Condensed Consolidated Financial Statements
March 31, 2012

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CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2012	December 31, 2011
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 13.4	€ 20.1
Trade receivables and unbilled revenue, net	65.3	44.7
Loan receivable - related-party (note 10)	76.0	54.0
Other current assets (note 4)	15.3	13.8
Total current assets	170.0	132.6
Property and equipment, net (note 6)	2,056.5	2,041.2
Goodwill	1,436.1	1,436.1
Intangible assets subject to amortization, net (note 6)	537.1	562.3
Investment in associate (note 10)	61.7	61.0
Other noncurrent assets (note 4)	77.9	96.3
Total noncurrent assets	4,169.3	4,196.9
Total assets	€ 4,339.3	€ 4,329.5

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

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CONDENSED CONSOLIDATED BALANCE SHEETS - (Continued)
(unaudited)

	March 31, 2012	December 31, 2011
	in millions	
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	€ 30.3	€ 32.7
Accrued liabilities	128.9	112.1
Accounts payable and accrued liabilities – related-party (note 10)	21.5	13.4
Corporate income taxes payable	6.0	10.1
Current provisions	18.6	18.4
Deferred revenue and advance payments from subscribers and others	147.6	64.3
Current portion of debt and finance lease obligations (note 7)	79.1	22.7
Other current liabilities	5.8	5.9
Total current liabilities	437.8	279.6
Noncurrent debt and finance lease obligations (note 7):		
Third-party	2,627.7	2,722.4
Related-party	155.0	193.1
Deferred tax liabilities	296.8	307.1
Noncurrent provisions	9.1	9.1
Other noncurrent liabilities	7.9	7.8
Total noncurrent liabilities	3,096.5	3,239.5
Total liabilities	3,534.3	3,519.1
Commitments and contingencies (note 11)		
Shareholder's equity (note 9):		
Share capital	—	—
Additional paid-in capital	1,178.8	1,178.5
Accumulated deficit	(373.8)	(368.1)
Total shareholder's equity	805.0	810.4
Total liabilities and shareholder's equity	€ 4,339.3	€ 4,329.5

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

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended March 31,	
	2012	2011
	in millions	
Revenue (note 3)	€ 270.9	€ 245.8
Operating costs and expenses:		
Operating (other than depreciation and amortization) (OpEx) (note 10)	76.0	68.1
Selling, general and administrative expenses (other than depreciation and amortization) (including stock-based compensation) (SG&A) (note 10)	39.5	31.9
Restructuring and other operating items, net	(0.8)	—
Related-party fees and allocations (note 10)	9.6	7.5
Total operating costs and expenses	124.3	107.5
Earnings before interest, taxes, depreciation and amortization (EBITDA)	146.6	138.3
Depreciation and amortization	98.7	93.1
Earnings before interest and taxes (EBIT)	47.9	45.2
Financial and other expense:		
Interest expense:		
Third-party	(61.8)	(61.6)
Related-party (note 10)	(3.8)	(25.3)
Foreign currency transaction gains, net	18.6	37.2
Realized and unrealized losses on derivative instruments, net (note 4)	(18.9)	(29.1)
Other expense, net	(1.4)	(1.0)
Net financial and other expense	(67.3)	(79.8)
Loss before income taxes	(19.4)	(34.6)
Income tax benefit (expense) (note 8)	13.7	(4.7)
Net loss / comprehensive loss (a)	€ (5.7)	€ (39.3)
Further details of OpEx and SG&A:		
Direct costs (interconnect, programming, copyright and other)	€ 23.6	€ 21.8
Staff-related costs (excluding restructuring charges)	24.7	22.9
Network operating costs	24.0	22.3
Sales and marketing costs	18.5	15.7
Other indirect costs	24.7	17.3
	€ 115.5	€ 100.0

(a) There were no items of comprehensive earnings or loss in the current or prior year periods other than the net loss for the period and, accordingly, no statements of comprehensive earnings or loss are presented.

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

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

	Additional paid-in capital	Accumulated deficit	Total shareholder's equity (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)
Balance at January 1, 2012	€ 1,178.5	€ (368.1)	€ 810.4
Net loss	—	(5.7)	(5.7)
Stock-based compensation (note 10)	0.3	—	0.3
Balance at March 31, 2012	€ 1,178.8	€ (373.8)	€ 805.0

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended March 31,	
	2012	2011
	in millions	
Cash flows from operating activities:		
Net loss	€ (5.7)	€ (39.3)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation expense	0.3	—
Restructuring and other operating items, net	(0.8)	—
Related-party fees and allocations	9.6	7.5
Depreciation and amortization	98.7	93.1
Amortization of deferred financing costs and non-cash interest accretion	3.2	2.9
Non-cash related-party interest expense	3.8	25.3
Foreign currency transaction gains, net	(18.6)	(37.2)
Realized and unrealized losses on derivative instruments, net	18.9	29.1
Deferred tax benefit	(10.4)	(1.4)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	123.6	110.7
Net cash provided by operating activities	222.6	190.7
Cash flows from investing activities:		
Capital expenditures	(86.8)	(68.8)
Advances to a Liberty Global subsidiary	(81.9)	—
Other investing activities	0.6	—
Net cash used by investing activities	(168.1)	(68.8)
Cash flows from financing activities:		
Repayments of third-party debt and finance lease obligations	(113.1)	(80.2)
Borrowings of third-party debt	33.0	—
Net related-party borrowings	18.9	—
Net cash used by financing activities	(61.2)	(80.2)
Net increase (decrease) in cash and cash equivalents	(6.7)	41.7
Cash and cash equivalents:		
Beginning of period	20.1	58.7
End of period	€ 13.4	€ 100.4
The following amounts are included in net cash provided by operating activities:		
Cash paid for interest (excluding payments related to derivative instruments)	€ 0.7	€ 0.2
Net cash paid for taxes	€ 1.0	€ 3.0

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

(1) Basis of Presentation

Unitymedia GmbH (Unitymedia) is a wholly-owned subsidiary of UPC Germany Holding B.V. (UPC Germany Holding), which in turn is an indirect subsidiary of Liberty Global, Inc. (Liberty Global). Unitymedia was formed by Liberty Global on October 15, 2009 and registered with the commercial register on October 23, 2009 in contemplation of the issuance of debt financing in connection with Unitymedia's then potential acquisition of the entity (Old Unitymedia) that owned the second largest cable operator in Germany. In the following text, the terms "Unitymedia," "we," "our," "our company," and "us" may refer, as the context requires, to Unitymedia, or collectively to Unitymedia and its subsidiaries.

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

Our unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 and do not include all of the information required by International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) for full annual financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included in our 2011 annual report, which include a description of the significant accounting policies followed in these financial statements.

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

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

Our functional currency is the euro. Unless otherwise indicated, convenience translations into euros are calculated as of March 31, 2012.

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

These condensed consolidated financial statements were approved for publication by the Managing Directors on May 25, 2012.

(2) Accounting Changes and Recent Pronouncements

First-time Application of Accounting Standards

The application of the following accounting standard did not have any impact on our consolidated financial statements:

Standard/ Interpretation	Title	Applicable for fiscal years beginning on or after	Date of endorsement by the EU
IFRS 7 (amendments)	Amendments to IFRS 7 financial instruments: Disclosures - Transfers of Financial Assets	July 1, 2011	November 22, 2011

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New Accounting Standards, Not Yet Effective

The following accounting standard was issued by the International Accounting Standards Board during the three months ended March 31, 2012 but is not yet effective for the reporting period. We have not early adopted this accounting standard.

