Condensed Consolidated Financial Statements
September 30, 2013

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, 2013		December 31, 2012
		in millions		
ASSETS				
Current assets:				
Cash and cash equivalents	€	108.0	€	20.2
Trade receivables and unbilled revenue, net		106.6		107.7
Loan receivable – related-party (note 10)		255.7		168.7
Other current assets (note 5)		18.6		13.7
Total current assets		488.9		310.3
Property and equipment, net (note 7)		3,437.7		3,480.4
Goodwill		2,841.7		2,841.7
Intangible assets subject to amortization, net (note 7)		1,004.8		1,100.4
Investment in associate (note 10)		63.1		64.3
Other noncurrent assets (notes 5 and 10)		59.1		86.7
Total noncurrent assets		7,406.4		7,573.5
Total assets	€	7,895.3	€	7,883.8

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

UNITYMEDIA KABELBW GMBH

CONDENSED CONSOLIDATED BALANCE SHEETS – (Continued)
(unaudited)

	September 30, 2013	December 31, 2012 (a)
	in millions	
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	€ 57.9	€ 83.2
Accrued liabilities	169.2	193.9
Accounts payable and accrued liabilities – related-party (note 10)	69.0	44.4
Corporate income taxes payable	29.4	21.0
Current provisions	17.8	17.9
Deferred revenue and advance payments from subscribers and others	122.4	100.3
Current portion of debt and finance lease obligations (note 8):		
Third-party	108.5	88.6
Related-party	—	1.1
Other current liabilities (note 5)	15.0	22.2
Total current liabilities	589.2	572.6
Noncurrent debt and finance lease obligations (note 8):		
Third-party	5,490.6	5,114.3
Related-party	1,182.1	1,396.7
Deferred tax liabilities	501.1	457.7
Noncurrent provisions	25.5	24.0
Other noncurrent liabilities (note 5)	24.5	15.4
Total noncurrent liabilities	7,223.8	7,008.1
Total liabilities	7,813.0	7,580.7
Commitments and contingencies (note 11)		
Shareholder's equity:		
Share capital	—	—
Additional paid-in capital	942.7	941.4
Accumulated deficit	(857.1)	(635.0)
Accumulated other comprehensive loss, net of taxes	(3.3)	(3.3)
Total shareholder's equity	82.3	303.1
Total liabilities and shareholder's equity	€ 7,895.3	€ 7,883.8

(a) As retrospectively revised – see note 2.

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, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	in millions			
Revenue (note 3)	€ 484.6	€ 453.9	€ 1,433.2	€ 1,327.5
Operating costs and expenses:				
Operating (other than depreciation and amortization) (OpEx) (note 10)	131.9	120.1	404.2	369.8
Selling, general and administrative expenses (other than depreciation and amortization) (including share-based compensation) (SG&A) (note 10)	57.6	62.1	179.1	175.6
Impairment, restructuring and other operating items, net	4.8	11.3	8.5	13.8
Related-party fees and allocations (note 10)	17.8	15.1	54.2	42.7
	212.1	208.6	646.0	601.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	272.5	245.3	787.2	725.6
Depreciation and amortization	173.4	159.1	502.2	471.0
Earnings before interest and taxes (EBIT)	99.1	86.2	285.0	254.6
Financial and other expense:				
Interest expense:				
Third-party	(101.2)	(105.1)	(302.2)	(315.9)
Related-party (note 10)	(26.8)	(36.8)	(94.2)	(64.2)
Foreign currency transaction gains (losses), net	43.8	18.6	27.1	(7.7)
Realized and unrealized gains (losses) on derivative instruments, net (note 5)	(42.3)	(16.4)	(42.2)	17.4
Losses on debt extinguishment	—	(7.9)	(52.6)	(9.9)
Other income, net (note 10)	1.6	2.7	8.0	4.5
Net financial and other expense	(124.9)	(144.9)	(456.1)	(375.8)
Loss before income taxes	(25.8)	(58.7)	(171.1)	(121.2)
Income tax benefit (expense) (note 9)	(2.0)	8.1	(51.0)	27.8
Net loss / comprehensive loss (a)	€ (27.8)	€ (50.6)	€ (222.1)	€ (93.4)
Further details of OpEx and SG&A:				
Direct costs (programming and copyright, interconnect and other)	€ 46.5	€ 40.4	€ 142.8	€ 127.7
Staff-related costs (excluding restructuring charges)	34.1	37.2	115.1	112.7
Network operating costs	37.2	37.8	108.8	114.4
Sales and marketing costs	24.5	25.9	74.2	74.6
Other indirect costs	47.2	40.9	142.4	116.0
	€ 189.5	€ 182.2	€ 583.3	€ 545.4
Further details of impairment, restructuring and other operating items, net:				
Restructuring charges	€ 3.8	€ 11.6	€ 8.0	€ 15.9
Direct acquisition costs	1.4	—	1.4	—
Gain on disposal of assets	(0.4)	(0.3)	(0.9)	(2.1)
	€ 4.8	€ 11.3	€ 8.5	€ 13.8

