unitymedia kabel bw

Condensed Consolidated Financial Statements
September 30, 2012

UNITYMEDIA KABELBW GMBH
Aachener Strasse 746-750
50933 Cologne
Germany

UNITYMEDIA KABELBW GMBH

TABLE OF CONTENTS

UNITYMEDIA KABELBW GMBH

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30, 2012	December 31, 2011 (a)
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 20.2	€ 48.1
Trade receivables and unbilled revenue, net	92.5	74.5
Prepaid expenses	8.7	7.1
Loan receivable - related-party (note 11)	151.1	54.0
Other current assets (note 5)	14.4	12.6
Total current assets	286.9	196.3
Property and equipment, net (note 7)	3,483.3	3,460.7
Goodwill (note 7)	2,841.7	2,843.0
Intangible assets subject to amortization, net (note 7)	1,137.2	1,254.3
Investment in associate (note 11)	63.6	61.0
Other noncurrent assets (note 5)	141.1	122.7
Total noncurrent assets	7,666.9	7,741.7
Total assets	€ 7,953.8	€ 7,938.0

(a) As retrospectively revised - see note 4.

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

UNITYMEDIA KABELBW GMBH

CONDENSED CONSOLIDATED BALANCE SHEETS - (Continued)
(unaudited)

	September 30, 2012	December 31, 2011 (a)
	in millions	
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	€ 64.3	€ 67.1
Accrued liabilities	182.4	140.7
Accounts payable and accrued liabilities – related-party (note 11)	40.9	13.7
Corporate income taxes payable	15.8	26.6
Current provisions	20.2	23.0
Deferred revenue and advance payments from subscribers and others	126.0	100.7
Current portion of debt and finance lease obligations (note 8):		
Third-party	87.5	69.1
Related-party	0.7	—
Other current liabilities (note 5)	14.2	21.3
Total current liabilities	552.0	462.2
Noncurrent debt and finance lease obligations (note 8):		
Third-party	5,015.3	5,017.7
Related-party	1,473.7	193.1
Deferred tax liabilities	512.0	536.8
Noncurrent provisions	18.7	17.8
Other noncurrent liabilities (note 5)	9.3	15.1
Total noncurrent liabilities	7,029.0	5,780.5
Total liabilities	7,581.0	6,242.7
Commitments and contingencies (note 12)		
Shareholder's equity (note 10):		
Share capital	—	—
Additional paid-in capital	841.9	2,071.0
Accumulated deficit	(469.1)	(375.7)
Total shareholder's equity	372.8	1,695.3
Total liabilities and shareholder's equity	€ 7,953.8	€ 7,938.0

(a) As retrospectively revised - see note 4.

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

UNITYMEDIA KABELBW GMBH

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
	in millions			
Revenue (note 3)	€ 453.9	€ 259.5	€ 1,327.5	€ 757.7
Operating costs and expenses:				
Operating (other than depreciation and amortization) (OpEx) (note 11)	120.1	70.1	369.8	202.3
Selling, general and administrative expenses (other than depreciation and amortization) (including stock-based compensation) (SG&A) (note 11)	62.1	34.9	175.6	100.9
Impairment, restructuring and other operating items, net	11.3	—	13.8	0.5
Related-party fees and allocations (note 11)	15.1	13.7	42.7	26.7
	208.6	118.7	601.9	330.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)	245.3	140.8	725.6	427.3
Depreciation and amortization	159.1	103.6	471.0	288.7
Earnings before interest and taxes (EBIT)	86.2	37.2	254.6	138.6
Financial and other expense:				
Interest expense:				
Third-party	(105.1)	(61.5)	(315.9)	(183.9)
Related-party (note 11)	(36.8)	(25.6)	(64.2)	(76.2)
Foreign currency transaction gains (losses), net	18.6	(46.8)	(7.7)	3.8
Realized and unrealized gains (losses) on derivative instruments, net (note 5)	(16.4)	54.6	17.4	14.0
Losses on debt modification and extinguishment, net (note 8)	(7.9)	—	(9.9)	—
Other income (expense), net (note 11)	2.7	—	4.5	(1.3)
Net financial and other expense	(144.9)	(79.3)	(375.8)	(243.6)
Loss before income taxes	(58.7)	(42.1)	(121.2)	(105.0)
Income tax benefit (expense) (note 9)	8.1	(6.4)	27.8	(16.8)
Net loss / comprehensive loss (a)	€ (50.6)	€ (48.5)	€ (93.4)	€ (121.8)
Further details of OpEx and SG&A:				
Direct costs (programming and copyright, interconnect and other)	€ 40.7	€ 21.7	€ 128.5	€ 64.4
Staff-related costs (excluding restructuring charges)	37.2	24.2	112.7	70.6
Network operating costs	34.8	21.6	108.3	64.2
Sales and marketing costs	25.9	15.7	74.6	48.1
Other indirect costs	43.6	21.8	121.3	55.9
	€ 182.2	€ 105.0	€ 545.4	€ 303.2
Further details of impairment, restructuring and other operating items:				
Asset impairments	€ —	€ —	€ —	€ 0.5
Staff-related costs	11.6	—	15.9	(0.1)
Gain on disposal of assets	(0.3)	—	(2.1)	—
Other	—	—	—	0.1
	€ 11.3	€ —	€ 13.8	€ 0.5

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

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

UNITYMEDIA KABELBW GMBH

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

	Additional paid-in capital	Accumulated deficit	Total shareholder's equity (deficit)
		in millions	
Balance at January 1, 2011	€ 17.0	€ (234.4)	€ (217.4)
Net loss	—	(121.8)	(121.8)
Stock-based compensation (note 11)	0.2	—	0.2
Balance at September 30, 2011	€ 17.2	€ (356.2)	€ (339.0)
Balance at January 1, 2012, as retrospectively revised (note 4)	€ 2,071.0	€ (375.7)	€ 1,695.3
Net loss	—	(93.4)	(93.4)
Consideration issued in connection with the KBW Fold-in (note 4)	(1,230.0)	—	(1,230.0)
Stock-based compensation (note 11)	0.9	—	0.9
Balance at September 30, 2012	€ 841.9	€ (469.1)	€ 372.8

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

UNITYMEDIA KABELBW GMBH

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine months ended September 30, 2012	2011
	in millions	
Cash flows from operating activities:		
Net loss	€ (93.4)	€ (121.8)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock-based compensation expense	0.9	0.2
Impairment, restructuring and other operating items, net	13.8	0.5
Related-party fees and allocations	42.7	26.7
Depreciation and amortization	471.0	288.7
Amortization of deferred financing costs and non-cash interest accretion	9.4	9.0
Non-cash related-party interest expense	64.2	76.2
Foreign currency transaction losses (gains), net	7.7	(3.8)
Realized and unrealized gains on derivative instruments, net	(17.4)	(14.0)
Deferred tax expense (benefit)	(24.4)	0.9
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	9.5	27.1
Net cash provided by operating activities	484.0	289.7
Cash flows from investing activities:		
Capital expenditures	(352.5)	(199.7)
Advances to parent	(157.9)	(54.0)
Other investing activities	1.1	0.2
Net cash used by investing activities	(509.3)	(253.5)
Cash flows from financing activities:		
Repayments of third-party debt and finance lease obligations	(890.4)	(160.6)
Borrowings of third-party debt	878.0	80.0
Net related-party borrowings	39.9	—
Payment of financing costs and debt premiums	(17.0)	—
Net cash paid related to derivative instruments	(13.1)	—
Net cash used by financing activities	(2.6)	(80.6)
Net decrease in cash and cash equivalents	(27.9)	(44.4)
Cash and cash equivalents:		
Beginning of period (a)	48.1	58.7
End of period	€ 20.2	€ 14.3
The following amounts are included in net cash provided by operating activities:		
Cash paid for interest (excluding payments related to derivative instruments)	€ 287.3	€ 115.9
Net cash paid (received) for taxes	€ 7.4	€ (0.9)

(a) The January 1, 2012 balance has been retrospectively revised - see note 4.

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

(1) Basis of Presentation

Unitymedia KabelBW GmbH (formerly known as Unitymedia GmbH until August 8, 2012) (Unitymedia KabelBW) is a wholly-owned subsidiary of UPC Germany Holding B.V. (UPC Germany), which in turn is an indirect subsidiary of Liberty Global, Inc. (Liberty Global). Unitymedia KabelBW was formed by Liberty Global on October 15, 2009 and registered with the commercial register on October 23, 2009 in contemplation of the issuance of debt financing in connection with Unitymedia KabelBW's then potential acquisition of the entity (Old Unitymedia) that owned the largest cable operator in the German federal states of North Rhine-Westphalia and Hesse. In the following text, the terms "Unitymedia KabelBW," "we," "our," "our company," and "us" may refer, as the context requires, to Unitymedia KabelBW, or collectively to Unitymedia KabelBW and its subsidiaries.

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

Through a series of transactions that were completed during the second quarter of 2012 in conjunction with the Unitymedia KabelBW Exchange, as defined and described in note 8, UPC Germany, our immediate parent company, transferred UPC Germany Holdings GmbH (UPC Germany Holdings), an indirect parent company of Kabel BW GmbH (KBW), then the largest cable operator in Baden-Wuerttemberg, to Unitymedia Hessen GmbH & Co. KG (Unitymedia Hessen), one of our wholly-owned subsidiaries (the KBW Fold-in). We have accounted for the KBW Fold-in as a reorganization of entities under common control. Accordingly, we have recorded the transfer of UPC Germany Holdings and its subsidiaries (collectively, the Kabel BW Group) at carryover basis and the applicable prior period information has been retrospectively revised to give effect to the resulting change in reporting entities for all periods in which we and the Kabel BW Group were under the common control of Liberty Global (namely all periods beginning on or after the December 15, 2011 acquisition of a then indirect parent of KBW by a then indirect subsidiary of UPC Germany Holdings). For additional information, see note 4. Additionally, UPC Germany Holdings was merged into UPC Germany NewCo GmbH in September 2012.

The following subsidiaries of Unitymedia KabelBW are included in our condensed consolidated financial statements at September 30, 2012:

Name of subsidiary (a)	Headquarters location	Share of equity %
Unitymedia Management GmbH (b)	Cologne, Germany	100.0
Unitymedia Hessen Verwaltung GmbH	Cologne, Germany	100.0
Unitymedia Hessen (c)	Cologne, Germany	100.0
Unitymedia NRW GmbH (Unitymedia NRW) (b)	Cologne, Germany	100.0
Unitymedia Services GmbH (b)	Cologne, Germany	100.0
iesy Hessen Verwaltungs-GmbH	Cologne, Germany	100.0
Arena Sport Rechte und Marketing GmbH	Cologne, Germany	100.0
UPC Germany NewCo GmbH	Hamburg, Germany	100.0
KBW	Heidelberg, Germany	100.0

(a) Unitymedia International GmbH (UMI), an entity in which Unitymedia KabelBW owns a 100% equity interest, is excluded from our list of subsidiaries as UMI is a special purpose entity that is controlled and consolidated by UPC Holding B.V. (UPC Holding), another Liberty Global subsidiary. For additional information regarding our accounting for UMI, see note 11. We will publish statutory accounts for UMI.

(b) Exempt from publishing statutory accounts pursuant to Sec. 264 (3) HGB.

(c) Exempt from publishing statutory accounts pursuant to Sec. 264b HGB.