Standard/ Interpretation	Title	Applicable for reporting periods beginning on or after	Date of endorsement
IFRS 9 / IFRS 7 (amendments)	Mandatory Effective Date and Transition Disclosures	January 1, 2015	Not yet endorsed

We have not fully evaluated the impact of applying this new, but not yet effective accounting standard on our condensed consolidated financial statements, however, we currently do not expect the impact to be material.

(3) Segment Reporting

We operate in the cable segment providing digital and analog video, broadband internet and telephony services to residential and business customers over an integrated broadband communications network.

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

Our revenue by major product category is as follows:

	Three months ended March 31,	
	2012	2011
	in millions	
Subscription revenue (a):		
Video	€ 156.7	€ 154.4
Broadband internet	39.0	27.1
Telephony	42.5	33.6
Total subscription revenue	238.2	215.1
Non-subscription revenue (b)	32.7	30.7
Total revenue	€ 270.9	€ 245.8

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

(b) Non-subscription revenue includes carriage fee, interconnect and installation revenue.

(4) Derivative Instruments

We have entered into certain derivative instruments to manage foreign currency exposure with respect to the United States (U.S.) dollar. We were also party to an interest rate swap contract that was originally entered into to manage interest rate risk with respect to our senior secured floating rate notes due 2013, which were repaid on March 2, 2010. This interest rate swap contract matured on April 30, 2011.

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

	March 31, 2012			December 31, 2011		
	Current (a)	Noncurrent (a)	Total	Current (a)	Noncurrent (a)	Total
	in millions					
Assets - Cross-currency derivative contracts (b)	€ 3.1	€ 57.9	€ 61.0	€ 4.4	€ 75.6	€ 80.0

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

(b) We consider credit risk in our fair value assessments. As of March 31, 2012 and December 31, 2011, the fair values of our cross-currency derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €4.6 million and €7.8 million, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and adjustments to our derivative liabilities related to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market. The changes in the credit risk valuation adjustments associated with our derivative instruments resulted in net gains of €3.2 million and €1.7 million during the three months ended March 31, 2012 and 2011, respectively. These amounts are included in realized and unrealized losses on derivative instruments, net, in our condensed consolidated statements of operations. For further information concerning our fair value measurements, see note 5.

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

	Three months ended March 31,	
	2012	2011
	in millions	
Cross-currency derivative contracts	€ (18.9)	€ (29.0)
Interest rate derivative contract	—	(0.1)
Total	€ (18.9)	€ (29.1)

The net cash paid or received related to our derivative instruments is classified as an operating, investing or financing activity in our condensed consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. For cross-currency or interest rate derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity. Our cash flows related to derivative instruments during the three months ended March 31, 2012 were nil. Our cash outflows related to derivative instruments of €4.8 million for the three months ended March 31, 2011 were entirely related to the periodic settlements of the interest rate components of our derivative instruments and are classified as operating activities in our condensed consolidated statement of cash flows.

Cross-currency Derivative Contracts

Cross-currency Swaps:

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

Final maturity date (a)		Notional amount due from counterparty		Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
		in millions				
December 2017	$	623.2	€	419.9	8.13%	8.49%
November 2017	$	221.8	€	149.5	8.13%	8.51%

(a) The notional amount of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis.

(5) Fair Value Measurements

Our derivative instruments are the only financial instruments that were accounted for at fair value as of March 31, 2012. The reported fair values of our derivative assets as of March 31, 2012 likely will not represent the value that will be realized upon their ultimate settlement or disposition. In this regard, we expect that the values generally realized will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

We disclose fair value measurements according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of our derivative instruments in or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During the three months ended March 31, 2012, no such transfers were made.

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

As further described in note 4, we have entered into derivative instruments to manage our foreign currency exchange risk. The fair value measurements of these derivative instruments are determined using discounted cash flow models. All but one of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes applicable interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative instruments, we have determined that these valuations fall under Level 2 of the fair

value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 4.

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

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of our company, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of our company (our only cash-generating unit) is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges, and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of our company to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We did not perform significant nonrecurring fair value measurements during the three months ended March 31, 2012 and 2011.

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

		March 31, 2012		December 31, 2011	
	Category (a)	Carrying amount	Fair value	Carrying amount	Fair value
		in millions			
Assets carried at fair value - derivative financial instruments	I	€ 61.0	€ 61.0	€ 80.0	€ 80.0
Assets carried at cost or amortized cost:					
Trade receivables and unbilled revenue	II	€ 66.2	€ 66.2	€ 45.6	€ 45.6
Restricted cash	II	1.8	€ 1.8	1.9	€ 1.9
Loan receivable - related-party	II	76.0	(b)	54.0	(b)
Other current and noncurrent financial assets	II	16.5	€ 16.5	13.7	€ 13.7
Cash and cash equivalents	II	13.4	€ 13.4	20.1	€ 20.1
Total assets carried at cost or amortized cost		€ 173.9		€ 135.3	
Liabilities carried at cost or amortized cost:					
Debt obligation	III	€ 2,702.5	€ 3,014.7	€ 2,740.0	€ 2,955.9
Loans payable – related-party	III	155.0	(b)	193.1	(b)
Accrued liabilities (including related-party accrued liabilities)	III	138.9	€ 138.9	119.2	€ 119.2
Accounts payable and other (including related-party accounts payable)	III	43.0	€ 43.0	40.2	€ 40.2
Finance lease obligations	V	4.3	€ 4.3	5.1	€ 5.1
Total liabilities carried at cost or amortized cost		€ 3,043.7		€ 3,097.6	

(a) Pursuant to IAS 39, category I refers to financial assets and liabilities held for trading, category II refers to loans and receivables, category III refers to financial liabilities measured at amortized cost and category IV refers to derivatives designated as hedging instruments. Category V refers to finance leases outside the scope of IAS 39.

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

Pre-tax amounts recognized in our condensed consolidated statements of operations for the three months ended March 31, 2012 and 2011 related to our financial instruments are as follows:

	Interest income	Interest expense	Other statement of operations effects (a)	Impact on earnings before income taxes
	in millions			
Three months ended March 31, 2012:				
Derivative assets carried at fair value through our condensed consolidated statement of operations	€ —	€ —	€ (18.9)	€ (18.9)
Assets carried at cost or amortized cost - Trade receivables (b)	0.1	—	(1.3)	(1.2)
Liabilities carried at cost or amortized cost	—	(65.6)	18.6	(47.0)
	€ 0.1	€ (65.6)	€ (1.6)	€ (67.1)
Three months ended March 31, 2011:				
Derivative assets carried at fair value through our condensed consolidated statement of operations	€ —	€ —	€ (29.0)	€ (29.0)
Assets carried at cost or amortized cost - Trade receivables (b)	0.1	—	(1.1)	(1.0)
Derivative liabilities carried at fair value through our condensed consolidated statement of operations	—	—	(0.1)	(0.1)
Liabilities carried at cost or amortized cost	—	(86.9)	37.2	(49.7)
	€ 0.1	€ (86.9)	€ 7.0	€ (79.8)

(a) Except as noted in (b) below, amounts are included in net financial expense in our condensed consolidated statements of operations.

(b) The "Other statement of operations effects" amounts represent provisions for impairment of trade receivables and are included in OpEx in our condensed consolidated statements of operations.

