash provided by our Adjusted EBITDA and related working capital items. The majority of annual customer prepayments related to the 2010 period fell into the last week of January and as such are included in our historical net cash provided by our continuing operating activities for the 2010 period.

Cash flows used by investing activities

Net cash used by our investing activities decreased €1,845.9 million, from €1,914.7 million during the 2010 period to €68.8 million during the first three months of 2011. This decrease in cash used is primarily attributable to the net effect of (i) a decrease of €1,880.1 million associated with net cash paid to acquire Old Unitymedia in the Liberty Global Transaction during the 2010 period and (ii) an increase due to higher capital expenditures of €34.2 million, from €34.6 million during the 2010 period to €68.8 million during the first three months of 2011. The increase in the capital expenditures is due primarily to (i) an increase in expenditures for new build and upgrade projects to expand services, (ii) lower capital expenditures in the 2010 period due to the exclusion of the pre-acquisition period of Old Unitymedia, (iii) an increase in expenditures for the purchase and installation of customer premise equipment and (iv) an increase in expenditures for capitalized third-party commissions of €5.4 million, from €5.6 million during the 2010 period to €11.0 million during the 2011 period, resulting from a higher number of RGU additions. In terms of the composition of our first quarter 2011 capital expenditures, (i) 55% was used to fund the rebuild and upgrade of our distribution network, primarily in connection with the upgrade of in-home wiring, (ii) 20% was used for the purchase and installation of customer premise equipment and (iii) 16% relates to capitalized third-party commissions, with the remainder related to expenditures for network maintenance and general support systems.

Cash flows provided by financing activities

Net cash used by our financing activities was €80.2 million during the three months ended March 31, 2011, compared to net cash provided by our financing activities of €1,869.2 million during the 2010 period. This change is due primarily to the net effect of (i) a decrease in cash of €2,593.6 million due to the release of cash collateral accounts during the 2010 period that were originally funded in November 2009 with proceeds from the issuance of the Unitymedia Senior Notes, (ii) an increase in cash due to lower third-party debt repayments of €1,569.9 million, primarily related to the March 2, 2010 repayment of Old Unitymedia´s then existing debt, (iii) a decrease in cash due to lower proceeds from related-party borrowings, primarily due to amounts borrowed from UPC Germany Holding in connection with the Liberty Global Transaction during the 2010 period and (v) an increase in cash due to lower cash payments related to derivative instruments of €66.7 million.

Off-Balance Sheet Arrangements

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

Reconciliation of Pro Forma Results

The following table reconciles our first quarter 2010 pro forma operating results to previously reported amounts:

	Old Unitymedia, as previously reported in Q1 2010	Change in capitalization policy, as previously reported in Q2 2010	New basis of accounting and elimination of old capital structure given effect as of: January 28, 2010, as previously reported in Q3 2010	New basis of accounting and elimination of old capital structure given effect as of: January 1, 2010	Pro forma Unitymedia, as reported herein
			in millions		
Revenue	€ 227.6	€ —	€ —	€ —	€ 227.6
OpEx	(73.7)	3.3	—	—	(70.4)
SG&A	(33.7)	—	—	—	(33.7)
	(107.4)	3.3	—	—	(104.1)
Adjusted EBITDA	120.2	3.3	—	—	123.5
Stock-based compensation	(7.3)	—	—	7.3	—
Restructuring and other operating charges, net	—	—	(23.3)	—	(23.3)
Related-party fees and allocations, net	(5.8)	—	—	—	(5.8)
EBITDA	107.1	3.3	(23.3)	7.3	94.4
Depreciation and amortization	(70.3)	(0.4)	(14.7)	(6.3)	(91.7)
EBIT	36.8	2.9	(38.0)	1.0	2.7
Net financial expense	(134.7)	—	40.6	(0.7)	(94.8)
Income tax benefit	27.4	(0.8)	(24.6)	(0.2)	1.8
Loss from continuing operations	€ (70.5)	€ 2.1	€ (22.0)	€ 0.1	€ (90.3)
CapEx	€ 49.3	€ 3.2	€ —	€ —	€ 52.5
Adjusted EBITDA margin	52.8%				54.3%
CapEx as % of revenue	21.7%				23.1%