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

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

The 2009 UM Senior Secured Notes, the Unitymedia KabelBW Senior Secured Exchange Notes, the 2012 Unitymedia KabelBW Senior Secured Notes, the 2009 UM Senior Notes and the Unitymedia KabelBW Senior Exchange Notes, each as defined in note 8, are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market, which is not a regulated market (as defined by Article 1(13) of Directive 93/22/EEC).

Our functional currency is the euro. Unless otherwise indicated, convenience translations into euros are calculated as of September 30, 2012.

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

These condensed consolidated financial statements were approved for publication by the Managing Directors on November 16, 2012.

(2) Accounting Changes and Recent Pronouncements

First-time Application of Accounting Standards

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

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

New Accounting Standards, Not Yet Effective

The following accounting standards were either issued by the International Accounting Standards Board or endorsed by the European Union (EU) during the nine months ended September 30, 2012 but are not yet effective for the reporting period. We have not early adopted these accounting standards.

Standard/ Interpretation	Title	Applicable for fiscal years beginning on or after	Date of endorsement by the EU
IFRS 9 / IFRS 7 (amendments)	Mandatory Effective Date and Transition Disclosures	January 1, 2015	Not yet endorsed
Improvements to IFRSs	Collection of amendments to several standards made in response to six issues addressed during the 2009 - 2011 project cycle	January 1, 2013	Not yet endorsed
IFRS 10/ IFRS 11/ IFRS 12 (amendments)	Transition guidance	January 1, 2013	Not yet endorsed
IAS 1 (amendments)	Presentation of items of other comprehensive income	July 1, 2012	June 5, 2012
IAS 19 (amendments)	Amendments to IAS 19 employee benefits	January 1, 2013	June 5, 2012

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

(3) Segment Reporting

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

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

Our revenue by major product category is as follows:

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	in millions			
Subscription revenue (a):				
Video	€ 237.4	€ 156.6	€ 705.5	€ 467.8
Broadband internet	72.3	33.1	206.9	90.2
Telephony	89.0	38.7	255.6	107.8
Total subscription revenue	398.7	228.4	1,168.0	665.8
Non-subscription revenue (b)	55.2	31.1	159.5	91.9
Total revenue	€ 453.9	€ 259.5	€ 1,327.5	€ 757.7

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

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

(4) Common Control Transfer and Acquisition

In May 2012, in conjunction with the Unitymedia KabelBW Exchange, as defined and described in note 8, UPC Germany completed the KBW Fold-in by transferring its 100% ownership interest in UPC Germany Holdings to Unitymedia Hessen. We have accounted for this common control transfer at carryover basis and the applicable prior period information has been retrospectively revised to give effect to the change in reporting entities for all periods during which we and the Kabel BW Group were under the common control of Liberty Global (namely all periods beginning on or after the December 15, 2011 acquisition of a then indirect parent of KBW by a then indirect subsidiary of UPC Germany Holdings). Prior to December 15, 2011, UPC Germany Holdings had no operating results, cash flows or capital transactions.

Consideration for the transfer of all outstanding shares of UPC Germany Holdings to Unitymedia Hessen in the amount of €1,230.0 million was based upon a valuation of UPC Germany Holdings as of the date of transfer. This amount, which was settled in the form of the 2012 shareholder loan payable to UPC Germany, was recorded as a capital transaction during the second quarter of 2012. For additional information regarding this 2012 shareholder loan payable, see note 8.

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

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

The following table sets forth the retrospective effects of this common control transfer on our operating results for the three months ended March 31, 2012, which are included in the amounts reported in our condensed consolidated statement of operations for the nine months ended September 30, 2012:

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

Acquisition of KBW

On December 15, 2011, UPC Germany HoldCo 2 GmbH (UPC Germany HC2), a then wholly-owned subsidiary of UPC Germany Holdings, acquired all of the outstanding shares of Kabel BW Musketeer GmbH (KBW Musketeer) pursuant to a sale and purchase agreement dated March 21, 2011 with Oskar Rakso S.àr.l (Oskar Rakso) as the seller (the LGI/KBW Transaction). KBW Musketeer was the indirect parent company of KBW. UPC Germany HC2's cost to acquire KBW Musketeer has been reflected in these condensed consolidated financial statements as of the December 15, 2011 acquisition date. At closing, Oskar Rakso transferred its KBW Musketeer shares and assigned the balance of a loan receivable from KBW Musketeer to UPC Germany HC2 in consideration of UPC Germany HC2's payment of €1,062.4 million in cash (the KBW Purchase Price). UPC Germany provided an €892.4 million capital contribution and a €170.0 million intercompany loan to UPC Germany HC2 to fund the KBW Purchase Price. The KBW Purchase Price, together with KBW's consolidated net debt at December 15, 2011 (aggregate fair value of debt and finance lease obligations outstanding less cash and cash equivalents) of €2,153.4 million, resulted in total consideration of €3,215.8 million. The acquisition was completed in order to achieve certain financial, operational and strategic benefits through the integration of KBW with our company, and, to a lesser extent, with Liberty Global's other broadband communications operations in Europe.

As part of a reorganization that was effected through a series of mergers and consolidations, KBW Musketeer and its immediate subsidiary, Kabel BW Erste Beteiligungs GmbH, were merged into UPC Germany HC2 and UPC Germany HC2 was subsequently merged into KBW. As a result of these transactions, which were effective upon registration in March 2012, UPC Germany HoldCo1 Gmbh (UPC Germany HC1) became the immediate parent company of KBW and the issuer of the KBW Senior Notes (as defined and described in note 8). As a result of the May 2012 completion of the KBW Fold-in, as described in note 1, the immediate parent of UPC Germany HC1 became part of our consolidated borrowing group. For additional information, see note 8. Additionally, UPC Germany HC1 was merged into KBW in August 2012.

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

(a) The basic digital television channels (as opposed to channels marketed in premium subscription packages) distributed on our networks will be distributed in unencrypted form commencing January 1, 2013. This commitment is consistent with KBW's current practice and generally covers free-to-air television channels in standard definition and high definition (HD). If, however, free-to-air television broadcasters request their HD content to be distributed in an encrypted HD package, the encryption of free-to-air HD channels is still possible. In addition, we made a commitment that, through December 31, 2016, the annual carriage fees we receive for each such free-to-air television channel distributed in digital or simulcast in digital and analog would not exceed a specified annual amount, determined by applying our rate card system as of January 1, 2012;

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

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

(d) A special early termination right was granted with respect to certain of our existing access agreements with the largest housing associations that cover more than 800 dwelling units and which had a remaining term of more than three years as of December 15, 2011. The total number of dwelling units covered by the affected agreements was approximately 340,000 as of December 15, 2011. The special termination right may be exercised on or before September 30 of each calendar year up to the expiration of the current contract term, with termination effective as of January 1 or July 1 of the following year. If the special termination right is exercised, compensation will be paid to partially reimburse our company for unamortized investments in modernizing the in-building network based on an agreed formula. Even if we are successful in obtaining renewals of agreements that are subject to this special termination right, any renewed contracts may contain pricing and other provisions that are less favorable to our company than those in previous agreements.

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

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

We have accounted for the LGI/KBW Transaction using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. This allocation reflects our final assessment of the fair values of the acquired identifiable assets and liabilities.

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

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

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

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

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

The following unaudited pro forma consolidated operating results give effect to (i) the LGI/KBW Transaction, (ii) the March 2011 Kabel BW Refinancing, as defined in note 8, and (iii) the change in the reporting entities associated with the KBW Fold-in as if such transactions had been completed as of January 1, 2011. As discussed above and further described in note 8, we issued the 2012 shareholder loan payable to UPC Germany in connection with the KBW Fold-in. No interest expense on the 2012 shareholder loan payable is reflected in the following pro forma results prior to the May 2012 issuance date. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on such date. The pro forma adjustments are based on certain assumptions that we believe are reasonable.

	Pro forma	
	Three months ended September 30, 2011	Nine months ended September 30, 2011
	in millions	
Revenue:		
Subscription revenue:		
Video	€ 231.4	€ 691.4
Broadband internet	57.1	159.4
Telephony	75.4	213.2
Total subscription revenue	363.9	1,064.0
Non-subscription revenue	49.1	141.9
	413.0	1,205.9
Operating costs and expenses:		
OpEx	117.6	341.6
SG&A	50.1	149.2
Impairment, restructuring and other operating items, net	—	(0.1)
Related-party fees and allocations	13.7	26.7
	181.4	517.4
EBITDA	231.6	688.5
Depreciation and amortization	161.6	457.0
EBIT	70.0	231.5
Financial and other expense:		
Interest expense:		
Third-party	(105.2)	(319.8)
Related-party	(25.6)	(76.2)
Foreign currency transaction losses, net	(71.1)	(11.1)
Realized and unrealized gains on derivative instruments, net	68.1	2.1
Other income (expense), net	0.5	(0.2)
Net financial and other expense	(133.3)	(405.2)
Loss before income taxes	(63.3)	(173.7)
Income tax expense	(1.2)	(0.1)
Net loss	€ (64.5)	€ (173.8)
Further details of OpEx and SG&A:		
Direct costs (programming and copyright, interconnect and other)	€ 40.8	€ 120.0
Staff-related costs (excluding restructuring charges)	36.8	109.0
Network operating costs	33.8	101.0
Sales and marketing costs	21.7	66.5
Other indirect costs	34.6	94.3
	€ 167.7	€ 490.8
Further details of impairment, restructuring and other operating items:		
Asset impairments	€ —	€ 0.5
Staff-related costs	—	(0.2)
Gain on disposal of assets	(0.2)	(0.7)
Other	0.2	0.3
	€ —	€ (0.1)

(5) Derivative Instruments

We have entered into certain derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the United States (U.S.) dollar. Portions of the notional amounts of the derivative instruments that were originally entered into by the Kabel BW Group in March 2011 in order to manage the U.S. dollar currency risks and the variable interest rate risks associated with the KBW Notes (as defined in note 8) were transferred to Unitymedia Hessen in connection with the KBW Fold-in and the remaining notional amounts were canceled. For additional information regarding the KBW Fold-in, see notes 4 and 8. Hedge accounting is not applied to our interest rate and cross-currency swaps.

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

	September 30, 2012			December 31, 2011 (a)		
	Current (b)	Noncurrent (b)	Total	Current (b)	Noncurrent (b)	Total
	in millions					
Assets:						
Cross-currency derivative contracts (c)	€ 5.5	€ 111.1	€ 116.6	€ 4.9	€ 93.7	€ 98.6
Liabilities:						
Interest rate derivative contracts (c)	€ —	€ —	€ —	€ 6.3	€ 7.3	€ 13.6

(a) As retrospectively revised - see note 4.

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

(c) We consider credit risk in our fair value assessments. As of September 30, 2012 and December 31, 2011, (i) the fair values of our cross-currency derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €8.4 million and €10.0 million, respectively, and (ii) the fair values of our interest rate derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating nil and €0.5 million, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and adjustments to our derivative liabilities related to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market. The changes in the credit risk valuation adjustments associated with our derivative instruments resulted in net gains of €3.6 million and €1.1 million during the three and nine months ended September 30, 2012, respectively, and net losses of €6.4 million and €4.2 million during the three and nine months ended September 30, 2011, 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 6.

