Condensed Consolidated Financial Statements
September 30, 2011

UNITYMEDIA GMBH
Aachener Strasse 746-750
50933 Cologne
Germany

UNITYMEDIA GMBH
TABLE OF CONTENTS

	Page Number
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	
Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010 (unaudited)	1
Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2011 and 2010 (unaudited)	3
Condensed Consolidated Statements of Changes in Shareholder's Deficit for the Nine Months Ended September 30, 2011 and 2010 (unaudited)	4
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2011 and 2010 (unaudited)	5
Notes to Condensed Consolidated Financial Statements (unaudited)	7
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	22

UNITYMEDIA GMBH
(see note 1)
(unaudited)

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2011	December 31, 2010
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 14.3	€ 58.7
Trade receivables, net	44.0	35.4
Loan receivable - related party (note 10)	54.2	—
Other current assets (note 4)	15.0	11.4
Total current assets	127.5	105.5
Property and equipment, net (note 6)	2,008.0	2,029.2
Goodwill	1,436.1	1,436.1
Intangible assets subject to amortization, net (note 6)	585.8	656.8
Other noncurrent assets (note 4)	85.0	72.5
Total noncurrent assets	4,114.9	4,194.6
Total assets	€ 4,242.4	€ 4,300.1

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

Unitymedia

UNITYMEDIA GMBH
(see note 1)
(unaudited)

CONDENSED CONSOLIDATED BALANCE SHEETS - (Continued)

	September 30, 2011	December 31, 2010
	in millions	
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current liabilities:		
Accounts payable	€ 28.0	€ 34.3
Accrued liabilities	131.2	152.7
Accounts payable and accrued liabilities – related party (note 10)	16.8	4.2
Provisions	5.0	18.6
Deferred revenue and advance payments from subscribers and others	77.5	67.7
Current portion of debt and finance lease obligations (note 7)	80.8	21.8
Other current liabilities (note 4)	19.6	10.4
Total current liabilities	358.9	309.7
Long-term debt and finance lease obligations (note 7):		
Third party	2,615.3	2,689.8
Related party	1,254.2	1,167.0
Deferred tax liabilities	334.0	333.3
Other long-term liabilities	19.0	17.7
Total noncurrent liabilities	4,222.5	4,207.8
Total liabilities	4,581.4	4,517.5
Commitments and contingencies (note 11)		
Shareholder's deficit (note 9):		
Share capital	—	—
Additional paid-in capital	17.2	17.0
Accumulated deficit	(356.2)	(234.4)
Total shareholder's deficit	(339.0)	(217.4)
Total liabilities and shareholder's deficit	€ 4,242.4	€ 4,300.1

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

UNITYMEDIA GMBH
(see note 1)
(unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	in millions			
Revenue	€ 259.5	€ 234.9	€ 757.7	€ 624.6
Operating costs and expenses:				
Operating (other than depreciation and amortization) (OpEx) (note 10)	70.1	66.1	202.3	182.8
Selling, general and administration expenses (other than depreciation and amortization) (including stock-based compensation) (SG&A) (note 10)	34.9	33.0	100.9	92.1
Restructuring and other operating charges (note 3)	—	0.9	0.5	24.8
Related-party fees and allocations, net (note 10)	13.7	5.8	26.7	17.4
Total operating costs and expenses	118.7	105.8	330.4	317.1
Earnings before interest, taxes, depreciation and amortization (EBITDA)	140.8	129.1	427.3	307.5
Depreciation and amortization	103.6	75.7	288.7	233.8
Earnings before interest and taxes (EBIT)	37.2	53.4	138.6	73.7
Financial and other expense:				
Interest expense:				
Third party	(61.5)	(62.5)	(183.9)	(194.2)
Related party (note 10)	(25.6)	(23.0)	(76.2)	(62.2)
Foreign currency transaction gains (losses), net	(46.8)	70.2	3.8	(3.2)
Realized and unrealized gains (losses) on derivative instruments, net (note 4)	54.6	(67.9)	14.0	31.9
Other income (expense), net	—	0.1	(1.3)	1.1
Net financial and other expense	(79.3)	(83.1)	(243.6)	(226.6)
Loss from continuing operations before income taxes	(42.1)	(29.7)	(105.0)	(152.9)
Income tax benefit (expense) (note 8)	(6.4)	27.0	(16.8)	17.6
Loss from continuing operations, net of taxes	(48.5)	(2.7)	(121.8)	(135.3)
Loss from discontinued operations (note 3)	—	(0.7)	—	(0.5)
Net loss / comprehensive loss (a)	€ (48.5)	€ (3.4)	€ (121.8)	€ (135.8)
Further details of OpEx and SG&A:				
Direct costs (interconnect, programming, copyright and other)	€ 21.7	€ 21.8	€ 64.4	€ 58.5
Staff-related costs (excluding restructuring charges)	24.2	22.6	70.6	61.8
Network operating and technical service costs	22.9	22.6	65.5	61.1
Sales and marketing costs	15.0	16.0	46.4	46.4
Other indirect costs	21.2	16.1	56.3	47.1
	€ 105.0	€ 99.1	€ 303.2	€ 274.9
Further detail of restructuring and other operating charges:				
Staff-related costs	€ —	€ 0.9	€ 0.4	€ 1.5
Direct acquisition costs (note 3)	—	—	0.1	23.3
	€ —	€ 0.9	€ 0.5	€ 24.8

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

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

UNITYMEDIA GMBH
(see note 1)
(unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIT

	Additional paid-in capital	Accumulated deficit	Total shareholder's deficit
		in millions	
Balance at January 1, 2010	€ —	€ (62.5)	€ (62.5)
Net loss	—	(135.8)	(135.8)
Balance at September 30, 2010	€ —	€ (198.3)	€ (198.3)
Balance at January 1, 2011	€ 17.0	€ (234.4)	€ (217.4)
Net loss	—	(121.8)	(121.8)
Stock-based compensation (note 10)	0.2	—	0.2
Balance at September 30, 2011	€ 17.2	€ (356.2)	€ (339.0)

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

UNITYMEDIA GMBH
(see note 1)
(unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,	
	2011	2010
	in millions	
Cash flows from operating activities:		
Net loss	€ (121.8)	€ (135.8)
Loss from discontinued operations	—	0.5
Loss from continuing operations	(121.8)	(135.3)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:		
Stock-based compensation expense	0.2	—
Restructuring and other operating charges	0.5	24.8
Related-party fees and allocations, net	26.7	17.4
Depreciation and amortization	288.7	233.8
Amortization of deferred financing costs and non-cash interest accretion	9.0	8.1
Non-cash related-party interest expense	76.2	62.2
Foreign currency transaction losses (gains), net	(3.8)	3.2
Realized and unrealized gains on derivative instruments, net	(14.0)	(31.9)
Deferred tax expense (benefit)	0.9	(28.3)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	27.1	62.4
Net cash used by discontinued operations	—	(6.0)
Net cash provided by operating activities	289.7	210.4
Cash flows from investing activities:		
Capital expenditures	(199.7)	(167.8)
Advances to an LGI subsidiary	(54.0)	—
Cash paid in connection with acquisitions, net of cash acquired	—	(1,880.1)
Other investing activities	0.2	—
Net cash used by investing activities	€ (253.5)	€ (2,047.9)