(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
(unaudited)

	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss, net of taxes	Total shareholder's equity
	in millions			
Balance at January 1, 2012	€ 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)
Share-based compensation (note 10)	0.9	—	—	0.9
Balance at September 30, 2012	€ 841.9	€ (469.1)	€ —	€ 372.8
Balance at January 1, 2013 (note 2)	€ 941.4	€ (635.0)	€ (3.3)	€ 303.1
Net loss	—	(222.1)	—	(222.1)
Share-based compensation (note 10)	1.3	—	—	1.3
Balance at September 30, 2013	€ 942.7	€ (857.1)	€ (3.3)	€ 82.3

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,	
	2013	2012
	in millions	
Cash flows from operating activities:		
Net loss	€ (222.1)	€ (93.4)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation expense	1.3	0.9
Impairment, restructuring and other operating items, net	8.5	13.8
Related-party fees and allocations	54.2	42.7
Depreciation and amortization	502.2	471.0
Amortization of deferred financing costs and non-cash interest accretion	6.0	9.4
Non-cash related-party interest expense	94.2	64.2
Foreign currency transaction losses (gains), net	(27.1)	7.7
Realized and unrealized losses (gains) on derivative instruments, net	42.2	(17.4)
Losses on debt extinguishment	52.6	9.9
Deferred tax expense (benefit)	43.5	(24.4)
Changes in operating assets and liabilities	(30.2)	(0.4)
Net cash provided by operating activities	525.3	484.0
Cash flows from investing activities:		
Capital expenditures	(311.8)	(352.5)
Advances to parent	(92.9)	(157.9)
Other investing activities	1.7	1.1
Net cash used by investing activities	(403.0)	(509.3)
Cash flows from financing activities:		
Borrowings of third-party debt	850.0	878.0
Repayments of third-party debt and finance lease obligations	(479.5)	(890.4)
Net borrowings (repayments) of related-party debt	(357.8)	39.9
Payment of financing costs and debt premiums	(46.6)	(17.0)
Other financing activities	(0.6)	(13.1)
Net cash used by financing activities	(34.5)	(2.6)
Net increase (decrease) in cash and cash equivalents	87.8	(27.9)
Cash and cash equivalents:		
Beginning of period	20.2	48.1
End of period	€ 108.0	€ 20.2
The following amounts are included in net cash provided by operating activities:		
Cash paid for interest (excluding payments related to derivative instruments)	€ 279.8	€ 287.3
Net cash paid (refunded) for taxes	€ (1.5)	€ 7.4

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

(1) Basis of Presentation

Unitymedia KabelBW GmbH (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 plc (Liberty Global), the successor to Liberty Global, Inc. Unitymedia KabelBW was formed 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-Württemberg, provides video, broadband internet, fixed-line telephony and mobile services to its customers.

Through a series of transactions that were completed during the second quarter of 2012 in conjunction with a debt exchange where debt previously issued by the Kabel BW Group (as defined below) was exchanged for new debt issued by Unitymedia KabelBW, 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-Württemberg, to Unitymedia Hessen GmbH & Co. KG (Unitymedia Hessen), one of our wholly-owned subsidiaries (the KBW Fold-in). We accounted for the KBW Fold-in as a reorganization of entities under common control. Accordingly, we recorded the transfer of UPC Germany Holdings and its subsidiaries (collectively, the Kabel BW Group) at carryover basis and the applicable prior period information was 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 (the LG/KBW Transaction). For additional information, see note 4. Additionally, in the third quarter of 2012, Unitymedia Hessen sold its shares of UPC Germany Holdings to UPC Germany NewCo GmbH (UPC Germany NewCo) and UPC Germany Holdings was merged into UPC Germany NewCo.