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,	
	2012	2011	2012	2011
	in millions			
Cross-currency derivative contracts	€ (14.6)	€ 54.6	€ 23.0	€ 14.1
Interest rate derivative contracts (a)	(1.8)	—	(5.6)	(0.1)
Total	€ (16.4)	€ 54.6	€ 17.4	€ 14.0

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

The net cash paid or received related to our derivative instruments is classified as an operating, investing or financing activity in our condensed consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. For cross-currency or interest rate derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity. The classifications of our derivative cash flows are as follows:

	Nine months ended September 30,	
	2012	2011
	in millions	
Operating activities	€ (1.4)	€ (9.5)
Financing activities	(13.1)	—
Total	€ (14.5)	€ (9.5)

Cross-currency Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at September 30, 2012 are as follows:

Final maturity date (a)	Notional amount due from counterparty	Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
	in millions			
December 2017	$ 845.0	€ 569.4	8.13%	8.49%
March 2019	$ 459.3	€ 326.5	7.50%	7.98%

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

(6) Fair Value Measurements

Our derivative instruments are the only financial instruments that were accounted for at fair value as of September 30, 2012. The reported fair values of our derivative instruments as of September 30, 2012 likely will not represent the value that will be realized upon the ultimate settlement or disposition of these assets and liabilities. In this regard, we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

We disclose fair value measurements according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of our derivative instruments in or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During the nine months ended September 30, 2012, no such transfers were made.

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

As further described in note 5, we have entered into various derivative instruments to manage our interest rate and foreign currency exchange risk. The fair value measurements of these derivative instruments are determined using discounted cash flow models. All but one of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes applicable interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative instruments, we have determined that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 5.

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

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of our company, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of our company (our only cash-generating unit) is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges, and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of our company to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We did not perform significant nonrecurring fair value measurements during the nine months ended September 30, 2012 and 2011. As further described in note 4, nonrecurring fair value measurements were performed in connection with the December 15, 2011 LGI/KBW Transaction.

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

		September 30, 2012		December 31, 2011 (a)	
	Category (b)	Carrying amount	Fair value	Carrying amount	Fair value
		in millions			
Assets carried at fair value - derivative financial instruments	I	€ 116.6	€ 116.6	€ 98.6	€ 98.6
Assets carried at cost or amortized cost:					
Trade receivables and unbilled revenue	II	€ 95.5	€ 95.5	€ 76.4	€ 76.4
Restricted cash	II	1.8	€ 1.8	1.9	€ 1.9
Loan receivable – related-party	II	151.1	(c)	54.0	(c)
Other current and noncurrent financial assets	II	8.7	€ 8.7	10.2	€ 10.2
Cash and cash equivalents	II	20.2	€ 20.2	48.1	€ 48.1
Total assets carried at cost or amortized cost		€ 277.3		€ 190.6	
Liabilities carried at fair value - derivative financial instruments	I	€ —	€ —	€ 13.6	€ 13.6
Liabilities carried at cost or amortized cost:					
Debt obligations	III	€ 5,097.8	€ 5,607.4	€ 5,080.5	€ 5,325.0
Loans payable – related-party	III	1,474.4	(c)	193.1	(c)
Accrued liabilities (including related-party accrued liabilities)	III	206.2	€ 206.2	147.9	€ 147.9
Accounts payable and other (including related-party accounts payable)	III	83.7	€ 83.7	74.7	€ 74.7
Finance lease obligations	V	5.0	€ 5.0	6.3	€ 6.3
Total liabilities carried at cost or amortized cost		€ 6,867.1		€ 5,502.5	

(a) As retrospectively revised - see note 4.

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

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

Pre-tax amounts recognized in our condensed consolidated statements of operations for the three and nine months ended September 30, 2012 and 2011 related to our financial assets and liabilities are as follows:

	Interest income	Interest expense	Other statement of operations effects (a)	Impact on earnings before income taxes
	in millions			
Three months ended September 30, 2012:				
Derivative assets carried at fair value through our condensed consolidated statement of operations	€ —	€ —	€ (14.4)	€ (14.4)
Assets carried at cost or amortized cost - Trade receivables (b)	0.2	—	(1.7)	(1.5)
Derivative liabilities carried at fair value through our condensed consolidated statement of operations	—	—	(2.0)	(2.0)
Liabilities carried at cost or amortized cost	—	(141.9)	8.7	(133.2)
	€ 0.2	€ (141.9)	€ (9.4)	€ (151.1)
Three months ended September 30, 2011:				
Derivative assets carried at fair value through our condensed consolidated statement of operations	€ —	€ —	€ 54.1	€ 54.1
Assets carried at cost or amortized cost - Trade receivables (b)	0.2	—	(1.4)	(1.2)
Derivative liabilities carried at fair value through our condensed consolidated statement of operations	—	—	0.5	0.5
Liabilities carried at cost or amortized cost	—	(87.1)	(46.8)	(133.9)
	€ 0.2	€ (87.1)	€ 6.4	€ (80.5)
Nine months ended September 30, 2012:				
Derivative assets carried at fair value through our condensed consolidated statement of operations	€ —	€ —	€ 23.0	€ 23.0
Assets carried at cost or amortized cost - Trade receivables (b)	1.2	—	(6.1)	(4.9)
Derivative liabilities carried at fair value through our condensed consolidated statement of operations	—	—	(5.6)	(5.6)
Liabilities carried at cost or amortized cost	—	(380.1)	(17.6)	(397.7)
	€ 1.2	€ (380.1)	€ (6.3)	€ (385.2)
Nine months ended September 30, 2011:				
Derivative assets carried at fair value through our condensed consolidated statement of operations	€ —	€ —	€ 14.2	€ 14.2
Assets carried at cost or amortized cost - Trade receivables (b)	0.6	—	(3.9)	(3.3)
Derivative liabilities carried at fair value through our condensed consolidated statement of operations	—	—	(0.2)	(0.2)
Liabilities carried at cost or amortized cost	—	(260.1)	3.8	(256.3)
	€ 0.6	€ (260.1)	€ 13.9	€ (245.6)

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

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

(7) Long-lived Assets

Property and Equipment, Net

Changes during the nine months ended September 30, 2012 in the carrying amounts of our property and equipment, net, are set forth below:

	Cable distribution systems	Customer premises equipment	Support equipment, buildings and land	Total
	in millions			
Cost:				
January 1, 2012, as retrospectively revised (note 4)	€ 3,514.4	€ 236.1	€ 150.4	€ 3,900.9
Additions	214.6	78.4	24.1	317.1
Retirements and disposals	(11.3)	(3.0)	(3.1)	(17.4)
September 30, 2012	€ 3,717.7	€ 311.5	€ 171.4	€ 4,200.6
Accumulated depreciation:				
January 1, 2012, as retrospectively revised (note 4)	€ 340.6	€ 71.5	€ 28.1	€ 440.2
Depreciation	230.4	48.5	14.8	293.7
Retirements and disposals	(10.0)	(3.0)	(3.6)	(16.6)
September 30, 2012	€ 561.0	€ 117.0	€ 39.3	€ 717.3
Property and equipment, net:				
September 30, 2012	€ 3,156.7	€ 194.5	€ 132.1	€ 3,483.3

During the nine months ended September 30, 2012, no borrowing costs were capitalized.

For information concerning purchase obligations for property and equipment, see note 12. For information concerning pledged assets, see note 8.

Goodwill

Changes during the nine months ended September 30, 2012 in the carrying amount of our goodwill are set forth below (in millions):

January 1, 2012, as retrospectively revised (note 4)	€ 2,843.0
Adjustments (a)	(1.3)
September 30, 2012	€ 2,841.7

(a) Represents the net effect of adjustments recorded to the preliminary acquisition accounting with respect to the LGI/KBW Transaction. For additional information, see note 4.

Intangible Assets Subject to Amortization, net

Changes during the nine months ended September 30, 2012 in the carrying amounts of our finite-lived intangible assets are set forth below:

	Customer relationships	Subscriber acquisition costs	Other (a)	Total
		in millions		
Cost:				
January 1, 2012, as retrospectively revised (note 4)	€ 1,358.6	€ 53.7	€ 81.1	€ 1,493.4
Additions	—	54.3	6.0	60.3
Retirements and disposals	—	(38.0)	(1.3)	(39.3)
September 30, 2012	€ 1,358.6	€ 70.0	€ 85.8	€ 1,514.4
Accumulated amortization:				
January 1, 2012, as retrospectively revised (note 4)	€ 189.0	€ 26.6	€ 23.5	€ 239.1
Amortization	119.7	42.2	15.4	177.3
Retirements and disposals	—	(38.0)	(1.2)	(39.2)
September 30, 2012	€ 308.7	€ 30.8	€ 37.7	€ 377.2
Intangible assets subject to amortization, net:				
September 30, 2012	€ 1,049.9	€ 39.2	€ 48.1	€ 1,137.2

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

(8) Debt and Finance Lease Obligations

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

	September 30, 2012			Estimated fair value (a)		Carrying value (b)	
	Interest rate (c)	Borrowing currency	Euro equivalent	September 30, 2012	December 31, 2011 (d)	September 30, 2012	December 31, 2011 (d)
				in millions			
Third-party debt:							
Parent:							
2009 UM Senior Notes (e)	9.625%	€ 665.0	€ 665.0	€ 738.2	€ 686.6	€ 652.4	€ 651.5
Unitymedia KabelBW Senior Exchange Notes	9.500%	€ 618.0	618.0	697.5	—	616.4	—
Subsidiaries:							
2009 UM Euro Senior Secured Notes (e)	8.125%	€ 1,430.0	1,430.0	1,538.2	1,485.2	1,407.9	1,405.4
2009 UM Dollar Senior Secured Notes (e)	8.125%	$ 845.0	656.3	708.0	686.2	646.7	641.3
UM Euro Senior Secured Exchange Notes	7.500%	€ 735.1	735.1	807.7	—	741.4	—
UM Dollar Senior Secured Exchange Notes	7.500%	$ 459.3	356.7	393.1	—	362.9	—
2012 Unitymedia KabelBW Senior Secured Notes	5.500%	€ 650.0	650.0	637.8	—	650.0	—
New Unitymedia KabelBW Revolving Credit Facility (f)	3.365%	€ 337.5	337.5	—	—	—	—
Unitymedia KabelBW Revolving Credit Facility (f)	2.615%	€ 80.0	80.0	—	77.2	—	80.0
KBW Notes (g)	—	—	—	—	2,323.0	—	2,294.4
Total third-party debt before transaction costs and accrued interest	8.019%		5,528.6	€ 5,520.5	€ 5,258.2	5,077.7	5,072.6
Transaction costs						(66.8)	(58.9)
Accrued interest - third-party						86.9	66.8
Total third-party debt						5,097.8	5,080.5
Related-party debt: (note 11)							
2010 shareholder loans payable (h)	8.383%	€ 163.0	163.0	(h)	(h)	163.0	€ 179.2
2012 shareholder loan payable (i)	9.625%	€ 1,230.0	1,230.0	(i)	(i)	1,230.0	—
UMI Loan Payable (j)	10.000%	€ 21.5	21.5	(j)	(j)	21.5	—
Total related-party debt before accrued interest	9.488%		1,414.5			1,414.5	179.2
Accrued interest - related-party						59.9	13.9
Total related-party debt						1,474.4	193.1
Total debt	8.337%		€ 6,943.1			6,572.2	5,273.6
Finance lease obligations						5.0	6.3
Total debt and finance lease obligations						6,577.2	5,279.9
Current portion						(88.2)	(69.1)
Noncurrent portion						€ 6,489.0	€ 5,210.8

(a) The estimated fair values of our debt instruments were determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy) or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models (mostly Level 2 of the fair value hierarchy). The discount rates used in the cash flow models are based on the market interest rates and estimated credit spreads, to the extent available, and other relevant factors. For additional information concerning fair value hierarchies, see note 6.