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

UNITYMEDIA GMBH
(see note 1)
(unaudited)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)

	Nine months ended September 30,	
	2011	2010
	in millions	
Cash flows from financing activities:		
Repayments of third-party debt and finance lease obligations	€ (160.6)	€ (1,720.4)
Borrowings of third-party debt	80.0	85.0
Decrease in cash collateral	—	2,593.6
Net related-party borrowings	—	1,050.9
Net cash paid related to derivative instruments	—	(66.7)
Payment of financing costs and debt premiums	—	(27.1)
Other financing activities	—	3.9
Net cash provided (used) by financing activities	(80.6)	1,919.2
Net increase (decrease) in cash and cash equivalents	(44.4)	81.7
Cash and cash equivalents:		
Beginning of period	58.7	—
End of period	€ 14.3	€ 81.7
Cash paid for interest (excluding payments related to derivative instruments)	€ 115.9	€ 148.9
Net cash paid (received) for taxes:		
Continuing operations	€ (0.9)	€ 8.5
Discontinued operations	—	4.3
Total	€ (0.9)	€ 12.8

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

(1) Basis of Presentation

Unitymedia GmbH (Unitymedia) is an indirect subsidiary of Liberty Global, Inc. (LGI). Unitymedia was formed by LGI on October 15, 2009 and registered with the trade register on October 23, 2009 in contemplation of the issuance of debt financing in connection with Unitymedia's then potential acquisition of the entity (Old Unitymedia) that owned the second largest cable operator in Germany. The sole shareholder of Unitymedia is UPC Germany Holding B.V. (UPC Germany Holding), an indirect subsidiary of LGI. 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 Hesse and North Rhine-Westphalia, provides video, broadband internet and telephony services to its customers. In addition to this core business, Unitymedia's arena segment operated a direct-to-home satellite (DTH) digital pay TV platform that, as further described in note 3, we closed down effective September 30, 2010. We have presented Unitymedia's arena segment as a discontinued operation in our condensed consolidated statements of operations and cash flows. As such, all statement of operations and cash flow statement amounts presented in the notes to these condensed consolidated financial statements relate only to our continuing operations, unless otherwise noted.

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

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

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

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

Unless otherwise indicated, convenience translations into euros are calculated as of September 30, 2011.

These condensed consolidated financial statements were approved for publication by the Managing Directors on November 18, 2011.

(2) Segment Reporting

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	in millions			
Subscription revenue (a):				
Video	€ 156.6	€ 154.7	€ 467.8	€ 416.1
Broadband internet	33.1	23.0	90.2	57.9
Telephony	38.7	29.8	107.8	76.8
Total subscription revenue	228.4	207.5	665.8	550.8
Non-subscription revenue (b)	31.1	27.4	91.9	73.8
Total revenue	€ 259.5	€ 234.9	€ 757.7	€ 624.6

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

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

(3) Acquisition and Discontinued Operation

Acquisition

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

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

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

The following pro forma statement of operations data of Unitymedia for the nine months ended September 30, 2010 gives effect to (i) the Unitymedia Merger, (ii) the Liberty Global Transaction and (iii) the refinancing of Old Unitymedia's debt as if such transactions had been completed as of January 1, 2010. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on such dates. The pro forma adjustments are based on currently available information and certain assumptions that we believe are reasonable (in millions):

Revenue:		
Video	€	462.4
Broadband internet		63.7
Telephony		85.0
Non-subscription revenue		81.8
		692.9
Operating costs and expenses:		
OpEx		204.6
SG&A		102.8
Restructuring and other operating charges		24.9
Related-party fees and allocations, net		17.4
		349.7
EBITDA		343.2
Depreciation and amortization		261.1
EBIT		82.1
Financial and other expense:		
Interest expense:		
Third party		(184.9)
Related party		(69.9)
Foreign currency transaction losses, net		(0.2)
Realized and unrealized gains on derivative instruments, net		26.3
Other income		1.1
Net financial and other expense		(227.6)
Loss before income taxes		(145.5)
Income tax benefit		15.2
Loss from continuing operations	€	(130.3)
Further details of OpEx and SG&A:		
Direct costs (interconnect, programming, copyright and other)	€	65.7
Staff-related costs		68.6
Network operating and technical service costs		68.0
Sales and marketing costs		50.9
Other indirect costs		54.2
	€	307.4
Further details of Restructuring and other operating charges:		
Staff-related costs	€	1.6
Direct acquisition costs		23.3
	€	24.9

Our condensed consolidated statements of operations for the three and nine months ended September 30, 2010 include revenue of €234.9 million and €624.6 million, respectively, and net earnings (losses) of €10.7 million and (€26.0 million), respectively.

Discontinued Operations

Effective September 30, 2010, we closed down the DTH operations of our arena segment. The operating results of our arena segment during the three and nine months ended September 30, 2010 are classified as discontinued operations in our condensed consolidated statements of operations and are summarized in the following table:

	Three months ended September 30, 2010	Nine months ended September 30, 2010
	in millions	
Revenue	€ 2.4	€ 7.7
Operating costs and expenses	€ 3.2	€ 8.7
EBITDA	€ (0.8)	€ (1.0)
Loss before income taxes	€ (0.8)	€ (2.1)
Income tax benefit	€ 0.1	€ 1.6
Loss from discontinued operations	€ (0.7)	€ (0.5)

(4) Derivative Instruments

We have entered into certain derivative instruments to manage foreign currency exposure with respect to the U.S. dollar. We were also party to an interest rate swap contract that was originally entered into to manage interest rate risk with respect to 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 and liabilities:

	September 30, 2011			December 31, 2010		
	Current (a)	Long-term (a)	Total	Current (a)	Long-term (a)	Total
	in millions					
Assets (b):						
Cross-currency derivative contracts	€ 2.7	€ 64.8	€ 67.5	€ 3.0	€ 50.3	€ 53.3
Liabilities (b):						
Interest rate derivative contract	€ —	€ —	€ —	€ 9.2	€ —	€ 9.2

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

(b) We consider credit risk in our fair value assessments. As of September 30, 2011 and December 31, 2010, (i) the fair values of our cross-currency derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €7.3 million and €3.2 million, respectively, and (ii) the fair value of our interest rate derivative contract, at December 31, 2010, that represented a liability has been reduced by credit risk valuation adjustments that were not significant. Generally, adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance.

In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market. The changes in the credit risk valuation adjustments associated with our derivative instruments resulted in losses of €6.4 million and €4.2 million during the three and nine months ended September 30, 2011, respectively, and gains (losses) of €6.6 million and (€11.4 million) during the three and nine months ended September 30, 2010, respectively. These amounts are included in realized and unrealized gains (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 gains (losses) on derivative instruments, net are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	in millions			
Cross-currency derivative contracts	€ 54.6	€ (67.9)	€ 14.1	€ 34.4
Interest rate derivative contract	—	—	(0.1)	(2.5)
Total	€ 54.6	€ (67.9)	€ 14.0	€ 31.9

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

	Nine months ended September 30,	
	2011	2010
	in millions	
Operating activities	€ (9.5)	€ (16.6)
Financing activities	—	(66.7)
Total	€ (9.5)	€ (83.3)

Cross-currency Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at September 30, 2011 are as follows:

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

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

(5) Fair Value Measurements

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

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

As further described in note 4, we are a party to various derivative instruments to manage our foreign currency exchange risk with respect to the U.S. dollar. Our derivative financial instruments are measured at fair value as the present value of the estimated future cash flows based on observable interest rate futures and swap rates and fall under the Level 2 fair value hierarchy. The fair value measurements of these derivative instruments are determined using discounted cash flow models. All but one of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative instruments, we believe that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 4. The reported fair values of our derivative assets and liabilities as of September 30, 2011 likely will not represent the value that will be realized upon their ultimate settlement or disposition. In this regard, we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

As of September 30, 2011, our derivative instruments were the only financial instruments that we accounted for at fair value, and accordingly, 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 reporting units, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of private reporting units is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges, and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During 2010, we performed nonrecurring fair value measurements in connection with the Liberty Global Transaction and goodwill impairment assessments. For additional information, see note 3.