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) (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 2012 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 share-based compensation. Actual results could differ from those estimates.

The Unitymedia KabelBW Notes, 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). For additional information regarding the Unitymedia KabelBW Notes, see note 8.

Our functional currency is the euro. Unless otherwise indicated, convenience translations into euros are calculated as of September 30, 2013.

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 26, 2013.

(2) Accounting Changes and Recent Pronouncements

First-time Application of Accounting Standards

With the exception of the revised IAS 19, the application of the following accounting standards 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
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
IFRS 7 (amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities	January 1, 2013	December 13, 2012
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	March 27, 2013
IFRS 13	Fair value measurement	January 1, 2013	December 11, 2012

Effective January 1, 2013, we adopted the revised IAS 19 *Employee Benefits*, which requires retrospective application to our 2012 financial statements. The revised IAS 19 requires the recognition of service cost and net interest on the net defined benefit liability in income or loss and the recognition of remeasurements of the net defined benefit liability, in particular actuarial gains and losses, in other comprehensive income or loss. Prior to January 1, 2013, we recognized actuarial gains and losses deferred under the corridor approach in income or loss. As of January 1, 2012 and through September 30, 2012, our condensed consolidated financial statements were not impacted by the adoption of IAS 19. During the fourth quarter of 2012, the adoption resulted in comprehensive loss before tax of €4.6 million (€3.3 million including tax effects) and corresponding adjustments to our pension liabilities (included in noncurrent provisions) and deferred tax liabilities.

New Accounting Standards, Not Yet Effective

The following accounting standards were endorsed by the EU during 2013 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 10 / IFRS 11 / IFRS 12 (amendments)	Transition Guidance	January 1, 2014	April 4, 2013
IAS 36 (amendments)	Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014	Not yet endorsed
IAS 39 (amendments)	Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014	Not yet endorsed

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 one geographical area, the country of Germany. We operate in one segment, within which we provide video, broadband internet, fixed-line telephony and mobile services to residential and/or business customers.

Our revenue by major category is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	in millions			
Subscription revenue (a):				
Video	€ 242.1	€ 237.4	€ 726.8	€ 705.5
Broadband internet	94.6	72.3	265.2	206.9
Telephony	97.5	89.0	292.8	255.6
Total subscription revenue	434.2	398.7	1,284.8	1,168.0
Non-subscription revenue (b)	50.4	55.2	148.4	159.5
Total revenue	€ 484.6	€ 453.9	€ 1,433.2	€ 1,327.5

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(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation, 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, installation, interconnect and mobile services revenue.

(4) Common Control Transfer

In May 2012, in conjunction with a debt exchange where debt previously issued by the Kabel BW Group was exchanged for new debt issued by Unitymedia KabelBW, 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 was 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 LG/KBW Transaction). Prior to December 15, 2011, UPC Germany Holdings, which was merged into UPC Germany NewCo during the third quarter of 2012, 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 (as defined and described in note 8) to UPC Germany, was recorded as a capital transaction during the second quarter of 2012.

(5) Derivative Instruments

We have entered into various derivative instruments to manage interest rate and foreign currency exposure with respect to the United States (U.S.) dollar. Hedge accounting is not applied to our derivative instruments.

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

	September 30, 2013			December 31, 2012		
	Current (a)	Noncurrent (a)	Total	Current (a)	Noncurrent (a)	Total
	in millions					
Assets:						
Cross-currency derivative contracts (b)	€ 2.3	€ 20.9	€ 23.2	€ 2.0	€ 56.9	€ 58.9
Liabilities:						
Cross-currency derivative contracts (b)	€ 0.7	€ 13.7	€ 14.4	€ —	€ 5.7	€ 5.7

(a) 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.