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

(c) Represents the stated interest rate of the debt instrument as of September 30, 2012 and does not include the impact of our derivative instruments, deferred financing costs, premiums or discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, discounts and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our aggregate third-party indebtedness was approximately 8.3% at September 30, 2012. For information concerning our derivative instruments, see note 5.

(d) As retrospectively revised - see note 4.

(e) The 2009 UM Dollar Senior Secured Notes together with the 2009 UM Euro Senior Secured Notes are referred to as the 2009 UM Senior Secured Notes. The 2009 UM Senior Notes together with the 2009 UM Senior Secured Notes are referred to as the 2009 Unitymedia KabelBW Notes. Interest payments for the 2009 Unitymedia KabelBW Notes are made semi-annually on June 1 and December 1.

(f) Unused borrowing capacity represents the maximum availability under the applicable facility at September 30, 2012 without regard to covenant compliance calculations. At September 30, 2012, the full amounts of the €337.5 million borrowing capacity under the New Unitymedia KabelBW Revolving Credit Facility (as defined below) and the €80.0 million borrowing capacity under the Unitymedia KabelBW Revolving Credit Facility (as defined below) were available to be borrowed.

(g) As further described below, during the second quarter of 2012, (i) all of the KBW Notes (as defined below) were exchanged or redeemed and (ii) KBW's €100.0 million secured revolving credit facility agreement (the KBW Revolving Credit Facility) was canceled. The KBW Senior Notes, as defined below, were scheduled to mature on March 15, 2021 and interest was payable semi-annually on March 15 and September 15. The KBW Senior Secured Fixed Rate Notes, as defined below, were scheduled to mature on March 15, 2019 and interest was payable semi-annually on March 15 and September 15. The KBW Senior Secured Floating Rate Notes, as defined below, were scheduled to mature on March 15, 2018 and interest accrued at the rate of 3 month EURIBOR plus a margin of 4.25% per annum, which was payable quarterly on March 15, June 15, September 15 and December 15. The weighted average interest rate on the KBW Notes as of December 31, 2011 was 7.76%.

(h) Represents two loans payable to our shareholder, UPC Germany, one of which was originated on January 28, 2010 and the other of which was originated on December 1, 2010 (collectively, the 2010 shareholder loans payable). The January 28, 2010 loan (€92.6 million principal balance at September 30, 2012) bears interest at 8.580% per annum. The December 1, 2010 loan (€70.4 million principal balance at September 30, 2012) bears interest at 8.125% per annum. Accrued interest (collectively €9.9 million at September 30, 2012) on these loans is due and payable on the maturity date of January 1, 2030. Accrued interest is transferred to the loan balances annually on January 1. The net increase in the principal amount of these loans during the nine months ended September 30, 2012 includes (i) cash borrowings of €856.8 million, (ii) cash payments of €838.4 million, (iii) a €60.1 million non-cash decrease related to settlements of amounts outstanding pursuant to the UPC Germany Loan Receivable (as defined and described in note 11), (iv) the transfer of €13.9 million in non-cash accrued interest to the loan balance and (v) a non-cash increase of €11.6 million related to the settlement of related-party payables. The fair values of these loans is not subject to reasonable estimation due to the related-party nature of the loans.

(i) Represents loan payable to our shareholder, UPC Germany issued in May 2012 as consideration for all outstanding shares of UPC Germany Holdings transferred in connection with the KBW Fold-in. The principal amount of €1,230.0 million was based upon a valuation of UPC Germany Holdings as of the date of transfer. All principal and accrued interest (collectively €1,279.3 million at September 30, 2012) outstanding under this loan is due and payable on December 31, 2025. Interest accrues on the principal balance at 9.625% per annum, is subject to adjustment annually and will be transferred to the loan balance on January 1 of each year. Amounts outstanding may be converted to equity at the option of UPC Germany. The fair value of this loan is not subject to reasonable estimation due to the related-party nature of the loan.

(j) Represents loan payable to UMI, an entity that is controlled and consolidated by UPC Holding, as further described in note 11. All principal (€21.5 million at September 30, 2012) outstanding under this loan is due and payable on December 31, 2025. The principal amount outstanding under this loan bears interest at an agreed upon rate that is subject to adjustment (10.000% per annum at September 30, 2012). Accrued interest (€0.7 million at September 30, 2012) may be, at the option of UMI, (i) transferred to the loan balance annually on January

1 or (ii) repaid on the last day of each month and on the date of principal repayments. The fair value of this loan is not subject to reasonable estimation due to the related-party nature of the loan.

Unitymedia KabelBW Exchange, Special Optional Redemptions, KBW Fold-in and 2012 Unitymedia KabelBW Senior Secured Notes

In March 2011, certain members of the Kabel BW Group issued the KBW Notes, the net proceeds from which were primarily used to repay the Kabel BW Group's then existing debt and to settle the interest rate swap contracts associated with the bank loans (the March 2011 Kabel BW Refinancing). The KBW Notes consisted of (i) UPC Germany HC1's €680.0 million principal amount of 9.5% Senior Notes (the KBW Senior Notes) and (ii) KBW's (a) €800.0 million principal amount of 7.5% Senior Secured Notes (the KBW Euro Senior Secured Notes), (b) $500.0 million (€388.4 million) principal amount of 7.5% Senior Secured Notes (the KBW Dollar Senior Secured Notes and together with the KBW Euro Senior Secured Notes, the KBW Senior Secured Fixed Rate Notes) and (c) €420.0 million principal amount of Senior Secured Floating Rate Notes (the KBW Senior Secured Floating Rate Notes and together with the KBW Senior Secured Fixed Rate Notes, the KBW Senior Secured Notes).

In May 2012, we completed (i) the exchange (the Unitymedia KabelBW Exchange) of (a) 90.9% of the outstanding principal amount of the KBW Senior Notes for an equal amount of Unitymedia KabelBW Senior Exchange Notes (as defined below) and (b) 92.5% of the outstanding principal amount of the KBW Senior Secured Notes for an equal amount of Unitymedia KabelBW Senior Secured Exchange Notes (as defined below), (ii) the redemption (the Special Optional Redemptions) of the remaining KBW Notes that were not exchanged pursuant to the Unitymedia KabelBW Exchange and (iii) the KBW Fold-in. The redemption price with respect to the Special Optional Redemptions was 101% of the applicable principal amount thereof, and such redemptions were initially funded with borrowings under the Unitymedia KabelBW Revolving Credit Facility and the New Unitymedia KabelBW Revolving Credit Facility, each as defined and described below. Additionally, in connection with the transactions described above, (i) the KBW Revolving Credit Facility was canceled, (ii) we recognized a loss of €1.1 million representing the difference between the carrying value and redemption price of the debt redeemed pursuant to the Special Optional Redemptions in May 2012 and (iii) portions of the notional amounts of the derivative instruments that were originally entered into by the Kabel BW Group in connection with the March 2011 Kabel BW Refinancing were transferred to Unitymedia Hessen and the remaining notional amounts were canceled.

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

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

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

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

(c) The KBW Euro Senior Secured Notes tendered for exchange were exchanged for an equal principal amount of 7.5% senior secured notes issued by Unitymedia Hessen and Unitymedia NRW (together, the Unitymedia KabelBW Senior Secured Notes Issuers) due March 15, 2019 (the UM Euro Senior Secured Exchange Notes). Interest is payable semi-annually on March 15 and September 15.

(d) The KBW Dollar Senior Secured Notes tendered for exchange were exchanged for an equal principal amount of 7.5% senior secured notes issued by the Unitymedia KabelBW Senior Secured Notes Issuers due March 15, 2019 (the UM Dollar Senior Secured Exchange Notes and, together with the UM Euro Senior Secured Exchange Notes, the UM Senior Secured Fixed Rate Exchange Notes). Interest is payable semi-annually on March 15 and September 15.

(e) The KBW Senior Secured Floating Rate Notes tendered for exchange were exchanged for an equal principal amount of senior secured floating rate notes issued by the Unitymedia KabelBW Senior Secured Notes Issuers due March 15, 2018 (the UM Senior Secured Floating Rate Exchange Notes and, together with the UM Senior Secured Fixed Rate Exchange Notes, the Unitymedia KabelBW Senior Secured Exchange Notes). The UM Senior Secured Floating Rate Exchange Notes bear interest at a rate of EURIBOR plus 4.25% and interest is payable quarterly on March 15, June 15, September 15 and December 15. We refer to the Unitymedia KabelBW Senior Exchange Notes and the Unitymedia KabelBW Senior Secured Exchange Notes collectively as the "Unitymedia KabelBW Exchange Notes."

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

The Unitymedia KabelBW Senior Exchange Notes are senior obligations of Unitymedia KabelBW that rank equally with all of the existing and future senior debt of Unitymedia KabelBW and are senior to all existing and future subordinated debt of Unitymedia KabelBW. The Unitymedia KabelBW Senior Secured Exchange Notes and the 2012 Unitymedia KabelBW Senior Secured Notes are senior obligations of the Unitymedia KabelBW Senior Secured Notes Issuers that rank equally with all of the existing and future senior debt of each Unitymedia KabelBW Senior Secured Notes Issuer and are senior to all existing and future subordinated debt of each of the Unitymedia KabelBW Senior Secured Notes Issuers.

The Unitymedia KabelBW Senior Exchange Notes (i) are secured by the same collateral that secures the 2009 UM Senior Notes, (ii) are guaranteed on a senior subordinated basis by the same guarantors of the 2009 UM Senior Notes, (iii) include substantially similar covenants and events of default as the 2009 UM Senior Notes and (iv) include substantially similar redemption and mandatory offer provisions as the 2009 UM Senior Notes except with respect to the redemption price and date on which the Unitymedia KabelBW Senior Exchange Notes become callable, as specified below.

The Unitymedia KabelBW Senior Secured Exchange Notes and the 2012 Unitymedia KabelBW Senior Secured Notes (i) are secured by the same collateral that secures the 2009 UM Senior Secured Notes, (ii) are guaranteed on a senior basis by the same guarantors of the 2009 UM Senior Secured Notes, (iii) include substantially similar covenants and events of default as the 2009 UM Senior Secured Notes and (iv) include substantially similar redemption and mandatory offer provisions as the 2009 UM Senior Secured Notes except with respect to the redemption price and date on which the Unitymedia KabelBW Senior Secured Exchange Notes and the 2012 Unitymedia KabelBW Senior Secured Notes become callable, as specified below. We refer to the 2009 Unitymedia KabelBW Notes, the Unitymedia KabelBW Exchange Notes and the 2012 Unitymedia KabelBW Senior Secured Notes collectively as the "Unitymedia KabelBW Notes."

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

At any time prior to September 15, 2017, the Unitymedia KabelBW Senior Secured Notes Issuers may redeem up to 10% of the aggregate principal amount of the 2012 Unitymedia KabelBW Senior Secured Notes during each 12-month period commencing on September 19, 2012. The redemption price in such case would be 103% (expressed as a percentage of the principal amount thereof) plus accrued and unpaid interest and Additional Amounts (as defined in the indenture governing the 2012 Unitymedia KabelBW Senior Secured Notes), if any.