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

	Category (a)	September 30, 2011 Carrying amount	September 30, 2011 Fair value	December 31, 2010 Carrying amount	December 31, 2010 Fair value
		in millions			
Assets carried at fair value:					
Derivative financial instruments	I	€ 67.5	€ 67.5	€ 53.3	€ 53.3
Assets carried at cost or amortized cost:					
Trade receivables	II	€ 44.0	€ 44.0	€ 35.4	€ 35.4
Restricted cash	II	1.9	1.9	1.6	1.6
Other current and long-term financial assets	II	69.8	69.8	9.1	9.1
Cash and cash equivalents	II	14.3	14.3	58.7	58.7
Total assets carried at cost or amortized cost		€ 130.0	€ 130.0	€ 104.8	€ 104.8
Liabilities carried at fair value:					
Derivative financial instruments	I	€ —	€ —	€ 9.2	€ 9.2
Liabilities carried at cost or amortized cost:					
Debt obligation	III	€ 2,691.1	€ 2,784.9	€ 2,707.0	€ 3,012.0
Loans payable – related party	III	1,254.2	1,254.2	1,167.0	1,167.0
Accounts payable and other (including related party)	III	45.9	45.9	35.0	35.0
Finance lease obligations	III	5.0	5.0	4.6	4.6
Total liabilities carried at cost or amortized cost		€ 3,996.2	€ 4,090.0	€ 3,913.6	€ 4,218.6

(a) Pursuant to IAS 39, category I refers to financial assets and liabilities held for trading, category II refers to loans and receivables and category III refers to financial liabilities.

(6) Long-lived Assets

Property and Equipment, Net

The following table represents the reconciliation of carrying amounts of our property and equipment from January 1, 2011 until September 30, 2011:

	Cable distribution systems	Support equipment, buildings and land	Total
		in millions	
Cost:			
January 1, 2011	€ 2,129.4	€ 106.3	€ 2,235.7
Additions	153.8	9.2	163.0
Retirements and disposals	(14.5)	—	(14.5)
September 30, 2011	€ 2,268.7	€ 115.5	€ 2,384.2
Accumulated depreciation:			
January 1, 2011	€ 193.2	€ 13.3	€ 206.5
Depreciation	172.0	11.3	183.3
Retirements and disposals	(13.6)	—	(13.6)
September 30, 2011	€ 351.6	€ 24.6	€ 376.2
Property and equipment, net:			
September 30, 2011	€ 1,917.1	€ 90.9	€ 2,008.0

During the nine months ended September 30, 2011, no borrowing costs were capitalized.

Intangible Assets Subject to Amortization, Net

The following table represents the reconciliation of carrying amounts of our intangible assets from January 1, 2011 until September 30, 2011:

	Customer relationships	Subscriber acquisition costs	Trade name	Other	Total
			in millions		
Cost:					
January 1, 2011	€ 700.0	€ 31.6	€ 9.0	€ 30.7	€ 771.3
Additions	—	33.5	—	0.9	34.4
Retirements and disposals	—	(22.8)	—	—	(22.8)
September 30, 2011	€ 700.0	€ 42.3	€ 9.0	€ 31.6	€ 782.9
Accumulated amortization:					
January 1, 2011	€ 88.6	€ 13.1	€ 1.7	€ 11.1	€ 114.5
Amortization	71.9	26.8	1.3	5.4	105.4
Retirements and disposals	—	(22.8)	—	—	(22.8)
September 30, 2011	€ 160.5	€ 17.1	€ 3.0	€ 16.5	€ 197.1
Intangible assets subject to amortization, net:					
September 30, 2011	€ 539.5	€ 25.2	€ 6.0	€ 15.1	€ 585.8

(7) Debt and Finance Lease Obligations

As of September 30, 2011, our consolidated debt included (i) €1,430.0 million principal amount of 8.125% senior secured notes (the UM Euro Senior Secured Notes), (ii) $845.0 million (€628.3 million) principal amount of 8.125% senior secured notes (the UM Dollar Senior Secured Notes, and together with the UM Euro Senior Secured Notes, the UM Senior Secured Notes), (iii) €665.0 million principal amount of 9.625% senior notes (the UM Senior Notes, and together with the UM Senior Secured Notes, the Unitymedia Senior Notes), (iv) an €80.0 million secured credit facility (the 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:

	September 30, 2011				Estimated fair value		Carrying value (c)	
	Interest rate (a)	Borrowing currency	Euro equivalent	Unused borrowing capacity (b)	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
				in millions				
Parent:								
Loans payable – related party (d)	8.580%	€ 1,178.0	€ 1,178.0	€ —	(d)	(d)	€ 1,178.0	€ 1,081.2
UM Senior Notes due 2019	9.625%	€ 665.0	665.0	—	€ 644.3	€ 729.8	651.2	650.5
Subsidiaries:								
UM Euro Senior Secured Notes due 2017	8.125%	€ 1,430.0	1,430.0	—	€ 1,430.5	€ 1,516.3	1,404.6	1,402.3
UM Dollar Senior Secured Notes due 2017	8.125%	$ 845.0	628.3	—	€ 631.4	€ 670.4	617.3	620.2
Revolving Credit Facility due 2014	5.107%	€ 80.0	80.0	80.0	€ —	€ 76.0	—	80.0
	8.518%		€ 3,981.3	€ 80.0			3,851.1	3,834.2
Transaction costs							(60.7)	(65.5)
Accrued interest:								
Related party							76.2	85.8
Third party							78.7	19.5
Finance lease obligations							5.0	4.6
Total debt and finance lease obligations							3,950.3	3,878.6
Current maturities							(80.8)	(21.8)
Long-term debt and finance lease obligations							€ 3,869.5	€ 3,856.8

(a) Represents the nominal interest rate and does not include the impact of our interest rate derivative agreements, deferred financing costs, discounts or commitment fees, all of which affect our overall cost of borrowing. For information concerning our derivative instruments, see note 4. The nominal interest rate for the Revolving Credit Facility is EURIBOR + 3.75%. Including the effects of derivative instruments, discounts and commitments fees, but excluding the impact of financing costs, our estimated weighted average interest rate on our aggregate indebtedness was approximately 8.4% at September 30, 2011. Interest payments for the Unitymedia Senior Notes commenced on June 1, 2010 and are made semi-annually on June 1 and December 1.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at September 30, 2011 without regard to covenant compliance calculations. At September 30, 2011, the full amount of the €80.0 million borrowing capacity under the Revolving Credit Facility was available to be borrowed.