(6) Long-lived Assets

Property and Equipment, Net

Changes during the three months ended March 31, 2012 in the carrying amounts of our property and equipment, net, are set forth below:

	Cable distribution systems	Support equipment, buildings and land	Total
		in millions	
Cost:			
January 1, 2012	€ 2,342.6	€ 132.2	€ 2,474.8
Additions	68.6	6.4	75.0
Retirements and disposals	(3.7)	(2.4)	(6.1)
March 31, 2012	€ 2,407.5	€ 136.2	€ 2,543.7
Accumulated depreciation:			
January 1, 2012	€ 405.8	€ 27.8	€ 433.6
Depreciation	56.1	3.3	59.4
Retirements and disposals	(3.6)	(2.2)	(5.8)
March 31, 2012	€ 458.3	€ 28.9	€ 487.2
Property and equipment, net:			
March 31, 2012	€ 1,949.2	€ 107.3	€ 2,056.5

During the three months ended March 31, 2012, no borrowing costs were capitalized.

For information concerning purchase obligations for property and equipment, see note 11.

Intangible Assets Subject to Amortization, net

Changes during the three months ended March 31, 2012 in the carrying amounts of our finite-lived intangible assets are set forth below:

	Customer relationships	Subscriber acquisition costs	Trade name	Other (a)	Total
			in millions		
Cost:					
January 1, 2012	€ 700.0	€ 53.1	€ 9.0	€ 33.3	€ 795.4
Additions	—	14.3	—	0.1	14.4
Retirements and disposals	—	(11.0)	—	—	(11.0)
March 31, 2012	€ 700.0	€ 56.4	€ 9.0	€ 33.4	€ 798.8
Accumulated amortization:					
January 1, 2012	€ 184.5	€ 26.4	€ 3.5	€ 18.7	€ 233.1
Amortization	24.0	12.9	0.5	1.9	39.3
Retirements and disposals	0.1	(10.9)	0.1	—	(10.7)
March 31, 2012	€ 208.6	€ 28.4	€ 4.1	€ 20.6	€ 261.7
Intangible assets subject to amortization, net:					
March 31, 2012	€ 491.4	€ 28.0	€ 4.9	€ 12.8	€ 537.1

(a) Primarily includes computer software costs.

(7) Debt and Finance Lease Obligations

As of March 31, 2012, our consolidated debt included (i) €1,430.0 million principal amount of 8.125% senior secured notes due 2017 (the UM Euro Senior Secured Notes), (ii) $845.0 million (€633.8 million) principal amount of 8.125% senior secured notes due 2017 (the UM Dollar Senior Secured Notes and, together with the UM Euro Senior Secured Notes, the UM Senior Secured Notes), (iii) €665.0 million principal amount of 9.625% senior notes due 2019 (the UM Senior Notes and, together with the UM Senior Secured Notes, the Unitymedia Notes), (iv) an €80.0 million secured credit facility due 2014 (the Unitymedia Revolving Credit Facility) and (v) related-party loans payable to UPC Germany Holding.

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

	March 31, 2012				Estimated fair value (c)		Carrying value (d)	
	Interest rate (a)	Borrowing currency	Euro equivalent	Unused borrowing capacity (b)	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
					in millions			
Parent:								
Shareholder loans payable (e)	8.580%	€ 151.8	€ 151.8	€ —	(e)	(e)	€ 151.8	€ 179.2
UM Senior Notes	9.625%	€ 665.0	665.0	—	€ 729.2	€ 686.6	651.8	651.5
Subsidiaries:								
UM Euro Senior Secured Notes	8.125%	€ 1,430.0	1,430.0	—	€ 1,519.5	€ 1,485.2	1,406.2	1,405.4
UM Dollar Senior Secured Notes	8.125%	$ 845.0	633.8	—	€ 687.7	€ 686.2	623.4	641.3
Unitymedia Revolving Credit Facility (f)	4.178%	€ 80.0	80.0	80.0	€ —	€ 77.2	—	80.0
Total debt before transaction costs and accrued interest (g)	8.367%		€ 2,960.6	€ 80.0			2,833.2	2,957.4
Transaction costs							(57.2)	(58.9)
Accrued interest:								
Related-party							3.2	13.9
Third-party							78.3	20.7
Finance lease obligations							4.3	5.1
Total debt and finance lease obligations							2,861.8	2,938.2
Current portion							(79.1)	(22.7)
Noncurrent portion							€ 2,782.7	€ 2,915.5

(a) Represents the stated interest rate of the debt instrument as of March 31, 2012 and does not include the impact of our interest rate derivative agreements, deferred financing costs, discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, discounts and commitment fees, but excluding the impact of financing costs, our estimated weighted average interest rate on our aggregate third-party indebtedness was approximately 9.0% at March 31, 2012. Interest payments for the Unitymedia Notes commenced on June 1, 2010 and are made semi-annually on June 1 and December 1. The interest rate shown for the Unitymedia Revolving Credit Facility is based on the stated rate of EURIBOR plus a margin of 3.75%. For information concerning our derivative instruments, see note 4.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at March 31, 2012 without regard to covenant compliance calculations. At March 31, 2012, the full amount of the €80.0 million borrowing capacity under the Unitymedia Revolving Credit Facility was available to be borrowed.

(c) The estimated fair values of our debt instruments were determined using the average of the applicable bid and ask prices (mostly Level 1 of the fair value hierarchy) or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models (mostly Level 2 of the fair value hierarchy). The discount rates used in the cash flow models are based on the market interest rates, estimated credit spreads, to the extent available, and other relevant factors. For additional information concerning the fair value hierarchies, see note 5.

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

(e) Represents loans payable to our shareholder, UPC Germany Holding. All principal (€151.8 million at March 31, 2012) and accrued interest (€3.2 million at March 31, 2012) outstanding under these loans is due and payable on January 1, 2030. The amounts outstanding under these loans bear interest at 8.58% per annum. Accrued interest is transferred to the loan balance annually on January 1. The net decrease in the principal amount of the loans payable during the three months ended March 31, 2012 includes (i) cash borrowings of €117.4 million, (ii) cash payments of €98.5 million, (iii) a €60.2 million non-cash decrease related to settlements of amounts outstanding pursuant to the UPC Germany Holding Loan Receivable (as defined and described in note 10) and (iv) the transfer of €13.9 million in non-cash accrued interest to the loan balance. The fair value of these loans is not subject to reasonable estimation due to the related-party nature of the loans.

(f) A commitment fee of 1.25% per annum is payable on available but undrawn amounts under the Unitymedia Revolving Credit Facility.

(g) The interest rate shown in this line item represents the weighted average stated interest rate of all of our outstanding debt instruments as of March 31, 2012.

Maturities of Debt

Maturities of our debt as of March 31, 2012 are presented below. The principal amounts presented below represent euro equivalents based on March 31, 2012 exchange rates:

	Third-party debt	Related-party loans payable	Total
		in millions	
Year ended December 31:			
2012 (remainder of year)	€ —	€ —	€ —
2013	—	—	—
2014	—	—	—
2015	—	—	—
2016	—	—	—
2017	2,063.8	—	2,063.8
Thereafter	665.0	151.8	816.8
Total maturities	2,728.8	151.8	2,880.6
Unamortized discount	(47.4)	—	(47.4)
Total debt before transaction costs and accrued interest	2,681.4	151.8	2,833.2
Accrued interest, transaction costs and finance lease obligations, net	25.4	3.2	28.6
Total debt and finance lease obligations	€ 2,706.8	€ 155.0	€ 2,861.8

Subsequent Events

For information concerning certain financing transactions completed subsequent to March 31, 2012, see note 12.