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

	Redemption price		
Year	**Unitymedia KabelBW Senior Exchange Notes**	**UM Senior Secured Fixed Rate Exchange Notes**	**2012 Unitymedia KabelBW Senior Secured Notes**
2015	N.A.	103.750%	N.A.
2016	104.750%	101.875%	N.A.
2017	103.167%	100.000%	102.750%
2018	101.583%	100.000%	101.833%
2019	100.000%	100.000%	100.917%
2020 and thereafter	100.000%	100.000%	100.000%

At any time after September 19, 2013 but before September 19, 2017, the Unitymedia KabelBW Senior Secured Notes Issuers have the option, following completion of a UPC/Unitymedia KabelBW Exchange Transaction to redeem all, but not less than all, of the 2012 Unitymedia KabelBW Senior Secured Notes. The redemption price in such case (expressed as a percentage of the principal amount thereof) would be (i) 101% if such redemption is on or before September 19, 2014 or (ii) 102%, if such redemption is after September 19, 2014. A UPC/Unitymedia KabelBW Exchange Transaction means an exchange offer by UPC Broadband Holding B.V. (UPC Broadband Holding) or UPC Holding, as applicable, pursuant to which one or more series of senior secured notes issued by UPC Broadband Holding or senior notes issued by UPC Holding, as applicable, are, subject to certain terms and conditions (including consent by holders of a majority in aggregate principal amount of the 2012 Unitymedia KabelBW Senior Secured Notes to participate in the exchange offer), offered in exchange for the 2012 Unitymedia KabelBW Senior Secured Notes.

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

Unitymedia KabelBW Revolving Credit Facilities

On May 1, 2012, Unitymedia Hessen entered into a €312.5 million secured revolving credit facility agreement with certain lenders (the New Unitymedia KabelBW Revolving Credit Facility). On August 28, 2012, the New Unitymedia KabelBW Revolving

Credit Facility was increased to €337.5 million. The interest rate for the New Unitymedia KabelBW Revolving Credit Facility is EURIBOR plus a margin of 3.25%. Borrowings under the New Unitymedia KabelBW Revolving Credit Facility, which matures on June 30, 2017, may be used for general corporate and working capital purposes. In addition to customary restrictive covenants and events of default, the New Unitymedia KabelBW Revolving Credit Facility requires compliance with a Consolidated Leverage Ratio, as defined in the New Unitymedia KabelBW Revolving Credit Facility. The New Unitymedia KabelBW Revolving Credit Facility is secured by a pledge over the shares of Unitymedia KabelBW and certain other asset security of certain subsidiaries of Unitymedia KabelBW. The New Unitymedia KabelBW Revolving Credit Facility provides for an annual commitment fee of 1.25% on the unused portion. Also on May 1, 2012, Unitymedia KabelBW's existing €80.0 million secured revolving credit facility agreement (the Unitymedia KabelBW Revolving Credit Facility, together with the New Unitymedia KabelBW Revolving Credit Facility, the Unitymedia KabelBW Revolving Credit Facilities) was amended whereby the maturity date was extended to June 30, 2017 and the interest rate was reduced to EURIBOR plus a margin of 2.50%. The Unitymedia KabelBW Revolving Credit Facility is senior to (i) the 2009 Unitymedia KabelBW Notes, (ii) the Unitymedia KabelBW Exchange Notes, (iii) the 2012 Unitymedia KabelBW Senior Secured Notes and (iv) the New Unitymedia KabelBW Revolving Credit Facility. The Unitymedia KabelBW Revolving Credit Facility provides for an annual commitment fee of 1.00% on the unused portion. In connection with the Special Optional Redemptions, (i) the Unitymedia KabelBW Revolving Credit Facility was drawn in full and (ii) borrowings of €105.0 million were drawn against the New Unitymedia KabelBW Revolving Credit Facility. Such borrowings were repaid during the second quarter of 2012.

Maturities of Debt

Maturities of our debt as of September 30, 2012 are presented below. The principal amounts presented below represent euro equivalents based on September 30, 2012 exchange rates:

	Third-party debt	Related-party debt	Total
		in millions	
Year ended December 31:			
2012 (remainder of year)	€ —	€ —	€ —
2013	—	—	—
2014	—	—	—
2015	—	—	—
2016	—	—	—
2017	2,086.3	—	2,086.3
Thereafter	3,024.9	1,414.5	4,439.4
Total maturities	5,111.2	1,414.5	6,525.7
Unamortized discount, net of premium	(33.5)	—	(33.5)
Total debt before transaction costs and accrued interest	5,077.7	1,414.5	6,492.2
Accrued interest, transaction costs and finance lease obligations, net	25.1	59.9	85.0
Total debt and finance lease obligations	€ 5,102.8	€ 1,474.4	€ 6,577.2

Non-cash Refinancing Transactions

During the nine months ended September 30, 2012 and 2011, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating €2,099.9 million and nil, respectively.

(9) Income Taxes

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

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	in millions			
Computed expected income tax benefit	€ 18.7	€ 13.3	€ 38.6	€ 33.2
Non-deductible or non-taxable interest and other items (a)	(8.5)	(5.1)	(19.6)	(12.6)
Recognized (unrecognized) net operating losses and interest carryforwards, net (b)	(2.5)	(13.7)	8.6	(35.7)
Other, net	0.4	(0.9)	0.2	(1.7)
Total	€ 8.1	€ (6.4)	€ 27.8	€ (16.8)

(a) The amount for the nine months ended September 30, 2012 includes a current tax benefit of €3.4 million and a net deferred tax expense of €3.2 million related to the reallocation of prior year interest expense within different fiscal entities. In addition, the amounts for the three and nine months ended September 30, 2012 include a deferred tax benefit of €1.5 million that is attributable to the effect of a retroactive merger on separate entity deferred tax amounts.

(b) The amount for the nine months ended September 30, 2012 includes a net deferred tax benefit of €14.9 million related to the reallocation of prior year interest expense within different fiscal entities.

(10) Shareholder's Equity (Deficit)

One of our indirect parent companies, Liberty Global Europe Holding B.V., granted a financing commitment dated September 30, 2010 to our company in the amount of €75.0 million, all of which was used at September 30, 2012. During the year ended December 31, 2010, €17.0 million was received through an equity contribution and, during the second quarter of 2012, the remaining €58.0 million was funded through an increase to our 2010 shareholder loans payable.

(11) Related-Party Transactions

Our related-party transactions consist of the following:

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
	in millions			
OpEx	€ (3.9)	€ (2.9)	€ (7.7)	€ (5.2)
Allocated stock-based compensation expense	(0.4)	(0.2)	(0.9)	(0.2)
Fees and allocations	(15.1)	(13.7)	(42.7)	(26.7)
Included in EBIT	(19.4)	(16.8)	(51.3)	(32.1)
Interest expense	(36.8)	(25.6)	(64.2)	(76.2)
Interest income	—	—	0.4	—
Share of associate gain	1.1	—	2.6	—
Included in net loss	€ (55.1)	€ (42.4)	€ (112.5)	€ (108.3)
Property and equipment additions	€ (11.5)	€ —	€ (15.8)	€ (0.1)

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

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

Fees and allocations. These amounts represent charges that originate with UPC Holding and include charges for management, finance, legal, technology, marketing and other services that support our company's broadband communications operations. The amounts charged generally are based on our company's estimated share of the applicable costs (including personnel-related and other costs associated with the services provided) incurred by the other Liberty Global subsidiaries, plus a mark-up. The monthly amounts charged are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified. Charges that originate with UPC Holding may be cash or loan settled. With respect to the amounts settled during the nine months ended September 30, 2012 and 2011, all amounts were loan settled with the exception of €4.8 million that was cash settled during the first quarter of 2012, €8.4 million that was cash settled during the second quarter of 2012 and €6.4 million that was cash settled during the third quarter of 2012.

Interest expense. Related-party interest expense relates to (i) our 2010 shareholder loans payable and 2012 shareholder loan payable to UPC Germany and (ii) our loan with UMI. Accrued interest is transferred to the loan balance annually on January 1 for the 2010 shareholder loans payable and the 2012 shareholder loan payable. For the loan with UMI, accrued interest may be, at the option of UMI, (a) transferred to the loan balance annually on January 1 or (b) repaid on the last day of each month and on the date of principal repayments. For additional information, see note 8.

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

Interest income. These amounts relate to the UPC Germany Loan Receivable, as discussed below. Interest income is reflected in other expense, net, in our condensed consolidated statements of operations.

Share of associate gain. These amounts relate to the gain received from the investment in UMI, as discussed below. Share of associate gain is reflected in other expense, net, in our condensed consolidated statements of operations.

Property and equipment additions. These amounts represent customer premises and network-related equipment acquired from other Liberty Global subsidiaries, including UPC Holding. During the nine months ended September 30, 2012 and 2011, €6.8 million and €0.1 million, respectively, of these amounts were cash settled.

UPC Germany loan receivable. Pursuant to our loan agreement with UPC Germany, we can require the repayment of all or part of the amount outstanding pursuant to this loan agreement (€151.1 million at September 30, 2012) within five-days of providing notice to UPC Germany. Amounts loaned to UPC Germany pursuant to this agreement are subject to certain restrictions contained in the instruments governing Unitymedia KabelBW's indebtedness. The interest rate on this loan, which is subject to adjustment, was 2.72% as of September 30, 2012. The net increase in the loan receivable - related-party during the nine months ended September 30, 2012 includes (i) cash loaned of €384.7 million, (ii) cash received of €226.8 million, (iii) a €60.1 million non-cash decrease related to amounts settled through our 2010 shareholder loans payable and (iv) individually insignificant net non-cash decreases of €0.7 million.

Investment in associate. We have an investment in UMI. UMI was formed for the purpose of effecting certain asset purchase and related leasing transactions involving certain of UPC Holding's subsidiaries, including certain purchase and leaseback transactions that were initiated in December 2011. UMI is considered a special purpose entity and is consolidated by UPC Holding. Although UPC Holding has no equity or voting interest in UMI, UPC Holding has the substantive ability to direct the major activities of UMI, and all of the activities of UMI are conducted directly on behalf of UPC Holding. As such, UPC Holding is required by the provisions of EU-IFRS to consolidate UMI. As a result, we use the equity method to account for our investment in UMI. For more information regarding a loan from UMI to our company, see note 8.

Accounts payable and accrued liabilities - related-party. At September 30, 2012 and 2011, our accounts payable and accrued liabilities - related-party balances represented amounts owed to UPC Holding and other Liberty Global subsidiaries outside of Unitymedia KabelBW for various related-party charges and fees and allocations, as further described above. These amounts may be cash or loan settled.

Shareholder loans. For information regarding our 2010 shareholder loans payable and 2012 shareholder loan payable to UPC Germany, see note 8.

(12) Commitments and Contingencies

Commitments

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

Expenses for operating leases included in our condensed consolidated statements of operations were €28.0 million and €13.3 million during the three months ended September 30, 2012 and 2011, respectively, and €82.6 million and €53.5 million during the nine months ended September 30, 2012 and 2011, respectively. Details of our operating lease contracts and the respective significant leasing arrangements are as follows:

Lease	Terms	Terms of renewal	Purchase options	Contingent rent
Building	1-20 years	1-5 years	No	No
Dark fiber	1-19 years	1-5 years	No	No
Colocation area	1-14 years	1 month - 1 year	No	No
Cable ducts	1-30 years	1-5 years	No	No

	Payments due during:							
	Remainder of 2012	Year ended December 31,						
		2013	2014	2015	2016	2017	Thereafter	Total
	in millions							
Operating leases	€ 26.3	€ 104.4	€ 101.2	€ 97.5	€ 94.8	€ 93.0	€ 1,047.2	€ 1,564.4
Programming commitments	2.5	8.1	7.7	1.4	—	—	—	19.7
Other commitments	32.4	22.5	10.1	3.1	—	—	—	68.1
	€ 61.2	€ 135.0	€ 119.0	€ 102.0	€ 94.8	€ 93.0	€ 1,047.2	€ 1,652.2

Operating leases include indefinite-lived lease agreements with Deutsche Telekom for cable ducts. The lease payments for these leases are €75.7 million annually. We have the legal right to cancel these agreements with a notice period of 24 months, however the technological requirements to replace leased capacity represent economic penalties that would result in the reasonably assured continuance of the leases for a longer period of time. Due to German law governing the statute of limitations, the agreements in effect represent a maximum lease term of 30 years, after which time Deutsche Telekom has certain additional rights under the lease. Accordingly, the operating lease amounts included in the above table reflect payments under the Deutsche Telekom lease agreements through the applicable statutory termination dates.