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

(d) Represents loans payable to UPC Germany Holding resulting primarily from (i) transactions that were completed in connection with the Liberty Global Transaction and (ii) fees and allocations charged from UPC Holding and other LGI subsidiaries. All principal (€1,178.0 million and €1,081.2 million at September 30, 2011 and December 31, 2010, respectively) and accrued interest (€76.2 million and €85.8 million at September 30, 2011 and December 31, 2010, respectively) outstanding under these loans is due and payable on January 1, 2030. The amounts outstanding under these loans bear interest at 8.58% per annum. Accrued interest is transferred to the loan balance annually on January 1. The net increase in the principal of the loans payable – related party during the nine months ended September 30, 2011 includes (i) cash borrowings of €50.0 million, (ii) cash payments of €50.0 million, (iii) an €11.0 million non-cash increase related to the settlement of intercompany charges and allocations and (iv) the transfer of €85.8 million in non-cash accrued interest to the loan balance. The fair value of the loans payable is not subject to reasonable estimation due to the related-party nature of the loans.

Maturities of Debt and Finance Lease Obligations

Maturities of our debt and finance lease obligations as of September 30, 2011 are presented below. The principal amounts presented below represent euro equivalents based on September 30, 2011 exchange rates:

	Third-party debt and finance lease obligations	Related-party loans payable	Total
		in millions	
Year ended December 31:			
2011 (remainder of year)	€ —	€ —	€ —
2012	—	—	—
2013	—	—	—
2014	—	—	—
2015	—	—	—
2016	—	—	—
Thereafter	2,723.3	1,178.0	3,901.3
Total debt maturities	2,723.3	1,178.0	3,901.3
Unamortized discount	(50.2)	—	(50.2)
Total debt	2,673.1	1,178.0	3,851.1
Present value of net minimum lease payments for finance lease obligations	5.0	—	5.0
Total debt and finance lease obligations	€ 2,678.1	€ 1,178.0	€ 3,856.1

(8) Income Taxes

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	in millions			
Computed “expected” income tax benefit	€ 13.3	€ 9.4	€ 33.2	€ 48.3
Recognized (unrecognized) net operating losses and interest carryforwards	(13.7)	22.2	(35.7)	(8.4)
Non-deductible interest and other expenses	(5.1)	(4.5)	(12.6)	(14.0)
Basis and other differences in the treatment of items associated with investments in subsidiaries and affiliates	—	—	—	(7.3)
Other, net	(0.9)	(0.1)	(1.7)	(1.0)
Total	€ (6.4)	€ 27.0	€ (16.8)	€ 17.6

(9) Shareholder’s Deficit

As of September 30, 2011, we reported shareholder's deficit of €339.0 million. Under the applicable rules in Germany, over-indebtedness is deemed to exist under insolvency law if the existing liabilities are no longer covered by the debtor’s assets, unless an entity’s ability to continue as a going concern is most likely under the circumstances known.

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

One of our indirect parent companies (Liberty Global Europe Holding B.V.) has granted a €75 million financing commitment to us and our wholly-owned subsidiaries through December 31, 2012, of which €58.0 million is unused at September 30, 2011. Taking into account the financing commitment and based on our financial projections we expect to continue as a going concern until December 31, 2012 despite the over-indebtedness reported in our September 30, 2011 condensed consolidated balance sheet.

(10) Related Party Transactions

Our related party transactions consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	in millions			
OpEx	€ 2.9	€ —	€ 5.2	€ —
Allocated stock-based compensation expense	0.2	—	0.2	—
Fees and allocations, net	13.7	5.8	26.7	17.4
Included in EBIT	16.8	5.8	32.1	17.4
Interest expense	25.6	23.0	76.2	62.2
Included in loss from continuing operations	€ 42.4	€ 28.8	€ 108.3	€ 79.6

OpEx. These amounts represent certain cash settled charges from other LGI subsidiaries, including UPC Holding B.V. (UPC Holding), to our company primarily for (i) technology related costs based on LGI's global contract for encryption services and (ii) certain backbone costs.

Allocated stock-based compensation expense. These amounts are allocated to our company by LGI and represent the stock-based compensation associated with the LGI 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 LGI Series A common stock or LGI Series C common stock, as applicable, subject to performance and vesting as determined by the compensation committee of LGI's board of directors. Stock-based compensation expense is reflected as a decrease to shareholder's deficit and is included in SG&A in our condensed consolidated statements of operations.

Fees and allocations, net. These amounts represent charges from other LGI subsidiaries, including UPC Holding, to our company following the Liberty Global Transaction, including charges for management, finance, legal, technology, marketing and other services that support our company's broadband communications operations. The amounts charged generally are based on our company's estimated share of the applicable costs (including personnel, stock-based compensation and other costs related to the services provided) incurred by the other LGI subsidiaries, plus a mark-up. The monthly amounts charged are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year. Charges from UPC Holding may be cash or loan settled. With respect to the amounts settled during the nine months ended September 30, 2011 and 2010, €2.7 million were cash settled during the third quarter of 2011 and the remainder was loan settled.

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 stand-alone basis.

Loan receivable – related party. Represents amounts outstanding pursuant to a September 26, 2011 loan agreement with Liberty Global Europe Financing BV (LGE Financing), an LGI subsidiary outside of Unitymedia. We can require the repayment of all or part of this loan within five-days of providing notice to LGE Financing. The interest rate, which can be adjusted at any time with the mutual consent of the parties, was 3.21% for the three months ended September 30, 2011. Interest income on this loan through September 30, 2011 was not significant.

Loans payable – related party. At September 30, 2011 and December 31, 2010, our loans payable – related party represented loans payable to UPC Germany Holding. For additional information, see note 7.

Accounts payable and accrued liabilities – related party. At September 30, 2011 and December 31, 2010, our accounts payable and accrued liabilities – related party represented amounts owed to UPC Holding and other LGI subsidiaries outside of Unitymedia for various intercompany charges, fees and allocations, as further described above. These amounts may be cash or loan settled.

Parent guarantee. At September 30, 2011, our accumulated deficit exceeded paid-in capital. As described in note 9, one of our indirect parent companies has granted a financing commitment to us and our wholly-owned subsidiaries through December 31, 2012. The terms of any amounts loaned under this parental guarantee are the same as those for our related-party loans payable, as described in note 7.