(b) We consider credit risk in our fair value assessments. As of September 30, 2013 and December 31, 2012, (i) the fair values of our cross-currency derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €1.4 million and €4.5 million, respectively, and (ii) the fair values of our cross-currency derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating €3.0 million and €1.7 million, respectively. The adjustments to our derivative assets relate to credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains of €4.1 million and €4.4 million during the three and nine months ended September 30, 2013, respectively, and net gains of €3.6 million and €1.1 million during the three and nine months ended September 30, 2012, 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,	
	2013	2012	2013	2012
	in millions			
Cross-currency derivative contracts	€ (42.3)	€ (14.6)	€ (42.2)	€ 23.0
Interest rate derivative contracts (a)	—	(1.8)	—	(5.6)
Total	€ (42.3)	€ (16.4)	€ (42.2)	€ 17.4

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

The net cash paid or received related to each of 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 classification of these cash inflows (outflows) are as follows:

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	in millions	
Operating activities	€ 2.2	€ (1.4)
Financing activities	—	(13.1)
Total	€ 2.2	€ (14.5)

The terms of our outstanding cross-currency swap contracts at September 30, 2013 are as follows:

Subsidiary/ Final maturity date (a)	Notional amount due from counterparty	Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
	in millions			
Unitymedia Hessen:				
January 2021	$ 1,000.0	€ 688.2	5.50%	5.58%
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, 2013. The reported fair values of our derivative instruments as of September 30, 2013 likely will not represent the value that will be realized upon their ultimate settlement or disposition. In this regard, we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

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, 2013, 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 recurring 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 and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of 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, 2013 or 2012.

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, 2013		December 31, 2012	
	Category (a)	Carrying amount	Fair value	Carrying amount	Fair value
		in millions			
Assets carried at fair value – derivative financial instruments	I	€ 23.2	€ 23.2	€ 58.9	€ 58.9
Assets carried at cost or amortized cost:					
Loan receivables – related-party	II	€ 267.7	(b)	€ 168.7	(b)
Trade receivables and unbilled revenue	II	109.8	€ 109.8	111.2	€ 111.2
Cash and cash equivalents	II	108.0	€ 108.0	20.2	€ 20.2
Other current and noncurrent financial assets	II	8.6	€ 8.6	8.0	€ 8.0
Restricted cash	II	1.6	€ 1.6	1.8	€ 1.8
Total assets carried at cost or amortized cost		€ 495.7		€ 309.9	
Liabilities carried at fair value – derivative financial instruments	I	€ 14.4	€ 14.4	€ 5.7	€ 5.7
Liabilities carried at cost or amortized cost:					
Debt obligations	III	€ 5,593.4	€ 5,861.6	€ 5,196.7	€ 5,707.8
Loans payable – related-party	III	1,182.1	(b)	1,397.8	(b)
Accrued liabilities (including related-party accrued liabilities)	III	217.6	€ 217.6	214.4	€ 214.4
Accounts payable and other liabilities (including related-party accounts payable)	III	81.9	€ 81.9	109.5	€ 109.5
Finance lease obligations	V	5.7	€ 5.7	6.2	€ 6.2
Total liabilities carried at cost or amortized cost		€ 7,080.7		€ 6,924.6	

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

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

Pre-tax amounts recognized in our condensed consolidated statements of operations 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, 2013:				
Derivative assets carried at fair value through our condensed consolidated statement of operations	€ —	€ —	€ (33.5)	€ (33.5)
Assets carried at cost or amortized cost:				
Trade receivables (b)	0.1	—	(2.4)	(2.3)
Loan receivable – related-party	1.3	—	—	1.3
Derivative liabilities carried at fair value through our condensed consolidated statement of operations	—	—	(8.8)	(8.8)
Liabilities carried at cost or amortized cost	—	(128.0)	43.8	(84.2)
	€ 1.4	€ (128.0)	€ (0.9)	€ (127.5)
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)	10.7	(131.2)
	€ 0.2	€ (141.9)	€ (7.4)	€ (149.1)
Nine months ended September 30, 2013:				
Derivative assets carried at fair value through our condensed consolidated statement of operations	€ —	€ —	€ (33.4)	€ (33.4)
Assets carried at cost or amortized cost:				
Trade receivables (b)	0.5	—	(10.4)	(9.9)
Loan receivable – related-party	6.1	—	—	6.1
Derivative liabilities carried at fair value through our condensed consolidated statement of operations	—	—	(8.8)	(8.8)
Liabilities carried at cost or amortized cost	—	(396.4)	(25.5)	(421.9)
	€ 6.6	€ (396.4)	€ (78.1)	€ (467.9)
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)	0.8	—	(6.1)	(5.3)
Loan receivable – related-party	0.4	—	—	0.4
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)