Programming commitments consist of obligations associated with certain of our programming contracts, that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate cable service to a portion of our subscribers or dispose of a portion of our cable systems or (iii) whether we discontinue our premium movie and sports services. The amounts reflected in the table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs.

Other commitments include (i) certain service commitments with Deutsche Telekom, (ii) certain fiber capacity commitments, (iii) service and supply agreements and (iv) commitments to purchase customer premises equipment that are enforceable and legally binding on us.

Guarantees and Other Credit Enhancements

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

Regulatory Issues

Our existing and planned activities in the cable television, broadband internet and telephony industries are subject to significant regulation and supervision by various regulatory bodies, including state authorities in the jurisdictions in which we operate, and German and EU authorities. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and capital expenditures. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

Other

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

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

The following discussion and analysis, which should be read in conjunction with our condensed consolidated financial statements and the discussion and analysis included in our 2011 annual report, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

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

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

- *Material Changes in Results of Operations.* This section provides an analysis of our historical results of operations for the three and nine months ended September 30, 2012 and our pro forma results from operations for the three and nine months ended September 30, 2011.

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

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

Forward-Looking Statements

Certain statements in this quarterly report constitute forward-looking statements. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management’s Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding business, product and finance strategies, our capital expenditures, liquidity, subscriber growth and retention rates, competitive and economic factors, our plans to launch Horizon TV (as described below under *Overview)* and introduce unencrypted digital television channels in our operations in North Rhine-Westphalia and Hesse. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In addition to the risk factors described in our 2011 annual report, the following are some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

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

- the competitive environment in the broadband communications and programming industries in Germany, including competitor responses to our products and services;

- fluctuations in currency exchange rates and interest rates;

- instability in global financial markets, including sovereign debt issues in the EU and related fiscal reforms;

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

- changes in consumer television viewing preferences and habits;

- consumer acceptance of our existing service offerings, including our digital video, broadband internet, telephony and mobile service offerings and of new technology, programming alternatives and other products and services that we may offer in the future;

- our ability to manage rapid technological changes;

- our ability to renew on equivalent terms existing contracts with housing associations and Professional Operators (as defined below), especially in light of the conditions imposed on us as a result of the LGI/KBW Transaction;
- our ability to maintain or increase the number of subscriptions to our digital video, broadband internet, telephony and mobile service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in the markets in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that impairs our competitive position, including any intervention that would impact our contractual relationships with housing associations and Professional Operators (as defined below) or would open our broadband distribution networks to competitors;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions, and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions, including the impact of the conditions imposed in connection with the LGI/KBW Transaction, on our operations;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the markets in which we operate;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors to timely deliver quality products, equipment, software and services;
- the availability of attractive programming for our digital video services at reasonable costs;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- our ability to successfully integrate and realize anticipated efficiencies from the businesses we or Liberty Global acquire, including the Kabel BW Group;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- our availability to maintain or increase our revenue from channel carriage arrangements;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners;
- changes in the nature of key relationships with Deutsche Telekom and certain of its affiliates for the access and operation of a significant portion of our network;
- our ability to successfully interact with labor councils and unions; and

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

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

Overview

We are the largest cable operator in the German federal states of North Rhine-Westphalia, Hesse and Baden-Wuerttemberg and a subsidiary of Liberty Global, providing digital and analog cable television and broadband internet and telephony services to our customers over our broadband communications network. As of September 30, 2012, we served 6,713,700 video revenue generating units (RGUs) (including 2,148,800 digital cable RGUs), 2,133,800 telephony RGUs and 2,111,400 broadband internet RGUs over a broadband communications network that passed 12,566,500 homes. Effective January 1, 2012, we began including certain small office and home office (SOHO) RGUs in our externally-reported subscriber statistics. As a result of this change, we recorded a non-organic adjustment to increase the number of our RGUs at January 1, 2012 by 4,500. We also offer mobile services using third-party networks, but do not currently include subscriptions to mobile services in our reported RGU statistics.

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

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

- *Video Services.* As of September 30, 2012, we provided our basic digital and analog cable services to 53.4% of homes passed by our network. As further described in note 4 to our condensed consolidated financial statements, our basic digital television channels are unencrypted in our KBW footprint, and effective January 1, 2013, will be unencrypted in our remaining footprint. Where our basic digital television channels are unencrypted, subscribers who have the necessary equipment and who pay the monthly subscription fee for our analog package are able to watch our basic digital television channels. Our premium digital cable service offerings include premium subscription channels and HD and DVR services. As of September 30, 2012, 16.0% of our video base subscribed to premium digital cable services. We provide video services via individual contracts with single dwelling units or bulk contracts with landlords or housing associations or with third parties that operate and administer the in-building network on behalf of housing associations (Professional Operators). In addition, we receive carriage fees from both public and commercial broadcasters.

- *Broadband Internet Services.* Our current service portfolio consists of services with download speeds ranging from 10 Mbps to 150 Mbps with no time or data volume restrictions. Our customers can choose between various packages and bundles. As of September 30, 2012, our ultra high-speed broadband internet services were available to 96% of our homes passed.

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

Horizon TV is a family of media products that allows customers to view and share content across the television, computer, tablet and smartphone. Horizon TV is powered by a user interface that allows customers to seamlessly navigate and features an advanced set-top box that delivers not only video, but also internet and voice connections along with a wireless network for the home. The Horizon TV experience also includes online viewing of programming from a computer, tablet or smartphone. We intend for Horizon TV to be available during 2013.

We added a total of 157,200 and 565,600 RGUs (including 4,600 and 13,100 SOHO RGUs) on an organic basis during the three and nine months ended September 30, 2012, respectively. The organic RGU growth during three and nine months ended September 30, 2012 is attributable to the growth of our (i) broadband internet services, which added 94,500 and 306,900 RGUs, respectively, (ii) telephony services, which added 88,600 and 297,400 RGUs, respectively, and (iii) digital cable services, which added 24,300 and 165,000 RGUs, respectively. The growth of our broadband internet, telephony and digital cable RGUs was partially offset by declines in our analog cable RGUs of 50,200 and 203,700, respectively.

Due to the expected impacts of, among other matters, (i) the ongoing negotiations related to the special termination right granted with respect to certain of our access agreements with our largest housing associations, (ii) the scheduled expiration of contracts for certain of our residential subscribers and housing associations and (iii) certain third quarter 2012 price increases for analog cable services, the analog cable RGU losses during the fourth quarter of 2012 and future periods have the potential to be higher than current levels. For information concerning the special termination right, see note 4 to our condensed consolidated financial statements.

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

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

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

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

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

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

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

In connection with the LGI/KBW Transaction, we made certain commitments to address the competition concerns of the FCO that could have an adverse impact on our future operating results and cash flows. For additional information, see note 4 to our condensed consolidated financial statements.

Material Changes in Results of Operations

This section provides an analysis of our results of operations for the three and nine months ended September 30, 2012 and 2011. As further explained in note 1 to our condensed consolidated financial statements, the operating results of the Kabel BW Group are not included in our historical condensed consolidated statements of operations prior to December 15, 2011. In order to provide meaningful comparisons, the following discussion and analysis of our results of operations for the three and nine months ended September 30, 2011 is based on pro forma statements of operations and statistical data that give effect to (i) the LGI/KBW Transaction, (ii) the March 2011 Kabel BW Refinancing and (iii) the change in the reporting entities associated with the KBW Fold-in as if such transactions had been completed as of January 1, 2011. As a result, the pro forma statements of operations for 2011 presented below include the historical operating results of the Kabel BW Group for all periods in 2011. In connection with the KBW Fold-in, we issued the 2012 shareholder loan payable to UPC Germany as consideration for all of the outstanding shares of UPC Germany Holdings that were transferred to our company. No interest expense on the 2012 shareholder loan payable is reflected in our 2012 historical or 2011 pro forma results prior to the May 2012 issuance date.

Financial Performance

Historical results for the three and nine months ended September 30, 2012, as compared to pro forma results for the corresponding periods in 2011 are set forth below (in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2012	**2011**	**2012**	**2011**
		pro forma		**pro forma**
Revenue:				
Subscription revenue:				
Video	€ 237.4	€ 231.4	€ 705.5	€ 691.4
Broadband internet	72.3	57.1	206.9	159.4
Telephony	89.0	75.4	255.6	213.2
Total subscription revenue	398.7	363.9	1,168.0	1,064.0
Non-subscription revenue	55.2	49.1	159.5	141.9
	453.9	413.0	1,327.5	1,205.9
Operating costs and expenses:				
OpEx	120.1	117.6	369.8	341.6
SG&A	62.1	50.1	175.6	149.2
Impairment, restructuring and other operating items, net	11.3	—	13.8	(0.1)
Related-party fees and allocations	15.1	13.7	42.7	26.7
	208.6	181.4	601.9	517.4
EBITDA	245.3	231.6	725.6	688.5
Depreciation and amortization	159.1	161.6	471.0	457.0
EBIT	86.2	70.0	254.6	231.5
Financial and other expense:				
Interest expense:				
Third-party	(105.1)	(105.2)	(315.9)	(319.8)
Related-party	(36.8)	(25.6)	(64.2)	(76.2)
Foreign currency transaction gains (losses), net	18.6	(71.1)	(7.7)	(11.1)
Realized and unrealized gains (losses) on derivative instruments, net	(16.4)	68.1	17.4	2.1
Losses on debt modification and extinguishment, net	(7.9)	—	(9.9)	—
Other income (expense), net	2.7	0.5	4.5	(0.2)
Net financial and other expense	(144.9)	(133.3)	(375.8)	(405.2)
Loss before income taxes	(58.7)	(63.3)	(121.2)	(173.7)
Income tax benefit (expense)	8.1	(1.2)	27.8	(0.1)
Net loss	€ (50.6)	€ (64.5)	€ (93.4)	€ (173.8)

Revenue

Revenue includes amounts earned from subscribers for ongoing services as well as channel carriage fees, interconnect fees, installation fees, late fees and other non-subscription revenue. We use the term "subscription revenue" in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees, late fees and mobile services revenue.