(8) Income Taxes

The income tax benefit (expense) attributable to our loss before income taxes differs from the income tax benefit computed by applying the German income tax rate of 31.88% for the 2012 period and 31.58% for the 2011 period as a result of the following:

	Three months ended March 31,	
	2012	2011
	in millions	
Computed expected income tax benefit	€ 6.2	€ 10.9
Recognized (unrecognized) net operating losses and interest carryforwards, net (a)	11.0	(9.9)
Non-deductible or non-taxable interest and other items (b)	(3.1)	(3.7)
Other, net	(0.4)	(2.0)
Total	€ 13.7	€ (4.7)

(a) The 2012 amount includes deferred net tax benefit of €14.9 million related to reallocation of prior year interest expense within different fiscal entities.

(b) The 2012 amount includes current tax benefit of €3.4 million and net deferred tax expense of €3.2 million related to reallocation of prior year interest expense within different fiscal entities.

(9) Shareholder’s Equity (Deficit)

One of our indirect parent companies, Liberty Global Europe Holding B.V. (Liberty Global Europe), granted a financing commitment dated September 30, 2010 to our company in the amount of €75.0 million, of which €58.0 million was unused at March 31, 2012. The terms of any amounts loaned under this parental guarantee are the same as those for our shareholder loans payable to UPC Germany Holding, as described in note 7. This financing commitment expires on December 31, 2012 if not otherwise extended.

(10) Related-Party Transactions

Our related-party transactions consist of the following:

	Three months ended March 31,	
	2012	2011
	in millions	
OpEx	€ 1.2	€ 1.8
Allocated stock-based compensation expense	0.3	—
Fees and allocations	9.6	7.5
Included in EBIT	11.1	9.3
Interest expense	3.8	25.3
Included in net loss	€ 14.9	€ 34.6
Capital expenditures	€ 1.5	€ 0.1

OpEx. These amounts represent certain cash settled charges from other Liberty Global subsidiaries, including charges that originate with UPC Holding B.V. (UPC Holding), to our company primarily for (i) technology-related costs based on the global contract of another Liberty Global subsidiary for encryption services and (ii) certain backbone costs.

Allocated stock-based compensation expense. These amounts are allocated to our company by Liberty Global and represent the stock-based compensation associated with the Liberty Global stock incentive awards held by certain employees of our subsidiaries. Awards consist of (i) stock appreciation rights, (ii) restricted shares and restricted share units and (iii) performance-based restricted share units (PSUs). PSUs represent the right to receive one share of Liberty Global Series A common stock or Liberty Global Series C common stock, as applicable, subject to performance and vesting as determined by the compensation committee of Liberty Global's board of directors. Stock-based compensation expense is reflected as an increase to shareholder's equity and is included in SG&A in our condensed consolidated statements of operations.

Fees and allocations. These amounts represent charges that originate with UPC Holding and include charges for management, finance, legal, technology, marketing and other services that support our company's broadband communications operations. The amounts charged generally are based on our company's estimated share of the applicable costs (including personnel-related and other costs associated with the services provided) incurred by the other Liberty Global subsidiaries, plus a mark-up. The monthly amounts charged are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified. Charges that originate with UPC Holding may be cash or loan settled. With respect to the amounts settled during the three months ended March 31, 2012 and 2011, all amounts were loan settled with the exception of €4.8 million that was cash settled during during the first three months of 2012.

Interest expense. Related-party interest expense relates to our loans payable to UPC Germany Holding. Accrued interest is transferred to the loan balance annually on January 1. For additional information, see note 7.

Depending on the nature of our intercompany transactions, the amount of the charges or allocations may be based on (i) estimated or allocated costs, (ii) estimated or allocated costs plus a mark-up or (iii) commercially negotiated rates. Although we believe that the intercompany fees and allocations described above are reasonable, no assurance can be given that the related-party costs and expenses reflected in our condensed consolidated statements of operations are reflective of the costs that we would incur on a standalone basis.

Capital expenditures. These amounts represent cash settled purchases of network-related equipment from UPC Holding.

UPC Germany Holding Loan Receivable. Pursuant to our loan agreement with UPC Germany Holding, we can require the repayment of all or part of this outstanding loan receivable within five-days of providing notice to UPC Germany Holding. Amounts loaned to UPC Germany Holding pursuant to this agreement are subject to certain restrictions contained in the instruments governing Unitymedia's indebtedness. The interest rate on this loan, which is subject to adjustment, was 2.56% as of March 31, 2012. Interest income on this loan through March 31, 2012 was not significant. The net increase in the loan receivable - related-party during the three months ended March 31, 2012 includes (i) cash loaned of €123.4 million, (ii) a €60.2 million non-cash decrease related to amounts settled through our shareholder loans, (iii) cash received of €41.5 million and (iv) individually insignificant net non-cash increases of €0.3 million.

Investment in associate. We have an investment in Unitymedia International GmbH (UMI). UMI was formed for the purpose of effecting certain asset purchase and related leasing transactions involving certain of UPC Holding's subsidiaries, including certain purchase and leaseback transactions that were initiated in December 2011. UMI is considered a special purpose entity and is consolidated by UPC Holding. Although UPC Holding has no equity or voting interest in UMI, UPC Holding has the substantive ability to direct the major activities of UMI, and all of the activities of UMI are conducted directly on behalf of UPC Holding. As such, UPC Holding is required by the provisions of EU-IFRS to consolidate UMI. As a result, we use the equity method to account for our investment in UMI.

Accounts payable and accrued liabilities - related-party. At March 31, 2012 and 2011, our accounts payable and accrued liabilities - related-party balances represented amounts owed to UPC Holding and other Liberty Global subsidiaries outside of Unitymedia for various intercompany charges, fees and allocations, as further described above. These amounts may be cash or loan settled.

Shareholder loans. For information regarding our shareholder loans payable to UPC Germany Holding, see note 7.

Parent guarantee. As described in note 9, Liberty Global Europe has granted a financing commitment to us and our wholly-owned subsidiaries through December 31, 2012.

(11) Commitments and Contingencies

Commitments

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

Guarantees and Other Credit Enhancements

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

Other

FCO Commitments. On December 15, 2011, UPC Germany HoldCo 2 GmbH (UPC Germany HC2), then one of Liberty Global's indirect subsidiaries, acquired all of the outstanding shares of Kabel BW Musketeer GmbH (formerly known as Musketeer GmbH) (KBW Musketeer) pursuant to a sale and purchase agreement dated March 21, 2011 with Oskar Rakso S.àr.l as the seller (the KBW Acquisition). KBW Musketeer was the indirect parent company of Kabel BW GmbH (KBW), Germany's third largest cable television operator in terms of number of subscribers. Liberty Global acquired KBW in order to achieve certain financial, operational and strategic benefits through the integration of KBW with our company and, to a lesser extent, with Liberty Global's other broadband communications operations in Europe. As part of a reorganization that was effected through a series of mergers and consolidations, KBW Musketeer and its immediate subsidiary, Kabel BW Erste Beteiligungs GmbH, were merged into UPC Germany HC2 and UPC Germany HC2 was subsequently merged into KBW. As a result of these transactions, which were effective upon registration in March 2012, UPC Germany HoldCo 1 GmbH (UPC Germany HC1) became the immediate parent company of KBW and the issuer of the KBW Senior Notes (as defined and described in note 12). In May 2012, Liberty Global and our company completed certain reorganization, debt exchange and debt redemption transactions that resulted in the immediate parent company of UPC Germany HC1 becoming part of our consolidated borrowing group. For additional information, see note 12.