(11) Commitments and Contingencies

Commitments

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

Guarantees and Other Credit Enhancements

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

Other Contingencies

Pending Acquisition of KBW by LGI. On March 21, 2011, UPC Germany HoldCo 2 GmbH (UPC Germany HC2), one of LGI's wholly-owned subsidiaries, entered into a Sale and Purchase Agreement with Oskar Rakso S.à.r.l. for the acquisition of all of the outstanding shares of Musketeer GmbH, the sole shareholder of Kabel BW Erste Beteiligungs GmbH (KBW). KBW is the third largest cable television operator in Germany in terms of numbers of subscribers. Closing of the acquisition by UPC Germany HC2 is subject to approval by the Federal Cartel Office (the FCO) in Germany (KBW Antitrust Clearance). On October 29, 2011, after consideration of LGI's submissions and the comments of market participants, the FCO issued a statement to the parties and various market participants, describing its competition concerns relating to the proposed acquisition and the remedies that LGI offered to address these concerns despite LGI's strong disagreement with the FCO's competition analysis. The FCO indicated that it is currently assessing whether the offered remedies are capable of overcoming its competition concerns and is seeking the views of the market participants. Comments from the parties and market participants are due by November 15, 2011 with a final decision of the FCO to be published no later than December 15, 2011. The offered remedies would require a number of structural changes to our company's and KBW's business practices, including (i) distributing unencrypted digital basic cable service to single dwelling

units (SDUs) and multiple dwelling units (MDUs) in our territory that contract for our analog cable service at no additional cost, (ii) continuing KBW's practice of unencrypted digital basic distribution in its region to SDUs and MDUs, (iii) waiving exclusivity in contracts with housing associations and owners of MDUs so that third parties may offer services over their own networks in the associated buildings and (iv) agreeing to forgo any ownership rights with regards to the in-building wiring on contract expiration. Although LGI believes that the offered remedies are sufficient to overcome the FCO's competition concerns, there can be no assurance that KBW Antitrust Clearance will be obtained. If KBW Antitrust Clearance is obtained and LGI's offered remedies are accepted, we anticipate that the remedies could adversely impact our future operating results and cash flows. Due to the numerous factors that could impact our future operating results and cash flows, we cannot estimate the extent of any such adverse impacts.

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 results of operations or financial position.

Capital Risk Management

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

Our principal sources of liquidity include (i) our cash and cash equivalents, (ii) our loan receivable - related party with LGE Financing, (iii) borrowing availability under the Revolving Credit Facility, (iv) contributions or loans from UPC Germany Holding, Liberty Global Europe B.V. or other Liberty Global subsidiaries and (v) subject to applicable restrictions, proceeds in the form of distributions or loans from Unitymedia Hessen, Unitymedia NRW or other operating subsidiaries.

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

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

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

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

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

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

- *Material Changes in Results of Operations.* This section provides an analysis of our historical results from continuing operations for the three and nine months ended September 30, 2011 and our historical and proforma results from continuing operations for the three and nine months ended September 30, 2010, respectively, as further described below.

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

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

Forward-Looking Statements

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

- economic and business conditions and industry trends in the markets in which we operate;

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

- competitor responses to our products and services;

- fluctuations in currency exchange rates and interest rates;

- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;

- changes in consumer television viewing preferences and habits;

- consumer acceptance of existing service offerings, including our digital cable, broadband internet and telephony services;

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

- our ability to manage rapid technological changes;
- our ability to maintain or increase the number of subscriptions to our digital cable, broadband internet and telephony services and our average revenue per household;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in the markets in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that opens our broadband distribution networks to competitors;
- 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 any conditions imposed in connection with LGI's pending acquisition of KBW on our operations;
- our ability to successfully negotiate rate increases where applicable;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the markets in which we operate;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- our ability to successfully integrate and realize anticipated efficiencies from the businesses we acquire;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- the ability of suppliers and vendors to timely deliver products, equipment, software and services;
- the availability of attractive programming for our digital cable services at reasonable costs;
- our availability to maintain or increase our revenue from channel carriage arrangements;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners;
- changes in the nature of key relationships with Deutsche Telekom and certain of its affiliates for the access and operation of a significant portion of our network;
- our ability to successfully interact with labor councils and unions, and

- events that are outside of our control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events.

The broadband communications services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this quarterly report are subject to a significant degree of risk. These forward-looking statements and the above-described risks, uncertainties and other factors speak only as of the date of this quarterly report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

Overview

We are the second largest cable operator in Germany, in terms of the number of video subscribers, and a subsidiary of LGI. We provide analog and digital cable television services as well as broadband internet and telephony services to our customers who reside in our upgraded network area in the federal states of Hesse and North Rhine-Westphalia. As of September 30, 2011, we served approximately 4,461,500 video revenue generating units (RGUs) (including 1,688,700 digital cable RGUs), 964,200 broadband internet RGUs and 961,400 telephony RGUs over a broadband communications network that passed approximately 8,706,400 homes.

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

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

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

As further described in note 1 to our condensed consolidated financial statements, Old Unitymedia is not included in our historical consolidated financial statements prior to January 28, 2010. In order to provide meaningful comparisons, the following discussion and analysis of our results of operations for the nine months ended September 30, 2010 is based on pro forma statement of operations and statistical data that gives effect to (i) the Unitymedia Merger, (ii) the Liberty Global Transaction and (iii) the refinancing of Old Unitymedia's debt as if such transactions had been completed as of January 1, 2010.

We provide the following products and services to our customers:

- *Video Services.* As of September 30, 2011, we provided our analog and digital cable services to approximately 4,461,500 subscribers, or 51.2% of homes passed by our network. Our analog video service offerings include basic programming of up to 36 television channels, depending on the geographic area. Our digital cable service offerings include basic and premium digital programming and incremental product and service offerings such as pay-per-view programming, HD and DVR video services. As of September 30, 2011, 37.9% 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. In addition, we receive carriage fees from both public and commercial broadcasters.

- *Broadband Internet Services.* We provide broadband internet services both on a retail and wholesale basis. As of September 30, 2011, we provided our broadband internet services to approximately 964,200 RGUs. Our current retail service portfolio consists of services with download speeds ranging from 16 Mbps to 128 Mbps with no time or data volume restrictions. Our customers can choose between various packages, including our core triple-play product, Unity3play. As of September 30, 2011, we had expanded the availability of our ultra high-speed broadband internet services through the deployment of Euro DOCSIS 3.0 capable equipment to approximately 84% of our homes passed.
- *Telephony Services.* As of September 30, 2011, we provided our telephony services to approximately 961,400 RGUs. We market our telephony services principally as a component of our Unity3play and double-play product bundles and also on a standalone basis.

We added a total of 131,400 and 339,500 RGUs during the three and nine months ended September 30, 2011, respectively, as compared to 79,600 and 244,600 RGUs that were added during the corresponding periods in 2010. The RGU growth during 2011 is attributable to the growth of our (i) broadband internet services, which added 69,600 and 183,900 RGUs, respectively, (ii) telephony services, which added 68,900 and 182,100 RGUs, respectively, and (iii) digital cable services, which added 55,400 and 154,900 RGUs, respectively. The growth of our broadband internet, telephony and digital cable RGUs was partially offset by declines in our analog cable RGUs of 62,500 and 181,400, respectively.

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

(i) satellite-based and other broadband cable-based reception of analog and digital free-to-air 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, our operations are subject to economic, regulatory and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S. and certain European countries could lead to currency instability, disruptions in the credit or equity markets or other outcomes that might adversely impact our operations.

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

LGI has offered certain structural remedies to the FCO in connection with LGI's pending acquisition of KBW, the third largest cable television operator in Germany in terms of numbers of subscribers. These remedies could have an adverse impact on our future operating results and cash flows. For additional information, see note 11.

Material Changes in Results of Operations

This section provides an analysis of our results of operations for the three and nine months ended September 30, 2011 and 2010. As noted above, the following discussion and analysis of our results of operations for the nine months ended September 30, 2010 is based on pro forma statement of operations and statistical data.