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

	Three months ended September 30, 2012		Three months ended September 30, 2011 pro forma		Increase €		Increase %
Subscription revenue:							
Video	€	237.4	€	231.4	€	6.0	2.6
Broadband internet		72.3		57.1		15.2	26.6
Telephony		89.0		75.4		13.6	18.0
Total subscription revenue		398.7		363.9		34.8	9.6
Non-subscription revenue (a)		55.2		49.1		6.1	12.4
Total	€	453.9	€	413.0	€	40.9	9.9

	Nine months ended September 30, 2012		Nine months ended September 30, 2011 pro forma		Increase €		Increase %
Subscription revenue:							
Video	€	705.5	€	691.4	€	14.1	2.0
Broadband internet		206.9		159.4		47.5	29.8
Telephony		255.6		213.2		42.4	19.9
Total subscription revenue		1,168.0		1,064.0		104.0	9.8
Non-subscription revenue (a)		159.5		141.9		17.6	12.4
Total	€	1,327.5	€	1,205.9	€	121.6	10.1

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

The details of our revenue increase during the three and nine months ended September 30, 2012, as compared to the corresponding periods in 2011, are set forth below (in millions):

	Three-month period pro forma		Nine-month period pro forma	
Increase in subscription revenue due to change in (a):				
Average number of RGUs (b)	€	28.2	€	83.3
Average monthly subscription revenue per average RGU (ARPU) (c)		6.6		20.7
Increase in non-subscription revenue (d)		6.1		17.6
Total	€	40.9	€	121.6

(a) Our subscription revenue includes revenue from multi-year bulk agreements with landlords, housing associations or with Professional Operators. These bulk agreements, which generally allow for the procurement of the basic video signals at volume-based discounts, provide access to nearly two-thirds of our video cable subscribers. During the three months ended September 30, 2012, our 20 largest bulk agreement accounts generated approximately 7% of our revenue (including estimated amounts billed directly to the building occupants for premium cable, broadband internet and telephony services). No assurance can be given that our bulk agreements will be renewed or extended on financially equivalent terms or at all, particularly in light of the commitments we have made to regulators in connection with the LGI/KBW Transaction. In this regard, we have, among other items, agreed to grant a special termination right with respect to certain of our larger bulk agreements. During the three months ended September 30, 2012, the bulk agreements that are subject to this special termination right accounted for a significant portion of the revenue associated with (i) all of our bulk agreements and (ii) the 20 largest bulk agreement accounts mentioned above. For additional information, see note 4 to our condensed consolidated financial statements.

(b) The increases in our 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 number of analog cable RGUs. The declines in our average number of analog cable RGUs led to declines in the average number of total video RGUs during the three and nine months ended September 30, 2012.

(c) The increases in our subscription revenue related to changes in ARPU are due to (i) an improvement in RGU mix, attributable to higher proportions of telephony, digital cable and broadband internet RGUs, and (ii) net decreases resulting primarily from the following factors: (a) lower ARPU due to a decrease in telephony call volume for customers on usage-based calling plans, (b) higher ARPU from digital cable services, (c) lower ARPU due to a higher proportion of customers receiving discounted analog cable services through bulk agreements and (d) higher ARPU from broadband internet services. For information concerning our commitment to distribute basic digital television channels in unencrypted form commencing January 1, 2013, see note 4 to our condensed consolidated financial statements.

(d) The increases in our non-subscription revenue are primarily attributable to (i) increases in installation revenue, due to higher numbers of installations and increases in the average installation fee, (ii) increases in mobile revenue and (iii) increases in carriage fee revenue which includes fees received for the carriage of certain channels included in our analog and digital cable offerings. This carriage fee revenue is subject to contracts that expire or are otherwise terminable by either party at various dates ranging from 2012 through 2017. The aggregate amount of revenue related to these carriage contracts represents approximately 7% of our total revenue during the three months ended September 30, 2012. Furthermore, approximately 20% of our carriage fee revenue during the three months ended September 30, 2012 relates to contracts for which we have received notices to terminate effective December 31, 2012. While we have rejected these termination notices, no assurance can be given that any of our carriage fee contracts will be renewed or extended on financially equivalent terms, or at all. In addition, our ability to increase the aggregate carriage fees that we receive for each channel is limited by certain commitments we made to regulators in connection with the LGI/KBW Transaction. For additional information, see note 4 to our condensed consolidated financial statements.

OpEx

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

	Three months ended September 30,		Increase (decrease)	
	2012	2011 pro forma	€	%
Direct costs (programming and copyright, interconnect, and other)	€ 40.7	€ 40.8	€ (0.1)	(0.2)
Staff-related costs	20.5	21.3	(0.8)	(3.8)
Network operating costs	34.8	33.8	1.0	3.0
Other indirect costs	24.1	21.7	2.4	11.1
Total	€ 120.1	€ 117.6	€ 2.5	2.1

	Nine months ended September 30,		Increase	
	2012	2011 pro forma	€	%
Direct costs (programming and copyright, interconnect, and other)	€ 128.5	€ 120.0	€ 8.5	7.1
Staff-related costs	63.9	63.2	0.7	1.1
Network operating costs	108.3	101.0	7.3	7.2
Other indirect costs	69.1	57.4	11.7	20.4
Total	€ 369.8	€ 341.6	€ 28.2	8.3

Our total OpEx increased €2.5 million or 2.1% and €28.2 million or 8.3% during the three and nine months ended September 30, 2012, respectively, as compared to the corresponding periods in 2011. These increases include the following factors:

- Increases in other indirect costs of €2.4 million or 11.1% and €11.7 million or 20.4%, respectively, primarily attributable to increases in outsourced labor and professional fees, primarily due to increased call center costs attributable to higher call volumes and, to a lesser extent, higher outsourced labor associated with customer-facing activities;

- An increase (decrease) in direct costs of (€0.1 million) or (0.2%) and €8.5 million or 7.1%, respectively, primarily attributable to the net effect of (i) increases in programming and related costs, due to the net effect of (a) growth in digital video services and (b) decreases of €2.1 million and €2.2 million during the three- and nine-month periods, respectively, due to the net impact of accrual releases during the third quarters of 2012 and 2011 related to the settlement or reassessment of operational contingencies, (ii) increases in interconnect costs, primarily due to higher numbers of telephony subscribers, and (iii) net decreases resulting from individually insignificant changes in other categories of direct costs. During the nine-month period, the above-described increase in interconnect costs was partially offset by a €2.1 million decrease associated with the first and second quarter 2012 release of accruals following the settlement of operational contingencies; and

- Increases in network operating costs of €1.0 million or 3.0% and €7.3 million or 7.2%, respectively, primarily due to (i) higher costs associated with the refurbishment of customer premises equipment, (ii) higher electricity costs, due in part to the release of a €1.3 million accrual during the second quarter of 2011 related to a settlement of an operational contingency, and (iii) higher network equipment maintenance costs.

SG&A

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

	Three months ended September 30,				Increase	
	2012		2011 pro forma		€	%
Staff-related costs	€	16.7	€	15.5	€ 1.2	7.7
Sales and marketing costs		25.9		21.7	4.2	19.4
Other indirect costs		19.5		12.9	6.6	51.2
Total	€	62.1	€	50.1	€ 12.0	24.0

	Nine months ended September 30,				Increase	
	2012		2011 pro forma		€	%
Staff-related costs	€	48.8	€	45.8	€ 3.0	6.6
Sales and marketing costs		74.6		66.5	8.1	12.2
Other indirect costs		52.2		36.9	15.3	41.5
Total	€	175.6	€	149.2	€ 26.4	17.7

Our total SG&A increased €12.0 million or 24.0% and €26.4 million or 17.7% during the three and nine months ended September 30, 2012, respectively, as compared to the corresponding periods in 2011. These increases include the following factors:

- Increases in other indirect costs of €6.6 million or 51.2% and €15.3 million or 41.5%, respectively, largely attributable to (i) increases in outsourced labor and professional fees, primarily due to higher consulting costs associated with the integration of KBW's operations, and (ii) increases in facilities expenses, primarily due to higher costs related to the rental of office space;

- Increases in sales and marketing costs of €4.2 million or 19.4% and €8.1 million or 12.2%, respectively, largely due to increased costs associated with rebranding and other advertising campaigns; and

- Increases in staff-related costs of €1.2 million or 7.7% and €3.0 million or 6.6%, respectively, primarily due to the net effect of (i) annual wage increases and (ii) lower bonus costs.

Related-Party Fees and Allocations

We recorded related-party fees and allocations related to corporate services performed by Liberty Global of €15.1 million and €42.7 million during the three and nine months ended September 30, 2012, respectively, as compared to €13.7 million and €26.7 million during the corresponding prior year periods. These amounts represent charges, which originate with UPC Holding and other Liberty Global subsidiaries, to our company, including charges for management, finance, legal, technology, marketing and other services that support our company's operations. The 2012 amounts include fees and allocations related to both Unitymedia KabelBW and KBW, while the 2011 amounts do not include any amounts related to KBW. For additional information, see note 11 to our condensed consolidated financial statements.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased €2.5 million or 1.5% during three months ended September 30, 2012 and increased €14.0 million or 3.1% during the nine months ended September 30, 2012, respectively, as compared to the corresponding periods in 2011. These changes are due primarily to the net effect of (i) increases in property and equipment related to capital expenditures, (ii) increases in expenditures for capitalized subscriber acquisition costs, (iii) decreases in accelerated deprecation associated with the replacement of certain network equipment during the third quarter of 2011 and (iv) decreases associated with certain assets becoming fully depreciated.

Net Financial and Other Expense

Our net financial and other expense primarily includes interest expense, interest income, foreign currency transaction gains or losses and realized and unrealized gains or losses on derivative instruments. As further described below, we recorded net financial and other expense during the three and nine months ended September 30, 2012 of €144.9 million and €375.8 million, respectively, as compared to €133.3 million and €405.2 million, respectively, during the corresponding periods in 2011.

Interest expense – third-party

Interest expense – third-party decreased €0.1 million or 0.1% and €3.9 million or 1.2% during the three and nine months ended September 30, 2012, respectively, as compared to the corresponding periods in 2011, due primarily to (i) slightly lower weighted average interest rates and (ii) slightly lower average outstanding balances. Our third-party interest expense primarily relates to (i) the 2009 Unitymedia KabelBW Notes for all periods presented, (ii) the KBW Notes prior to May 2012 and the Unitymedia KabelBW Exchange Notes thereafter, (iii) the 2012 Unitymedia KabelBW Senior Secured Notes following the September 2012 issuance date and (iv) any borrowings outstanding under (a) the Unitymedia KabelBW Revolving Credit Facility for all periods presented and (b) the New Unitymedia KabelBW Revolving Credit Facility subsequent to the May 2012 issuance date.

Interest expense – related-party

Interest expense – related-party increased €11.2 million during the three months ended September 30, 2012 and decreased €12.0 million during the nine months ended September 30, 2012, respectively, as compared to the corresponding periods in 2011, due primarily to the net effect of (i) higher average outstanding balances during the three-month period and lower average outstanding balances during the nine-month period and (ii) higher weighted average interest rates. Our related-party interest expense relates to (i) our shareholder loans payable to UPC Germany, including (a) the 2010 shareholder loans payable and (b) following the May 2012 KBW Fold-in, the 2012 shareholder loan payable, and (ii) our loan to UMI. For additional information, see note 8 to our condensed consolidated financial statements.

Foreign currency transaction gains (losses), net

We recognized foreign currency transaction gains (losses), net, of €18.6 million and (€7.7 million) during the three and nine months ended September 30, 2012, respectively, as compared to (€71.1 million) and (€11.1 million**)** during the corresponding prior year periods. These amounts primarily relate to the remeasurement of our U.S. dollar denominated indebtedness.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
		pro forma		pro forma
Cross-currency derivative contracts	€ (14.6)	€ 77.7	€ 23.0	€ 27.8
Interest rate derivative contracts (a)	(1.8)	(9.6)	(5.6)	(25.7)
Total	€ (16.4)	€ 68.1	€ 17.4	€ 2.1

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

Losses on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of €7.9 million and €9.9 million during the three and nine months ended September 30, 2012, respectively. The loss during the 2012 nine-month period includes (i) a loss of €8.6 million representing the difference between the carrying value and redemption price of the UM Senior Secured Floating Rate Exchange Notes that were redeemed during the third quarter of 2012 and (ii) a loss of €1.1 million representing the difference between the carrying value and redemption price of the debt redeemed pursuant to the Special Optional Redemptions in May 2012. For additional information, see note 8 to our condensed consolidated financial statements.