(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 for trade receivables 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, 2013 in the carrying amounts of our property and equipment, net, are as follows:

	Cable distribution systems	Customer premises equipment	Support equipment, buildings and land	Total
	in millions			
Cost:				
January 1, 2013	€ 3,749.2	€ 368.1	€ 185.4	€ 4,302.7
Additions	172.0	99.3	13.6	284.9
Retirements and disposals	(1.9)	(2.5)	(1.6)	(6.0)
Reclassification to intangible assets	—	—	(11.6)	(11.6)
September 30, 2013	€ 3,919.3	€ 464.9	€ 185.8	€ 4,570.0
Accumulated depreciation:				
January 1, 2013	€ 639.0	€ 135.9	€ 47.4	€ 822.3
Depreciation	240.4	55.3	20.3	316.0
Retirements and disposals	(1.9)	(2.5)	(1.6)	(6.0)
September 30, 2013	€ 877.5	€ 188.7	€ 66.1	€ 1,132.3
Property and equipment, net:				
September 30, 2013	€ 3,041.8	€ 276.2	€ 119.7	€ 3,437.7

During the nine months ended September 30, 2013, no borrowing costs were capitalized.

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

Intangible Assets Subject to Amortization, net

Changes during the nine months ended September 30, 2013 in the carrying amounts of our finite-lived intangible assets are as follows:

	Customer relationships	Subscriber acquisition costs	Other (a)	Total
	in millions			
Cost:				
January 1, 2013	€ 1,358.6	€ 72.8	€ 90.1	€ 1,521.5
Additions	—	52.0	27.0	79.0
Retirements and disposals	—	(27.4)	(0.4)	(27.8)
Reclassification from property and equipment	—	—	11.6	11.6
September 30, 2013	€ 1,358.6	€ 97.4	€ 128.3	€ 1,584.3
Accumulated amortization:				
January 1, 2013	€ 349.1	€ 29.1	€ 42.9	€ 421.1
Amortization	121.3	43.8	21.1	186.2
Retirements and disposals	—	(27.4)	(0.4)	(27.8)
September 30, 2013	€ 470.4	€ 45.5	€ 63.6	€ 579.5
Intangible assets subject to amortization, net:				
September 30, 2013	€ 888.2	€ 51.9	€ 64.7	€ 1,004.8

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

(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, 2013					Estimated fair value (a)				Carrying value (b)			
	Interest rate (c)		Borrowing currency		Euro equivalent		September 30, 2013		December 31, 2012		September 30, 2013		December 31, 2012
							in millions						
Third-party debt:													
Parent:													
2009 UM Senior Notes (d)	9.625%	€	665.0	€	665.0	€	738.2	€	749.0	€	653.7	€	652.7
UM Senior Exchange Notes (d)	9.500%	€	618.0		618.0		705.6		718.8		616.4		616.3
Subsidiaries:													
2009 UM Euro Senior Secured Notes (d)	8.125%	€	446.0		446.0		470.3		981.3		440.2		892.5
UM Euro Senior Secured Exchange Notes (d)	7.500%	€	735.1		735.1		798.0		810.9		740.5		741.1
UM Dollar Senior Secured Exchange Notes (d)	7.500%	$	459.3		339.4		368.1		383.5		344.8		354.0
September 2012 UM Senior Secured Notes (d)	5.500%	€	650.0		650.0		643.5		668.7		650.0		650.0
December 2012 UM Dollar Senior Secured Notes (d)	5.500%	$	1,000.0		739.0		702.6		785.7		739.0		757.8
December 2012 UM Euro Senior Secured Notes (d)	5.750%	€	500.0		500.0		500.9		521.9		500.0		500.0
January 2013 UM Senior Secured Notes (d)	5.125%	€	500.0		500.0		481.6		—		500.0		—
April 2013 UM Senior Secured Notes (d)	5.625%	€	350.0		350.0		344.8		—		350.0		—
New Unitymedia KabelBW Revolving Credit Facility (e)	3.377%	€	337.5		337.5		—		—		—		—
Unitymedia KabelBW Revolving Credit Facility (e)	2.627%	€	80.0		80.0		—		—		—		—
Vendor Financing (f)	3.570%	€	23.2		23.2		23.2		19.8		23.2		19.8
Total third-party debt before transaction costs and accrued interest	7.022%				5,983.2	€	5,776.8	€	5,639.6		5,557.8		5,184.2
Transaction costs											(49.2)		(55.7)
Accrued interest – third-party											84.8		68.2
Total third-party debt											5,593.4		5,196.7
Related-party debt (note 10):													
2010 Shareholder Loan (g)	8.125%	€	115.2		115.2		(g)		(g)		115.2		70.4
2012 Shareholder Loan (h)	9.625%	€	961.4		961.4		(h)		(h)		961.4		1,230.0
2013 Shareholder Capex Loan (i)	7.500%	€	11.8		11.8		(i)		(i)		11.8		—
UMI Loan Payable (j)	10.000%	€	—		—		(j)		(j)		—		11.4
Total related-party debt before accrued interest	9.433%				1,088.4						1,088.4		1,311.8
Accrued interest – related-party											93.7		86.0
Total related-party debt											1,182.1		1,397.8
Total debt	7.418%			€	7,071.6						6,775.5		6,594.5
Finance lease obligations											5.7		6.2
Total debt and finance lease obligations											6,781.2		6,600.7
Current portion											(108.5)		(89.7)
Noncurrent portion										€	6,672.7	€	6,511.0