As part of the regulatory approval process for Liberty Global's acquisition of KBW Musketeer (the LGI/KBW Transaction), our company and KBW made certain commitments to address the competition concerns of the German Federal Cartel Office (the FCO), as outlined below:

(a) The digital free-to-air television channels (as opposed to channels marketed in premium subscription packages) distributed on the networks of our company and KBW will be distributed in unencrypted form commencing January 1,

2013. This commitment is consistent with KBW's current practice and generally covers free-to-air television channels in standard definition and high definition (HD). If, however, free-to-air television broadcasters request their HD content to be distributed in an encrypted HD package, the encryption of free-to-air HD channels is still possible. In addition, our company and KBW made a commitment that, through December 15, 2016, the annual carriage fees received by our company and KBW for each such free-to-air television channel distributed in digital or simulcast in digital and analog would not exceed a specified annual amount, determined by applying the respective current rate card systems of our company and KBW as of January 1, 2012;

(b) Effective January 1, 2012, our company and KBW waived exclusivity rights in access agreements with housing associations with respect to the usage of infrastructures other than the in-building distribution networks of our company and KBW to provide television, broadband internet or telephony services within the building;

(c) Effective January 1, 2012, upon expiration of the minimum term of an access agreement with a housing association, our company or KBW, as applicable, will transfer the ownership rights to the in-building distribution network to the building owner or other party granting access. In addition, our company and KBW each waived the rights to remove in-building distribution networks; and

(d) A special early termination right was granted with respect to certain of our company's and KBW's existing access agreements with the largest housing associations that cover more than 800 dwelling units and which had a remaining term of more than three years as of December 15, 2011. The total number of dwelling units covered by the affected agreements was approximately 340,000 as of December 15, 2011, of which approximately 230,000 and 110,000 were located in the footprints of our company and KBW, respectively. The special termination right may be exercised on or before September 30 of each calendar year up to the expiration of the current contract term, with termination effective as of January 1 or July 1 of the following year. If the special termination right is exercised, compensation will be paid to partially reimburse our company or KBW, as applicable, for unamortized investments in modernizing the in-building network based on an agreed formula.

In January 2012, two of our competitors, including the incumbent telecommunications operator, each filed an appeal against the FCO regarding its decision to approve the LGI/KBW Transaction. We believe that the FCO's decision will ultimately be upheld and currently intend to support the FCO in defending the decision. In addition, we do not expect that the filing of these appeals will have any impact on the ongoing integration and development of our and KBW's operations. The ultimate resolution of this matter is expected to take up to four years, including the appeals process.

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

(12) Subsequent Events

Unitymedia Exchange, Special Optional Redemptions and KBW Fold-in

At March 31, 2012, the KBW Notes consisted of (i) €680.0 million principal amount of 9.5% Senior Notes (the KBW Senior Notes) of UPC Germany HC1 and (ii) (a) €800.0 million principal amount of 7.5% Senior Secured Notes (the KBW Euro Senior Secured Notes), (b) $500.0 million (€375.0 million) principal amount of 7.5% Senior Secured Notes (the KBW Dollar Senior Secured Notes and together with the KBW Euro Senior Secured Notes, the KBW Senior Secured Fixed Rate Notes) and (c) €420.0 million principal amount of Senior Secured Floating Rate Notes (the KBW Senior Secured Floating Rate Notes and together with the KBW Senior Secured Fixed Rate Notes, the KBW Senior Secured Notes) of KBW.

In May 2012, we completed (i) the exchange (the Unitymedia Exchange) of (a) 90.9% of the outstanding principal amount of the KBW Senior Notes for an equal amount of Unitymedia Senior Exchange Notes (as defined below) and (b) 92.5% of the outstanding principal amount of the KBW Senior Secured Notes for an equal amount of Unitymedia Senior Secured Exchange Notes (as defined below), (ii) the redemption (the Special Optional Redemptions) of the remaining KBW Notes that were not

exchanged pursuant to the Unitymedia Exchange and (iii) a series of mergers and consolidations, pursuant to which an indirect parent company of KBW became a subsidiary of Unitymedia Hessen (the KBW Fold-in). The redemption price with respect to the Special Optional Redemptions was 101% of the applicable principal amount thereof, and such redemptions were funded with borrowings under the Unitymedia Revolving Credit Facility and the New Unitymedia Revolving Credit Facility, as defined and described below. Additionally, in connection with the transactions described above, the KBW Revolving Credit Facility was canceled and all associated interest rate and cross-currency derivative instruments of KBW were transferred to Unitymedia Hessen.

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

	Outstanding principal amount prior to the Unitymedia Exchange		Principal amount exchanged pursuant to the Unitymedia Exchange		Principal amount redeemed pursuant to the Special Optional Redemptions	
KBW Notes	**Borrowing currency**	**Euro equivalent**	**Borrowing currency**	**Euro equivalent**	**Borrowing currency**	**Euro equivalent**
			in millions			
KBW Senior Notes (a)	€ 680.0	€ 680.0	€ 618.0	€ 618.0	€ 62.0	€ 62.0
KBW Euro Senior Secured Notes (b)	€ 800.0	800.0	€ 735.1	735.1	€ 64.9	64.9
KBW Dollar Senior Secured Notes (c)	$ 500.0	375.0	$ 459.3	344.5	$ 40.7	30.5
KBW Senior Secured Floating Rate Notes (d)	€ 420.0	420.0	€ 395.9	395.9	€ 24.1	24.1
		€ 2,275.0		€ 2,093.5		€ 181.5

(a) The KBW Senior Notes tendered for exchange were exchanged for an equal principal amount of 9.5% senior notes issued by Unitymedia due March 15, 2021 (the Unitymedia Senior Exchange Notes).

(b) The KBW Euro Senior Secured Notes tendered for exchange were exchanged for an equal principal amount of 7.5% senior secured notes issued by Unitymedia Hessen and Unitymedia NRW (together, the Unitymedia Senior Secured Notes Issuers) due March 15, 2019 (the UM Euro Senior Secured Exchange Notes).

(c) The KBW Dollar Senior Secured Notes tendered for exchange were exchanged for an equal principal amount of 7.5% senior secured notes issued by the Unitymedia Senior Secured Notes Issuers due March 15, 2019 (the UM Dollar Senior Secured Exchange Notes and, together with the UM Euro Senior Secured Exchange Notes, the UM Senior Secured Fixed Rate Exchange Notes).

(d) The KBW Senior Secured Floating Rate Notes tendered for exchange were exchanged for an equal principal amount of senior secured floating rate notes issued by the Unitymedia Senior Secured Notes Issuers due March 15, 2018 (the UM Senior Secured Floating Rate Exchange Notes and, together with the UM Senior Secured Fixed Rate Exchange Notes, the Unitymedia Senior Secured Exchange Notes).

The Unitymedia Senior Exchange Notes are senior obligations of Unitymedia that rank equally with all of the existing and future senior debt of Unitymedia and are senior to all existing and future subordinated debt of Unitymedia. The Unitymedia Senior Secured Exchange Notes are senior obligations of the Unitymedia Senior Secured Notes Issuers that rank equally with all of the existing and future senior debt of each Unitymedia Senior Secured Note Issuer and are senior to all existing and future subordinated debt of each of the Unitymedia Senior Secured Note Issuers.

The Unitymedia Senior Exchange Notes (i) are secured by the same collateral that secures the UM Senior Notes, (ii) are guaranteed on a senior subordinated basis by the same guarantors of the UM Senior Notes, (iii) include substantially similar covenants and events of default as the UM Senior Notes and (iv) include substantially similar redemption and mandatory offer provisions as the UM Senior Notes except with respect to the redemption price and date on which the Unitymedia Senior Exchange Notes become callable, as specified below.

The Unitymedia Senior Secured Exchange Notes (i) are secured by the same collateral that secures the UM Senior Secured Notes, (ii) are guaranteed on a senior basis by the same guarantors of the UM Senior Secured Notes, (iii) include substantially similar covenants and events of default as the UM Senior Secured Notes and (iv) include substantially similar redemption and mandatory offer provisions as the UM Senior Secured Notes except with respect to the redemption price and date on which the Unitymedia Senior Secured Exchange Notes become callable, as specified below.