Financial Performance

Historical results for the three and nine months ended September 30, 2011 compared to historical and pro forma results for the corresponding periods in 2010 are set forth below (in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
				pro forma
Revenue	€ 259.5	€ 234.9	€ 757.7	€ 692.9
Operating costs and expenses:				
OpEx	70.1	66.1	202.3	204.6
SG&A	34.9	33.0	100.9	102.8
Restructuring and other operating charges	—	0.9	0.5	24.9
Related-party fees and allocations, net	13.7	5.8	26.7	17.4
	118.7	105.8	330.4	349.7
EBITDA	140.8	129.1	427.3	343.2
Depreciation and amortization	103.6	75.7	288.7	261.1
EBIT	37.2	53.4	138.6	82.1
Financial and other expense:				
Interest expense:				
Third party	(61.5)	(62.5)	(183.9)	(184.9)
Related party	(25.6)	(23.0)	(76.2)	(69.9)
Foreign currency transaction gains (losses), net	(46.8)	70.2	3.8	(0.2)
Realized and unrealized gains (losses) on derivative instruments, net	54.6	(67.9)	14.0	26.3
Other income (expense), net	—	0.1	(1.3)	1.1
Net financial and other expense	(79.3)	(83.1)	(243.6)	(227.6)
Loss before income taxes	(42.1)	(29.7)	(105.0)	(145.5)
Income tax benefit (expense)	(6.4)	27.0	(16.8)	15.2
Loss from continuing operations	€ (48.5)	€ (2.7)	€ (121.8)	€ (130.3)

Revenue

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

	Three months ended September 30,		Increase	
	2011	**2010**	**€**	**%**
Subscription revenue:				
Video	€ 156.6	€ 154.7	€ 1.9	1.2
Broadband internet	33.1	23.0	10.1	43.9
Telephony	38.7	29.8	8.9	29.9
Total subscription revenue	228.4	207.5	20.9	10.1
Non-subscription revenue (a)	31.1	27.4	3.7	13.5
Total	€ 259.5	€ 234.9	€ 24.6	10.5

	Nine months ended September 30,		Increase	
	2011	**2010**	**€**	**%**
		pro forma		
Subscription revenue:				
Video	€ 467.8	€ 462.4	€ 5.4	1.2
Broadband internet	90.2	63.7	26.5	41.6
Telephony	107.8	85.0	22.8	26.8
Total subscription revenue	665.8	611.1	54.7	9.0
Non-subscription revenue (a)	91.9	81.8	10.1	12.3
Total	€ 757.7	€ 692.9	€ 64.8	9.4

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

Revenue increased 10.5% and 9.4% during the three and nine months ended September 30, 2011, respectively, as compared to the corresponding periods in 2010, as set forth below:

	Three-month period			Nine-month period (pro-forma)		
	Subscription revenue (a)	Non-subscription revenue (b)	Total	Subscription revenue (a)	Non-subscription revenue (b)	Total
	in millions					
Increase due to change in:						
Average number of RGUs (c)	€ 14.8	€ —	€ 14.8	€ 40.4	€ —	€ 40.4
Average monthly subscription revenue per average RGU (ARPU) (d)	6.1	—	6.1	14.3	—	14.3
Increase in non-subscription revenue (e)	—	3.7	3.7	—	10.1	10.1
Total	€ 20.9	€ 3.7	€ 24.6	€ 54.7	€ 10.1	€ 64.8

(a) Our subscription revenue includes revenue from multi-year bulk agreements with the landlord or housing association or with a third party (Professional Operator) that operates and administers the in-building network on behalf of housing associations. These bulk agreements, which generally allow for the procurement of the basic analog signals from Unitymedia at volume-based discounts, provide access to nearly two-thirds of our analog cable subscribers. The 20 largest of these agreements accounted for approximately 9% of our total revenue (including amounts billed directly by our company to the building occupants for premium cable, broadband internet and telephony services) during the three months ended September 30, 2011. No assurance can be given that our bulk agreements will be renewed or extended on financially equivalent terms or at all.

(b) Our non-subscription revenue includes fees received for the carriage of channels on our analog and digital cable services. These fees, which represented approximately 8% of our total revenue during the three months ended September 30, 2011, are subject to contracts that expire or are otherwise terminable by either party at various dates ranging from 2011 through 2014. No assurance can be given that these contracts will be renewed or extended on financially equivalent terms, or at all.

(c) The increases in subscription revenue related to changes in the average numbers of RGUs are attributable to increases in the average numbers of broadband internet, telephony and digital cable RGUs that were only partially offset by declines in the average numbers of analog cable RGUs. The declines in our average number of analog cable RGUs led to declines in the average numbers of total video RGUs in our company during the three and nine months ended September 30, 2011, as compared to the corresponding periods in 2010.

(d) The increases in subscription revenue related to changes in ARPU are primarily attributable to improvements in our RGU mix, attributable to higher proportions of telephony, digital cable and broadband internet RGUs, that were only partially offset by net decreases resulting primarily from the following factors: (i) lower ARPU due to the impacts of free bundled services provided to new subscribers during promotional periods, (ii) lower ARPU due to higher proportions of customers receiving discounted analog cable services through bulk agreements, (iii) lower ARPU due to decreases in telephony call volumes for customers on usage-based calling plans and (iv) higher ARPU from increases in the proportions of customers selecting higher-priced tiers of broadband internet services.

(e) The increases in our non-subscription revenue are primarily attributable to increases in installation and interconnect revenue.

OpEx

General. OpEx includes programming, network operations, interconnect, customer operations, customer care, and other operating costs. Our network operating and technical service 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. The details of our OpEx are provided in the below table (in millions except percentages):

	Three months ended September 30,		Increase (decrease)	
	2011	**2010**	**€**	**%**
Direct costs (interconnect, programming, copyright and other)	€ 21.7	€ 21.8	€ (0.1)	(0.5)
Staff related costs	13.8	13.2	0.6	4.5
Network operating and technical service costs	22.9	22.6	0.3	1.3
Other indirect costs	11.7	8.5	3.2	37.6
Total	€ 70.1	€ 66.1	€ 4.0	6.1

	Nine months ended September 30,		Increase (decrease)	
	2011	**2010**	**€**	**%**
		pro forma		
Direct costs (interconnect, programming, copyright and other)	€ 64.4	€ 65.7	€ (1.3)	(2.0)
Staff related costs	41.3	40.6	0.7	1.7
Network operating and technical service costs	65.5	68.0	(2.5)	(3.7)
Other indirect costs	31.1	30.3	0.8	2.6
Total	€ 202.3	€ 204.6	€ (2.3)	(1.1)

Our total OpEx increased €4.0 million or 6.1% and decreased €2.3 million or 1.1% during the three and nine months ended September 30, 2011, respectively, as compared to the corresponding periods in 2010. These changes include the following factors:

- An increase (decrease) in network operating and technical services costs of €0.3 million or 1.3% and (€2.5 million) or (3.7%), respectively. The decrease during the nine-month period is mostly attributable to lower electricity costs due in part to the €1.3 million positive impact of an accrual release following the second quarter 2011 settlement of an operational contingency. The slight increase during the three-month period is primarily attributable to the net impact of (i) higher costs associated with the refurbishment of customer premises equipment and (ii) lower electricity costs;

- Decreases in direct costs of €0.1 million or 0.5% and €1.3 million or 2.0%, respectively, primarily attributable to the net effect of (i) growth in digital video services, (ii) lower copyright fee rates and (iii) a decrease of €1.7 million during the nine-month period, associated with costs incurred in connection with wireless routers, which were expensed during the first half of 2010, when the routers were provided to customers free-of-charge, and capitalized during the 2011 periods and the third quarter of 2010, when the routers were rented to customers. In addition, these costs include a decrease due to a favorable copyright fee settlement during the third quarter of 2011; and

- Increases in other indirect costs of €3.2 million or 37.6% and €0.8 million or 2.6%, respectively, primarily attributable to the net impact of (i) increases of €0.9 million and €2.6 million, respectively, in encryption costs and (ii) increases in

outsourced labor and professional fees of €1.8 million and €1.3 million, respectively, attributable to the net impact of increased call center costs due to higher call volumes and decreased expenses as a result of fewer visits to customer premises. The increases in encryption costs are due primarily to (i) a shift from (a) capitalizing encryption costs during the 2010 periods, when we purchased our encryption cards from third parties, to (b) expensing encryption costs during the 2011 periods, when we reimbursed LGI for our share of the costs incurred under LGI's global contract for encryption services, and (ii) increased numbers of digital cable set-top boxes. In addition, the decrease during the nine-month period includes a decrease in bad debt and collection expenses of €3.4 million, due primarily to improved collection experience.