(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). 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, 2013 and does not include the impact of our 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 7.2% at September 30, 2013. For information concerning our derivative instruments, see note 5.

(d) We collectively refer to the 2009 UM Senior Notes, the UM Senior Exchange Notes, the 2009 UM Euro Senior Secured Notes, the UM Euro Senior Secured Exchange Notes, the UM Dollar Senior Secured Exchange Notes, the September 2012 UM Senior Secured Notes, the December 2012 UM Dollar Senior Secured Notes, the December 2012 UM Euro Senior Secured Notes, the January 2013 UM Senior Secured Notes and the April 2013 UM Senior Secured Notes as the "Unitymedia KabelBW Notes."

(e) Unused borrowing capacity represents the maximum availability under the applicable facility at September 30, 2013 without regard to covenant compliance calculations. At September 30, 2013, our availability under the Unitymedia KabelBW Revolving Credit Facilities was limited to €80.0 million. When the September 30, 2013 compliance reporting requirements have been completed and assuming no changes from September 30, 2013 borrowing levels, we anticipate that the full €417.5 million borrowing capacity of the Unitymedia KabelBW Revolving Credit Facilities will be available to be borrowed. We collectively refer to the New Unitymedia KabelBW Revolving Credit Facility and the Unitymedia KabelBW Revolving Credit Facility as the "Unitymedia KabelBW Revolving Credit Facilities."

(f) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are generally due within one year. Repayments of vendor financing obligations are included in repayments of third-party debt and finance lease obligations in our condensed consolidated statements of cash flows.

(g) Represents a loan payable to our shareholder, UPC Germany, that originated on December 1, 2010 (the 2010 Shareholder Loan). The 2010 Shareholder Loan bears interest at 8.125% per annum and accrued interest is transferred to the loan balance annually on January 1. All principal and interest on this loan (collectively €121.3 million at September 30, 2013) is due and payable on the maturity date of January 1, 2030. The net increase in the principal amount during the nine months ended September 30, 2013 includes (i) a non-cash increase of €39.5 million related to the settlement of related-party payables and (ii) the transfer of €5.3 million in non-cash accrued interest to the loan balance. The fair value of this loan is not subject to reasonable estimation due to the related-party nature of the loan.

(h) Represents a 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 2012 Shareholder Loan). All principal and accrued interest (collectively €1,048.3 million at September 30, 2013) 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 is 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 net decrease in the principal amount during the nine months ended September 30, 2013 includes (i) cash payments of €348.3 million and (ii) the transfer of €79.7 million in non-cash accrued interest to the loan balance. The fair value of this loan is not subject to reasonable estimation due to the related-party nature of the loan.