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

Unitymedia and the Unitymedia Senior Secured Notes Issuers (as applicable) may redeem some or all of the Unitymedia Senior Exchange Notes or the UM Senior Secured Fixed Rate Exchange Notes at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on March 15 of the years set out below. In addition, the Unitymedia Senior Secured Notes Issuers may redeem some or all of the UM Senior Secured Floating Rate Exchange Notes at a redemption price of (i) 101% if such redemption occurs on or prior to March 14, 2013 or (ii) 100% if such redemption occurs on March 15, 2013 or thereafter.

	Redemption price	
Year	Unitymedia Senior Exchange Notes	UM Senior Secured Fixed Rate Exchange Notes
2015	N.A.	103.750%
2016	104.750%	101.875%
2017	103.167%	100.000%
2018	101.583%	100.000%
2019 and thereafter	100.000%	100.000%

At any time prior to November 20, 2012, Unitymedia and the Unitymedia Senior Secured Notes Issuers, as applicable, have the option, following completion of a UPC/Unitymedia Exchange Transaction (as defined below), to redeem all, but not less than all, of the Unitymedia Senior Exchange Notes and the Unitymedia Senior Secured Exchange Notes, respectively. The redemption price in such case (expressed as a percentage of the principal amount thereof) would be 102%. A UPC/Unitymedia Exchange Transaction means an exchange offer by UPC Broadband Holding BV (a subsidiary of UPC Holding) or UPC Holding, as applicable, pursuant to which one or more series of senior secured notes issued by UPC Broadband Holding BV or senior notes issued by UPC Holding, as applicable, are, subject to certain terms and conditions (including consent by holders of a majority in aggregate principal amount of Unitymedia Senior Exchange Notes and Unitymedia Senior Secured Exchange Notes, as applicable, to participate in the exchange offer), offered in exchange for Unitymedia Senior Exchange Notes and Unitymedia Senior Secured Exchange Notes, as applicable.

On May 4, 2012, KBW and certain of its subsidiary and parent companies (collectively, the New UM Guarantors) granted, in addition to the existing guarantees provided by us and certain of our subsidiaries, as applicable, of the UM Senior Notes and the UM Senior Secured Notes, a senior guarantee of the UM Senior Secured Notes and a senior subordinated guarantee of the UM Senior Notes. The New UM Guarantors also granted a senior subordinated guarantee of the Unitymedia Senior Exchange Notes and a senior guarantee of the Unitymedia Senior Secured Exchange Notes. In addition, the New UM Guarantors will, within 180 days of the closing of the KBW Fold-in, provide certain share and asset security in favor of the UM Senior Secured Notes and the Unitymedia Senior Secured Exchange Notes.

Unitymedia Revolving Credit Facilities

On May 1, 2012, Unitymedia Hessen entered into a €312.5 million secured revolving credit facility agreement with certain lenders (the New Unitymedia Revolving Credit Facility, and together with the Unitymedia Revolving Credit Facility, the Unitymedia Revolving Credit Facilities). The interest rate for the New Unitymedia Revolving Credit Facility is EURIBOR plus a margin of 3.25%. Borrowings under the New Unitymedia Revolving Credit Facility, which matures on June 30, 2017, may be used for general corporate and working capital purposes. In addition to customary restrictive covenants and events of default, the New Unitymedia Revolving Credit Facility requires compliance with a Consolidated Leverage Ratio, as defined in the New Unitymedia Revolving Credit Facility. The New Unitymedia Revolving Credit Facility is secured by a pledge over the shares of Unitymedia and certain other asset security of certain subsidiaries of Unitymedia. The New Unitymedia Revolving Credit Facility provides for an annual commitment fee of 1.25% on the unused portion. Also on May 1, 2012, the existing Unitymedia Revolving Credit Facility was amended whereby the maturity date was extended to June 30, 2017 and the interest rate was reduced to EURIBOR plus a margin of 2.50%. The Unitymedia Revolving Credit Facility, which is senior to the New Unitymedia Revolving Credit Facility, was undrawn at March 31, 2012. In connection with the Special Optional Redemptions, (i) the Unitymedia Revolving Credit Facility was drawn in full and (ii) borrowings of €105.0 million were drawn against the New Unitymedia Revolving Credit Facility.

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 2011 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, 2012 and 2011.
- *Material Changes in Financial Condition.* This section provides an analysis of our liquidity and condensed consolidated cash flow statements.

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* may contain forward-looking statements, including statements regarding business, product and finance strategies, our capital expenditures, subscriber growth and retention 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 2011 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 Germany, including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues in the European Union and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of our existing service offerings, including our digital video, broadband internet and telephony services and of new technology, programming alternatives and broadband services that we may offer in the future;
- our ability to manage rapid technological changes;
- our ability to renew existing contracts with housing associations and Professional Operators (as defined below), especially in light of the conditions imposed on us as a result of the LGI/KBW Transaction;

- our ability to maintain or increase the number of subscriptions to our digital video, broadband internet and telephony services and our average revenue per household;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in the markets in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that opens our broadband distribution networks to competitors;
- the ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions, and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions, including the impact of the conditions imposed in connection with the LGI/KBW Transaction on our operations;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the markets in which we operate;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors to timely deliver 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;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- our ability to successfully integrate and realize anticipated efficiencies from the businesses we or Liberty Global acquire, including the business we acquired pursuant to the LGI/KBW Transaction;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- our availability to maintain or increase our revenue from channel carriage arrangements;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners;
- changes in the nature of key relationships with Deutsche Telekom and certain of its affiliates for the access and operation of a significant portion of our network;
- our ability to successfully interact with labor councils and unions; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

The broadband 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 in terms of video subscribers and a subsidiary of Liberty Global. We provide digital and analog cable television and broadband internet and telephony services to our customers over our broadband communications network in the German states of North Rhine-Westphalia and Hesse. As of March 31, 2012, we served 4,416,000 video revenue generating units (RGUs) (including 1,804,100 digital cable RGUs), 1,111,400 broadband internet RGUs and 1,105,000 telephony RGUs over a broadband communications network that passed 8,691,100 homes. Effective January 1, 2012, we began including certain small office and home office (SOHO) RGUs in our externally-reported subscriber statistics. As a result of this change, we recorded a non-organic adjustment to increase the number of our RGUs at January 1, 2012 by 4,500.

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

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

We provide the following products and services to our customers:

- *Video Services.* As of March 31, 2012, we provided our digital and analog cable services 50.8% of homes passed by our network. Our digital cable service offerings include basic and premium digital services, including premium subscription channels, HD and DVR services. As of March 31, 2012, 40.9% 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 or with third parties that operate and administer the in-building network on behalf of housing associations (Professional Operators). In addition, we receive carriage fees from both public and commercial broadcasters.

- *Broadband Internet Services.* Our current service portfolio consists of services with download speeds ranging from 10 Mbps to 150 Mbps with no time or data volume restrictions. Our customers can choose between various packages and bundles. As of March 31, 2012, we had expanded the availability of our ultra high-speed broadband internet services through the deployment of Euro DOCSIS 3.0 capable equipment to 98% of our two-way homes passed.

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

We added a total of 138,800 RGUs (including 1,700 SOHO RGUs) on an organic basis during the three months ended March 31, 2012. The organic RGU growth during three months ended March 31, 2012 is attributable to the growth of our (i) broadband internet services, which added 76,500 RGUs, (ii) telephony services, which added 74,500 RGUs and (iii) digital cable services, which added 68,300 RGUs. The growth of our broadband internet, telephony and digital cable RGUs was partially offset by a decline in our analog cable RGUs of 80,500.