SG&A

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

	Three months ended September 30,		Increase (decrease)	
	2011	**2010**	**€**	**%**
Staff related costs	€ 10.4	€ 9.4	€ 1.0	10.6
Sales and marketing costs	15.0	16.0	(1.0)	(6.3)
Other indirect costs	9.5	7.6	1.9	25.0
Total	€ 34.9	€ 33.0	€ 1.9	5.8

	Nine months ended September 30,		Increase (decrease)	
	2011	**2010**	**€**	**%**
		pro forma		
Staff related costs	€ 29.3	€ 28.0	€ 1.3	4.6
Sales and marketing costs	46.4	50.9	(4.5)	(8.8)
Other indirect costs	25.2	23.9	1.3	5.4
Total	€ 100.9	€ 102.8	€ (1.9)	(1.8)

Our total SG&A increased €1.9 million or 5.8% and decreased €1.9 million or 1.8% during the three and nine months ended September 30, 2011, respectively, as compared to the corresponding periods in 2010. These changes include the following factors:

- Decreases in sales and marketing costs of €1.0 million or 6.3% and €4.5 million or 8.8%, respectively, due primarily to (i) decreases in marketing expenditures, primarily due to a shift to lower cost marketing channels, (ii) lower expenses for third-party sales commissions, as higher proportions of capitalized third-party sales commissions more than offset the impact of higher overall third-party sales commissions during the 2011 periods, and (iii) during the nine-month period the €1.3 million positive impact of an accrual release following the second quarter 2011 settlement of an operational contingency;

- Increases in other indirect costs of €1.9 million or 25.0% and €1.3 million or 5.4%, respectively, primarily attributable to (i) an increase in outsourced labor and professional fees of €0.8 million during the three-month period, due primarily to higher consulting costs for a strategic marketing project and (ii) individually insignificant changes in other indirect cost categories; and

- Increases in staff related costs of €1.0 million or 10.6% and €1.3 million or 4.6%, respectively, due mostly to higher marketing staffing levels.

Restructuring Costs and Other Operating Charges

We recognized restructuring costs and other operating charges of nil and €0.5 million during the three and nine months ended September 30, 2011, respectively, compared to €0.9 million and €24.9 million during the corresponding prior year periods. The 2010 nine-month amount primarily represents direct acquisition costs incurred in connection with the Liberty Global Transaction For additional, information, see note 3 to our condensed consolidated financial statements.

Related-Party Fees and Allocations, Net

We recorded related-party fees and allocations, net related to corporate services performed by LGI of €13.7 million and €26.7 million during the three and nine months ended September 30, 2011, respectively, compared to €5.8 million and €17.4 million during the corresponding prior year periods. These amounts represent charges from UPC Holding and other LGI subsidiaries to our company following the Liberty Global Transaction, including charges for management, finance, legal, technology, marketing and other services that support our company's operations. For additional information, see note 10 to our condensed consolidated financial statements.

Depreciation and Amortization Expense

Depreciation and amortization expense increased €27.9 million or 36.9% and €27.6 million or 10.6% during the three and nine months ended September 30, 2011, respectively, as compared to the corresponding periods in 2010. These increases are primarily due to the net effect of (i) increases in property and equipment related to capital expenditures, (ii) increases in expenditures for capitalizable subscriber acquisition costs and (iii) decreases associated with changes in the estimated useful lives of certain property and equipment that were made during the second half of 2010.

Net Financial and Other Expense

Our net financial and other expense primarily includes interest income, interest expense, foreign currency transaction gains (losses), and realized and unrealized gains (losses) on derivative instruments. As further described below, we recorded net financial and other expense during the three and nine months ended September 30, 2011 of €79.3 million and €243.6 million, respectively, compared to €83.1 million and €227.6 million during the corresponding periods in 2010.

Interest expense – third party

Interest expense – third party decreased €1.0 million or 1.6% and €1.0 million or 0.5% during the three and nine months ended September 30, 2011, respectively, each as compared to the corresponding periods in 2010 as increases in the amortization of deferred financing costs and non-cash interest accretion were more than offset by (i) decreases in interest expense associated with foreign currency exchange rate fluctuations with respect to the U.S. dollar denominated UM Dollar Senior Secured Notes and (ii) declines in interest expense on the Revolving Credit Facility. Our third-party interest expense primarily relates to the Unitymedia Senior Notes and the Revolving Credit Facility.

Interest expense – related party

Interest expense – related party increased €2.6 million or 11.3% and €6.3 million or 9.0% during the three and nine months ended September 30, 2011, respectively, as compared to the corresponding periods in 2010, due primarily to higher weighted average outstanding balances of our related-party loans payable during the 2011 periods. Our related-party interest expense relates to our loans payable to UPC Germany Holding, as further described in note 7 to our condensed consolidated financial statements.

Foreign currency transaction gains (losses), net

We recognized foreign currency transaction gains (losses), net of (€46.8 million) and €3.8 million during the three and nine months ended September 30, 2011, respectively, compared to €70.2 million and (€0.2 million) during the corresponding prior year periods. These amounts primarily resulted from the remeasurement of the UM Dollar Senior Secured Notes into euros.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	**2010**	**2011**	**2010**
				pro forma
Cross-currency derivative contracts	€ 54.6	€ (67.9)	€ 14.1	€ 31.2
Interest rate derivative contract	—	—	(0.1)	(4.9)
Total	€ 54.6	€ (67.9)	€ 14.0	€ 26.3

Income tax benefit (expense)

We recognized income tax expense of €6.4 million and income tax benefit of €27.0 million during the three months ended September 30, 2011 and 2010, respectively.

The income tax expense during the three months ended September 30, 2011 differs from the expected income tax benefit of €13.3 million (based on the German 31.58% income tax rate), due primarily to the negative impacts of (i) net increases 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.

The income tax benefit during the three months ended September 30, 2010 differs from the expected income tax benefit of €9.4 million (based on the German 31.58% income tax rate), due primarily to the positive impact of a net decrease in unrecognized net operating losses and interest carryforwards.

We recognized income tax expense of €16.8 million and income tax benefit of €15.2 million during the nine months ended September 30, 2011 and 2010, respectively.