Income tax benefit (expense)

We recognized income tax benefit of €8.1 million and income tax expense of €1.2 million during the three months ended September 30, 2012 and 2011, respectively.

The income tax benefit during the three months ended September 30, 2012 differs from the expected income tax benefit of €18.7 million (based on the German group income tax rate of 31.88%) due primarily to the negative impact of certain permanent differences between the financial and tax accounting treatment of interest and other items.

The income tax expense during the three months ended September 30, 2011 differs from the expected income tax benefit of €20.0 million (based on the German group income tax rate of 31.58%) due primarily to the negative impact of a net increase in unrecognized net operating losses and interest carryforwards.

We recognized income tax benefit of €27.8 million and income tax expense of €0.1 million during the nine months ended September 30, 2012 and 2011, respectively.

The income tax benefit during the nine months ended September 30, 2012 differs from the expected income tax benefit of €38.6 million (based on the German group income tax rate of 31.88%) due primarily to the negative impact of certain permanent differences between the financial and tax accounting treatment of interest and other items. This negative impact was partially offset by the positive impact of the recognition of certain net operating loss and interest carryforwards.

The income tax expense during the nine months ended September 30, 2011 differs from the expected income tax benefit of €54.9 million (based on the German group income tax rate of 31.58%) due primarily to the negative impacts of (i) a net increase in unrecognized net operating losses and interest carryforwards and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items.

For additional information regarding our income taxes, see note 9 to our condensed consolidated financial statements.

Net loss

We reported net losses of €50.6 million and €93.4 million during the three and nine months ended September 30, 2012, respectively, as compared to €64.5 million and €173.8 million during the corresponding prior year periods.

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

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 our debt instruments restrict our ability to access the assets of our subsidiaries. At September 30, 2012, substantially all of our consolidated cash and cash equivalents of €20.2 million were held by our subsidiaries. In addition, our ability to access the liquidity of our subsidiaries may be limited by tax considerations or other factors.

Liquidity of Unitymedia KabelBW

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

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

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

In addition to cash and cash equivalents, the primary sources of liquidity of Unitymedia Hessen, Unitymedia NRW, KBW and our other operating subsidiaries is cash provided by operations and, in the case of Unitymedia Hessen and Unitymedia NRW, any borrowing availability under the Unitymedia KabelBW Revolving Credit Facilities. At September 30, 2012, we had combined borrowing capacity of €417.5 million under the Unitymedia KabelBW Revolving Credit Facilities.

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

Our most significant financial obligations are our debt obligations, as described in note 8 to our condensed consolidated financial statements. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Capitalization

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

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

Condensed Consolidated Cash Flow Statements

The below discussion is based on the amounts as presented in our condensed consolidated statements of cash flows, which have been retrospectively revised to give effect to the KBW Fold-in for all periods during which we and the Kabel BW Group were under the common control of Liberty Global. Accordingly, the cash flows of the Kabel BW Group for periods prior to December 15, 2011 are not included in the amounts reported for the 2011 periods.

Summary. During the nine months ended September 30, 2012, we used net cash provided by our operating activities of €484.0 million and €27.9 million of our existing cash and cash equivalents to fund net cash used by our investing activities of €509.3 million and net cash used by our financing activities of €2.6 million.

Operating activities. Net cash provided by our operating activities increased €194.3 million, from €289.7 million during the first nine months of 2011 to €484.0 million during the first nine months of 2012. This increase in cash provided is primarily attributable to the net effect of (i) an increase in the cash provided by our Adjusted EBITDA and related working capital items, due largely to the KBW Fold-in, and (ii) a decrease in cash provided due to higher cash payments for interest, due largely to the KBW Fold-in.

Investing activities. Net cash used by our investing activities increased €255.8 million, from €253.5 million during the first nine months of 2011 to €509.3 million during the first nine months of 2012. This increase in cash used is primarily attributable to (i) an increase in cash used due to higher capital expenditures of €152.8 million, from €199.7 million during the first nine months of 2011 to €352.5 million during the first nine months of 2012, and (ii) an increase in cash used to fund advances to UPC Germany of €103.9 million. The increase in capital expenditures is primarily due to (a) the KBW Fold-in, (b) an increase in expenditures for the purchase and installation of customer premises equipment, (c) an increase in capitalized third-party commissions of €6.7

million, from €33.2 million during the 2011 period to €39.9 million during the 2012 period, (d) an increase in expenditures for support capital, such as information technology upgrades and general support systems, and (e) 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 2012, (1) 51% relates to the rebuild and upgrade of our distribution network, primarily in connection with the upgrade of in-home wiring, (2) 26% relates to the purchase and installation of customer premises equipment, (3) 15% relates to capitalized third-party commissions and (4) the remainder relates to expenditures for general support systems.

For the full year 2012, we expect our capital expenditures to range from 26% to 28% of our revenue.

Financing activities. Net cash used by our financing activities decreased €78.0 million, from €80.6 million during the first nine months of 2011 to €2.6 million during the first nine months of 2012. This decrease in cash used is primarily due to the net effect of (i) a decrease in cash used of €68.2 million related to lower net repayments of third-party debt, (ii) a decrease in cash used of €39.9 million related to higher net related-party borrowings, (iii) an increase in cash used of €17.0 million associated with higher payments of financing-related costs and (iv) an increase in cash used of €13.1 million due to higher cash payments related to derivative instruments.

Off-Balance Sheet Arrangements

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

SUPPLEMENTAL

FINANCIAL INFORMATION

(unaudited)

Supplemental Financial Information
Table of Contents

Unitymedia KabelBW 2011 Quarterly Pro Forma Condensed Combined Statements of Operations (unaudited)

As further explained in note 1 to our condensed consolidated financial statements, the operating results of the Kabel BW Group are not included in our historical condensed consolidated statements of operations prior to December 15, 2011. The following table presents 2011 quarterly condensed consolidated pro forma statements of operations of Unitymedia KabelBW as if (i) the LGI/KBW Transaction, (ii) the March 2011 Kabel BW Refinancing and (iii) the change in the reporting entities associated with the KBW Fold-in had been completed as of January 1, 2011. As a result, the pro forma statements of operations for 2011 presented below include the historical operating results of the Kabel BW Group for all periods in 2011. In connection with the KBW Fold-in, we issued the 2012 shareholder loan payable to UPC Germany as consideration for all of the outstanding shares of UPC Germany Holdings that were transferred to our company. No interest expense on the 2012 shareholder loan payable is reflected in our pro forma results prior to the May 2012 issuance date. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on January 1, 2011. The pro forma adjustments are based on certain assumptions that we believe are reasonable. For additional information and definitions of capitalized terms, see notes 1, 4 and 8 to our condensed consolidated financial statements.

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Total 2011
			in millions		
Revenue:					
Subscription revenue:					
Video	€ 228.9	€ 231.1	€ 231.4	€ 232.6	€ 924.0
Broadband internet	49.3	53.0	57.1	61.4	220.8
Telephony	67.1	70.7	75.4	79.3	292.5
Total subscription revenue	345.3	354.8	363.9	373.3	1,437.3
Non-subscription revenue	46.9	45.9	49.1	51.2	193.1
	392.2	400.7	413.0	424.5	1,630.4
Operating costs and expenses:					
OpEx	113.7	110.3	117.6	118.9	460.5
SG&A	48.0	51.1	50.1	57.0	206.2
Impairment, restructuring and other operating items, net	(0.2)	0.1	—	4.0	3.9
Related-party fees and allocations	7.5	5.5	13.7	9.1	35.8
	169.0	167.0	181.4	189.0	706.4
EBITDA	223.2	233.7	231.6	235.5	924.0
Depreciation and amortization	147.7	147.7	161.6	161.2	618.2
EBIT	75.5	86.0	70.0	74.3	305.8
Financial and other expense:					
Interest expense:					
Third-party	(109.3)	(105.3)	(105.2)	(105.4)	(425.2)
Related-party	(25.3)	(25.3)	(25.6)	(23.7)	(99.9)
Foreign currency transaction gains (losses), net	37.2	22.8	(71.1)	(39.5)	(50.6)
Realized and unrealized gains (losses) on derivative instruments, net	(38.9)	(27.1)	68.1	15.9	18.0
Other income (expense), net	(0.7)	—	0.5	1.0	0.8
Net financial and other expense	(137.0)	(134.9)	(133.3)	(151.7)	(556.9)
Loss before income taxes	(61.5)	(48.9)	(63.3)	(77.4)	(251.1)
Income tax benefit (expense)	1.9	(0.8)	(1.2)	40.8	40.7
Net loss	€ (59.6)	€ (49.7)	€ (64.5)	€ (36.6)	€ (210.4)
Adjusted EBITDA	€ 230.5	€ 239.3	€ 245.5	€ 248.9	€ 964.2
Stock-based compensation expense	—	—	(0.2)	(0.3)	(0.5)
Impairment, restructuring and other operating items, net	0.2	(0.1)	—	(4.0)	(3.9)
Related-party fees and allocations	(7.5)	(5.5)	(13.7)	(9.1)	(35.8)
EBITDA	€ 223.2	€ 233.7	€ 231.6	€ 235.5	€ 924.0

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

On January 28, 2010, Unitymedia KabelBW acquired all of the issued and outstanding capital stock of Old Unitymedia (the LGI/Unitymedia KabelBW Transaction). On March 2, 2010, the then existing debt of Old Unitymedia was refinanced (the March 2010 Unitymedia KabelBW Refinancing) with proceeds from an escrow account that was created in November 2009, when Unitymedia KabelBW and certain of its subsidiaries issued senior and senior secured notes in contemplation of the LGI/Unitymedia KabelBW Transaction. On September 16, 2010, Old Unitymedia merged with Unitymedia KabelBW and Unitymedia KabelBW became the surviving entity (the Unitymedia KabelBW Merger). The Unitymedia KabelBW Merger, along with the new basis of accounting that resulted from the LGI/Unitymedia KabelBW Transaction, was given effect as of January 28, 2010 in the historical consolidated financial statements of Unitymedia KabelBW. As further explained in note 1 to our condensed consolidated financial statements, the operating results of the Kabel BW Group are not included in our historical condensed consolidated statements of operations prior to December 15, 2011.

The following table presents the 2010 condensed consolidated pro forma statement of operations of Unitymedia KabelBW as if (i) the LGI/Unitymedia KabelBW Transaction, (ii) the Unitymedia KabelBW Merger, (iii) the March 2010 Unitymedia KabelBW Refinancing, (iv) the LGI/KBW Transaction, (v) the March 2011 Kabel BW Refinancing and (vi) the change in the reporting entities associated with the KBW Fold-in had been completed as of January 1, 2010. As a result, the pro forma statement of operations for the year ended December 31, 2010 presented below includes the historical operating results of Old Unitymedia's and the Kabel BW Group's continuing operations for the full year of 2010. In connection with the KBW Fold-in, we issued the 2012 shareholder loan payable to UPC Germany as consideration for all of the outstanding shares of UPC Germany Holdings that were transferred to our company. No interest expense on the 2012 shareholder loan payable is reflected in our pro forma results prior to the May 2012 issuance date. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on January 1, 2010. The pro forma adjustments are based on certain assumptions that we believe are reasonable. For additional information and definitions of capitalized terms, see notes 1, 4 and 8 to our condensed consolidated financial statements.

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

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