Although we continued to increase revenue and RGUs during the first quarter of 2012 by increasing the penetration of our advanced services, we are experiencing significant competition. Key competitors of our cable business include:

(i) satellite-based and other broadband cable or fiber-based reception of analog and digital free-to-air programming that compete primarily with our basic video products;

(ii) Sky Deutschland GmbH and Deutsche Telekom with their respective content offerings that compete primarily with our premium digital cable products; and

(iii) Deutsche Telekom and alternative digital subscriber line and fiber-based operators with their bundled offerings that compete primarily with our broadband internet and telephony products.

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

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

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

In connection with the LGI/KBW Transaction, we made certain commitments to address the competition concerns of the FCO that could have an adverse impact on our future operating results and cash flows. For additional information, see note 11 to our condensed consolidated financial statements.

Material Changes in Results of Operations

This section provides an analysis of our results of operations for the three months ended March 31, 2012 and 2011.

Revenue

Revenue includes amounts earned from subscribers for ongoing services as well as channel carriage fees, interconnect fees, installation fees, late fees and other non-subscription revenue. We use the term "subscription revenue" in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile telephony revenue. The details of our revenue are set forth below:

	Three months ended March 31,		Increase	
	2012	2011	€	%
		in millions		
Subscription revenue:				
Video	€ 156.7	€ 154.4	€ 2.3	1.5
Broadband internet	39.0	27.1	11.9	43.9
Telephony	42.5	33.6	8.9	26.5
Total subscription revenue	238.2	215.1	23.1	10.7
Non-subscription revenue (a)	32.7	30.7	2.0	6.5
Total	€ 270.9	€ 245.8	€ 25.1	10.2

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

The details of our revenue increase during the three months ended March 31, 2012, as compared to the corresponding period in 2011, are set forth below (in millions):

Increase in subscription revenue due to change in (a):	
Average number of RGUs (b)	€ 16.7
Average monthly subscription revenue per average RGU (ARPU) (c)	6.4
Increase in non-subscription revenue (d)	2.0
Total	€ 25.1

(a) Our subscription revenue includes revenue from multi-year bulk agreements with landlords, housing associations or Professional Operators. These bulk agreements, which generally allow for the procurement of the basic analog signals from our company at volume-based discounts, provide access to nearly two-thirds of our analog cable subscribers. During the three months ended March 31, 2012, our 20 largest bulk agreement accounts generated approximately 9% of our revenue (including estimated amounts billed directly to the building occupants for premium cable, broadband internet and telephony services). No assurance can be given that our bulk agreements will be renewed or extended on financially equivalent terms or at all, particularly in light of the commitments we have made to regulators in connection with the LGI/KBW Transaction. In this regard, we have, among other items, agreed to grant a special termination right with respect to certain of our larger bulk agreements. During the three months ended March 31, 2012, the bulk agreements that are subject to this special termination right accounted for a significant portion of our revenue associated with (i) all of the bulk agreements of our company and (ii) the 20 largest bulk agreement accounts mentioned above. For additional information, see note 11 to our condensed consolidated financial statements.

(b) The increase in our subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of broadband internet, telephony and digital cable RGUs that were only partially offset by a decline in the average number of analog cable RGUs. The decline in our average number of analog cable RGUs led to a decline in the average number of total video RGUs during the three months ended March 31, 2012.

(c) The increase in our subscription revenue related to a change in ARPU is due to an improvement in RGU mix, attributable to higher proportions of telephony, digital cable and broadband internet RGUs, that was only partially offset by a net decrease resulting primarily from the following factors: (i) lower ARPU due to the impact of free bundled services provided to new subscribers during promotional periods, (ii) lower ARPU due to a higher proportion of customers receiving discounted analog cable services through bulk agreements, (iii) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans and (iv) higher ARPU from broadband internet services. For information concerning our commitment to distribute digital free-to-air television channels in unencrypted form commencing January 1, 2013, see note 11 to our condensed consolidated financial statements.

(d) The increase in our non-subscription revenue is primarily attributable to an increase in installation revenue, primarily due to a higher number of RGU additions. Our non-subscription revenue includes fees received for the carriage of certain channels included in our analog and digital cable offerings. These fees, which represented approximately 7% of our revenue during the three months ended March 31, 2012, are subject to contracts that expire or are otherwise terminable by either party at various dates ranging from 2012 through 2015. No assurance can be given that these contracts will be renewed or extended on financially equivalent terms, or at all. In addition, our ability to increase the aggregate carriage fees that we receive for each channel is limited by certain commitments we made to regulators in connection with the LGI/KBW Transaction. For additional information, see note 11 to our condensed consolidated financial statements.

OpEx

General. OpEx includes programming, network operations, interconnect, customer operations, customer care and other operating costs. Our network operating costs include significant expenses incurred pursuant to long-term agreements with Deutsche Telekom for the use of assets and other services provided by Deutsche Telekom. Our programming costs, which represent the majority of our direct costs, are expected to rise in future periods as a result of (i) growth in digital cable services, in combination with the planned introduction of our next generation set-top box platform and online viewing, (ii) price increases and (iii) other factors. In addition, we are subject to inflationary pressures with respect to our staff related and other costs. Any cost increases that we are not able to pass on to our subscribers through service rate increases would result in increased pressure on our operating margins. The details of our OpEx are provided in the below table:

	Three months ended March 31,		Increase	
	2012	2011	€	%
	in millions			
Direct costs (interconnect, programming, copyright and other)	€ 23.6	€ 21.8	€ 1.8	8.3
Staff related costs	14.5	13.8	0.7	5.1
Network operating costs	24.0	22.3	1.7	7.6
Other indirect costs	13.9	10.2	3.7	36.3
Total	€ 76.0	€ 68.1	€ 7.9	11.6

Our total OpEx increased €7.9 million or 11.6% during the three months ended March 31, 2012, as compared to the corresponding period in 2011. This increase includes the following factors:

- An increase in other indirect costs of €3.7 million or 36.3%, attributable to an increase in outsourced labor and professional fees primarily due to increased call center costs attributable to higher call volumes and, to a lesser extent, higher outsourced labor associated with customer-facing activities;

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- An increase in direct costs of €1.8 million or 8.3%, primarily attributable to an increase in programming and related costs due to growth in digital video services; and

- An increase in network operating costs of €1.7 million or 7.6%, largely due to (i) higher costs associated with the refurbishment of customer premises equipment and (ii) higher network equipment maintenance costs.

SG&A

General. SG&A includes human resources, information technology, general services, management, finance, legal and marketing costs, stock-based compensation and other general expenses. As noted above under *OpEx*, we are subject to inflationary pressures with respect to our staff related and other costs. The details of our SG&A costs are provided in the below table:

	Three months ended March 31,		Increase	
	2012	2011	€	%
		in millions		
Staff related costs	€ 10.2	€ 9.1	€ 1.1	12.1
Sales and marketing costs	18.5	15.7	2.8	17.8
Other indirect costs	10.8	7.1	3.7	52.1
Total	€ 39.5	€ 31.9	€ 7.6	23.8

Our total SG&A increased €7.6 million or 23.8% during the three months ended March 31, 2012, as compared to the corresponding period in 2011. This increase includes the following factors:

- An increase in other indirect costs of €3.7 million or 52.1%, primarily attributable to (i) an increase in outsourced labor and professional fees, primarily due to higher consulting costs associated with the integration of KBW's operations with ours and (ii) an increase in facilities expense primarily due to higher rent and related costs; and

- An increase in sales and marketing costs of €2.8 million or 17.8%, primarily due to increased costs associated with rebranding and other advertising campaigns.