The income tax expense during the nine months ended September 30, 2011 differs from the expected income tax benefit of €33.2 million (based on the German 31.58% income tax rate), due primarily to the negative impacts of (i) net increases 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.

The income tax benefit during the nine months ended September 30, 2010 differs from the expected income tax benefit of €45.9 million (based on the German 31.58% income tax rate), due primarily to the negative impacts of (i) certain permanent differences between the financial and tax accounting treatment of interest and other items, (ii) net increases in unrecognized net operating losses and interest carryforwards and (iii) certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries and affiliates.

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

Loss from continuing operations

We reported losses from continuing operations of €48.5 million and €121.8 million during the three and nine months ended September 30, 2011, respectively, compared to €2.7 million and €130.3 million during the corresponding prior year periods.

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) restructuring and other operating charges, net, (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, restructuring and other operating charges and related-party fees and allocations, net.

Material Changes in Financial Condition

Sources and Uses of Cash

Cash and cash equivalents

Although our consolidated operating subsidiaries have generated cash from operating activities, the terms of the indentures for the Unitymedia Senior Notes governing the indebtedness of Unitymedia Hessen, Unitymedia NRW and Unitymedia restrict our ability to access the assets of our subsidiaries. At September 30, 2011, substantially all of our consolidated cash and cash equivalents balance of €14.3 million was held by our subsidiaries. In addition, our ability to access the liquidity of our subsidiaries may be limited by tax considerations or other factors.

Liquidity of Unitymedia

Our principal source of corporate liquidity includes (i) our cash and cash equivalents, (ii) our loan receivable - related party with LGE Financing, (iii) borrowing availability under the Revolving Credit Facility, (iv) contributions or loans from UPC Germany Holding (and ultimately from LGI or other LGI subsidiaries) and (v) subject to the restrictions noted above, proceeds in the form of distributions or loans from Unitymedia Hessen, Unitymedia NRW or other operating subsidiaries.

The ongoing cash needs of Unitymedia include (i) corporate general and administrative expenses and (ii) interest payments on outstanding debt. From time to time, Unitymedia may also require cash in connection with (i) the repayment of outstanding debt, (ii) the satisfaction of contingent liabilities, (iii) acquisitions or (iv) other investment opportunities. No assurance can be given that funding from UPC Germany Holding (and ultimately from LGI or other LGI 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 are cash provided by operations and, in the case of Unitymedia Hessen and Unitymedia NRW, any borrowing availability under the Revolving Credit Facility. At September 30, 2011, the full amount of the €80.0 million borrowing capacity under the 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 and debt service requirements. For a discussion of our consolidated capital expenditures, cash provided by operating activities and cash used by financing activities, see the discussion under *Condensed Consolidated Cash Flow Statements* below. Our subsidiaries may also require funding in connection with (i) the repayment of outstanding debt, (ii) acquisitions and other investment opportunities or (iii) distributions or loans to Unitymedia. Due in part to the level of the existing indebtedness of

Unitymedia Hessen and Unitymedia NRW, no assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

Capitalization

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash on hand, the cash provided from the operations of our subsidiaries, any available borrowings under the Revolving Credit Facility and a €75 million financing commitment from another LGI subsidiary, of which €58.0 million is unused at September 30, 2011, will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements through December 31, 2012, although no assurance can be given that this will be the case. However, as our maturing debt grows in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete 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 partially repay or limit our borrowings under the 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 Senior Notes are paid semi-annually on June 1 and December 1.

Condensed Consolidated Cash Flow Statements

The below discussion of our condensed consolidated cash flow statements is based on the historical cash flows of Unitymedia's continuing operations for the nine months ended September 30, 2011 and the period from January 28, 2010 to September 30, 2010. As such, the pre-acquisition period of Old Unitymedia from January 1 to January 27, 2010 is excluded from our cash flows for the 2010 period.

Summary. During the nine months ended September 30, 2011, we used net cash provided by our operating activities of €289.7 million and €44.4 million of our existing cash and cash equivalents to fund net cash used by our investing activities of €253.5 million and net cash used by our financing activities of €80.6 million.

Operating activities. Net cash provided by our operating activities increased €73.3 million, from €216.4 million during the 2010 period to €289.7 million during the first nine months of 2011. This increase in cash provided is primarily attributable to the net effect of (i) an increase in cash provided due to lower cash payments for interest, primarily related to the March 2, 2010 repayment of Old Unitymedia´s then existing debt, (ii) a decrease in cash provided from changes in our working capital (primarily due to the exclusion of the pre-acquisition period of Old Unitymedia) that was only partially offset by an increase in cash provided associated with higher Adjusted EBITDA and (iii) an increase in cash provided due to lower cash payments for taxes. The majority of annual customer prepayments related to the 2010 period fell into the last week of January and as such are included in our historical net cash provided by our continuing operating activities for the 2010 period.

Investing activities. Net cash used by our investing activities decreased €1,794.4 million, from €2,047.9 million during the 2010 period to €253.5 million during the first nine months of 2011. This decrease in cash used is primarily attributable to the net effect of (i) a decrease in cash used of €1,880.1 million associated with net cash paid to acquire Old Unitymedia in the Liberty Global Transaction during the 2010 period, (ii) an increase in cash used due to advances to LGE Financing of €54.0 million and (iii) an increase in cash used due to higher capital expenditures of €31.9 million, from €167.8 million during the 2010 period to €199.7 million during the first nine months of 2011. The increase in capital expenditures is due primarily to (i) lower capital expenditures in the 2010 period due to the exclusion of the pre-acquisition period of Old Unitymedia, (ii) an increase in expenditures for the purchase and installation of customer premises equipment, (iii) an increase in capitalized third-party commissions of €10.6 million, from €22.6 million during the 2010 period to €33.2 million during the 2011 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 nine months of 2011, (i) 58% was used to fund the rebuild and upgrade of our distribution network, primarily in connection with the upgrade of in-home wiring, (ii) 21% was used for the purchase and installation of customer premises equipment, (iii) 17% relates to capitalized third-party commissions and (iv) the remainder related to expenditures for general support systems.

For the nine months ended September 30, 2011, our capital expenditures were €199.7 million or 26.4% of revenue, compared to €167.8 million or 26.9% of revenue during the 2010 period. This increase was due to the higher RGU growth and related expenditures. As a result of the strong momentum of our advanced services and the phasing of some IT and platform projects into the fourth quarter, we expect that our capital expenditures for the full year 2011 will range from 28% - 30% of revenue, as compared to the previously disclosed range of 25% - 27%.

Financing activities. Net cash used by our financing activities was €80.6 million during the nine months ended September 30, 2011, compared to net cash provided by our financing activities of €1,919.2 million during the 2010 period. This change is due primarily to the net effect of (i) a decrease in cash of €2,593.6 million due to the release of cash collateral accounts during the 2010 period that were originally funded in November 2009 with proceeds from the issuance of the Unitymedia Senior Notes, (ii) an increase in cash due to lower third-party net debt repayments of €1,554.8 million, primarily related to the March 2, 2010 repayment of Old Unitymedia´s then existing debt, (iii) a decrease in cash due to lower related-party borrowings of €1,050.9 million, primarily due to amounts borrowed from UPC Germany Holding in connection with the Liberty Global Transaction during the 2010 period, and (iv) an increase in cash due to lower cash payments related to derivative instruments of €66.7 million.

Off-Balance Sheet Arrangements

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