Related-Party Fees and Allocations

We recorded related-party fees and allocations related to corporate services performed by Liberty Global of €9.6 million during the three months ended March 31, 2012, compared to €7.5 million during the corresponding prior year period. These amounts represent charges that originate with UPC Holding and other Liberty Global subsidiaries to our company, including charges for management, finance, legal, technology, marketing and other services that support our company's operations. For additional information, see note 10 to our condensed consolidated financial statements.

Depreciation and Amortization Expense

Depreciation and amortization expense increased €5.6 million or 6.0% during the three months ended March 31, 2012, as compared to the corresponding period in 2011. This increase is due primarily to the net effect of (i) an increase in property and equipment related to capital expenditures, (ii) a decrease associated with certain assets becoming fully depreciated and (iii) an increase in expenditures for capitalizable subscriber acquisition costs.

Net Financial and Other Expense

Our net financial and other expense primarily includes interest expense, interest income, foreign currency transaction gains or losses and realized and unrealized gains or losses on derivative instruments. As further described below, we recorded net

financial and other expense during the three months ended March 31, 2012 of €67.3 million, compared to €79.8 million during the corresponding period in 2011.

Interest expense – third-party

Interest expense – third-party increased €0.2 million or 0.3% during the three months ended March 31, 2012, as compared to the corresponding period in 2011. Our third-party interest expense primarily relates to the Unitymedia Notes and the Unitymedia Revolving Credit Facility.

Interest expense – related-party

Interest expense – related-party decreased €21.5 million during the three months ended March 31, 2012, as compared to the corresponding period in 2011, due primarily to lower average outstanding balances of our related-party loans payable during the 2012 period. Our related-party interest expense relates to our shareholder loans payable to UPC Germany Holding, as further described in note 7 to our condensed consolidated financial statements.

Foreign currency transaction gains, net

We recognized foreign currency transaction gains, net, of €18.6 million during the three months ended March 31, 2012, compared to €37.2 million during the corresponding prior year period. These amounts primarily relate to the remeasurement of the UM Dollar Senior Notes into euros.

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

	Three months ended March 31,	
	2012	2011
	in millions	
Cross-currency derivative contracts	€ (18.9)	€ (29.0)
Interest rate derivative contract	—	(0.1)
Total	€ (18.9)	€ (29.1)

Income tax benefit (expense)

We recognized income tax benefit of €13.7 million and income tax expense of €4.7 million during the three months ended March 31, 2012 and 2011, respectively.

The income tax benefit during the three months ended March 31, 2012 differs from the expected income tax benefit of €6.2 million (based on the German 31.88% income tax rate), due primarily to the positive impact of the recognition of certain net operating loss and interest carryforwards. This positive impact is partially offset by the negative impact of certain permanent differences between the financial and tax accounting treatment of interest and other items.

The income tax expense during the three months ended March 31, 2011 differs from the expected income tax benefit of €10.9 million (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 items.

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

Net loss

We reported a net loss of €5.7 million during the three months ended March 31, 2012, compared to €39.3 million during the corresponding prior year period.

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

Material Changes in Financial Condition

General

The following discussion and analysis is based on our financial condition as of March 31, 2012 and does not address the impacts of certain financing transactions that were completed in May 2012. These transactions include (i) the Unitymedia Exchange, pursuant to which (a) 90.9% of the outstanding principal amount of the KBW Senior Notes were exchanged for an equal amount of Unitymedia Senior Exchange Notes and (b) 92.5% of the outstanding principal amount of the KBW Senior Secured Notes were exchanged for an equal amount of Unitymedia Senior Secured Exchange Notes, (ii) the Special Optional Redemptions of the remaining KBW Notes that were not exchanged pursuant to the Unitymedia Exchange and (iii) the KBW Fold-in. For additional information concerning these transactions, see note 12 to our condensed consolidated financial statements.

Sources and Uses of Cash

Cash and cash equivalents

Although our consolidated operating subsidiaries have generated cash from operating activities, the terms of the indentures governing the Unitymedia Notes restrict our ability to access the assets of our subsidiaries. At March 31, 2012, substantially all of our consolidated cash and cash equivalents of €13.4 million were held by our subsidiaries. In addition, our ability to access the liquidity of our subsidiaries may be limited by tax considerations or other factors.

Liquidity of Unitymedia

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

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

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

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

At March 31, 2012, the full amount of the €80.0 million borrowing capacity under the Unitymedia Revolving Credit Facility was available to be borrowed.

The liquidity of Unitymedia Hessen, Unitymedia NRW and our other operating subsidiaries generally is used to fund capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time. For a discussion of our consolidated capital expenditures, cash provided by operating activities and cash used by financing activities, see the discussion under *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 (and ultimately to Liberty Global or other Liberty Global subsidiaries). No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

Our most significant financial obligations are our debt obligations, as described in notes 7 and 12 to our condensed consolidated financial statements. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Capitalization

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash and cash equivalents, the cash provided from the operations of our subsidiaries, any available borrowings under the Unitymedia Revolving Credit Facility and a €75.0 million financing commitment from Liberty Global Europe, of which €58.0 million was unused at March 31, 2012, will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements during the next 12 months, although no assurance can be given that this will be the case. However, as our debt matures in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

Our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase the Adjusted EBITDA of our operating subsidiaries and to achieve adequate returns on our capital expenditures and acquisitions. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in our and our subsidiaries' various debt instruments. In this regard, if our Adjusted EBITDA were to decline, we could be required to repay or limit our borrowings under the Unitymedia Revolving Credit Facility in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment.

Seasonality

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

Condensed Consolidated Cash Flow Statements

Summary. During the three months ended March 31, 2012, we used net cash provided by our operating activities of €222.6 million and €6.7 million of our existing cash and cash equivalents to fund net cash used by our investing activities of €168.1 million and net cash used by our financing activities of €61.2 million.

Operating activities. Net cash provided by our operating activities increased €31.9 million, from €190.7 million during the first three months of 2011 to €222.6 million during the first three months of 2012. This increase in cash provided is primarily attributable to (i) an increase in the cash provided by our Adjusted EBITDA and related working capital items and (ii) an increase in cash provided due to lower cash payments related to derivative instruments.

Investing activities. Net cash used by our investing activities increased €99.3 million, from €68.8 million during the first three months of 2011 to €168.1 million during the first three months of 2012. This increase in cash used is primarily attributable to (i) an increase in cash used due to advances to UPC Germany Holding of €81.9 million and (ii) an increase in cash used due to higher capital expenditures of €18.0 million, from €68.8 million during the first three months of 2011 to €86.8 million during the first three months of 2012. The increase in capital expenditures is primarily due to (i) an increase 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 in capitalized third-party commissions of €3.1 million, from €11.0 million during the 2011 period to €14.1 million during the 2012 period, resulting from a higher number of RGU additions, and (iv) an increase in expenditures for new build and upgrade projects to expand services. In terms of the composition of our capital expenditures during the first three months of 2012, (i) 51% was used to fund the rebuild and upgrade of our distribution network, primarily in connection with the upgrade of in-home wiring, (ii) 25% was used for the purchase and installation of customer premises equipment, (iii) 16% relates to capitalized third-party commissions and (iv) the remainder relates to expenditures for general support systems.

Financing activities. Net cash used by our financing activities decreased €19.0 million, from €80.2 million during the first three months of 2011 to €61.2 million during the first three months of 2012. This decrease in cash used is primarily due to higher net related-party borrowings of €18.9 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.