(i) Represents a loan payable to our shareholder, UPC Germany, issued in September 2013 (the 2013 Shareholder Capex Loan). All principal and accrued interest (€12.5 million at September 30, 2013) outstanding under this loan is due and payable on January 1, 2030. The interest rate (7.500% as of September 30, 2013) is subject to adjustment on a quarterly basis. Interest is either (i) payable on the last day of each month or (ii) may be added to the outstanding principal amount. 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 a loan payable to Unitymedia International GmbH (UMI), an entity that is consolidated by UPC Holding B.V. (UPC Holding), as further described in note 10. UPC Holding is a subsidiary of Liberty Global that is outside of Unitymedia KabelBW. All principal (nil at September 30, 2013) outstanding under this loan (the UMI Loan) is due and payable on December 31, 2025. The principal amount outstanding under the UMI Loan bears interest at an agreed upon rate that is subject to adjustment (10.000% per annum at September 30, 2013). Accrued interest (nil at September 30, 2013) 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 net decrease in the principal amount during the nine months ended September 30, 2013 includes (i) cash payments of €43.7 million, (ii) cash borrowings of €34.2 million, (iii) a decrease of €3.0 million related to the non-cash settlement of a distribution from UMI and (iv) the transfer of €1.1 million in non-cash accrued interest to the loan balance. The fair value of this loan is not subject to reasonable estimation due to the related-party nature of the loan.

Unitymedia KabelBW Notes

On April 16, 2013, Unitymedia Hessen and Unitymedia NRW GmbH (Unitymedia NRW) (together, the UM Senior Secured Notes Issuers) issued €350.0 million principal amount of 5.625% senior secured notes due April 15, 2023 (the April 2013 UM Senior Secured Notes).

The April 2013 UM Senior Secured Notes are (i) senior obligations of the UM Senior Secured Notes Issuers that rank equally with all of the existing and future senior debt of each UM Senior Secured Notes Issuer and are senior to all existing and future subordinated debt of each of the UM Senior Secured Notes Issuers and (ii) secured by a first-ranking pledge over the shares of Unitymedia KabelBW and the UM Senior Secured Notes Issuers and certain other share and/or asset security of Unitymedia KabelBW and certain of its subsidiaries.

The April 2013 UM Senior Secured Notes contain certain customary incurrence-based covenants. For example, the ability to raise certain additional debt and make certain distributions or loans to other subsidiaries of Liberty Global is subject to a Consolidated Leverage Ratio test, as defined in the indenture.

Subject to the circumstances described below, the April 2013 UM Senior Secured Notes are non-callable until April 15, 2018. At any time prior to April 15, 2018 the UM Senior Secured Notes Issuers may redeem some or all of the April 2013 UM Senior Secured Notes 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 indenture) as of the redemption date plus 50 basis points.

The UM Senior Secured Notes Issuers may redeem some or all of the April 2013 UM 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 indenture), if any, to the redemption date, if redeemed during the twelve-month period commencing on April 15 of the years set forth below:

Year	Redemption price
2018	102.813%
2019	101.875%
2020	100.938%
2021 and thereafter	100.000%

In addition, at any time prior to April 15, 2016, the UM Senior Secured Notes Issuers may redeem up to 40% of the April 2013 UM Senior Secured Notes (at redemption prices of 105.625%) with the net proceeds from one or more specified equity offerings.

The UM Senior Secured Notes Issuers may redeem all of the April 2013 UM Senior Secured Notes at prices equal to their respective principal amounts, plus accrued and unpaid interest, upon the occurrence of certain changes in tax law. If the UM Senior Secured Notes Issuers or certain of Unitymedia KabelBW’s subsidiaries sell certain assets or experience specific changes in control, the UM Senior Secured Notes Issuers must offer to repurchase the April 2013 UM Senior Secured Notes at a redemption price of 101%.

Maturities of Debt

The euro equivalents of the maturities of our debt as of September 30, 2013 are presented below:

	Third-party debt	Related-party debt	Total
		in millions	
Year ending December 31:			
2013 (remainder of year)	€ 3.5	€ —	€ 3.5
2014	19.7	—	19.7
2015	—	—	—
2016	—	—	—
2017	446.0	—	446.0
2018	—	—	—
Thereafter	5,096.5	1,088.4	6,184.9
Total maturities	5,565.7	1,088.4	6,654.1
Unamortized discount, net of premium	(7.9)	—	(7.9)
Total debt before transaction costs and accrued interest	5,557.8	1,088.4	6,646.2
Accrued interest, transaction costs and finance lease obligations, net	41.3	93.7	135.0
Total debt and finance lease obligations	€ 5,599.1	€ 1,182.1	€ 6,781.2

Subsequent Events

For information concerning a financing transaction completed subsequent to September 30, 2013, see note 12.

(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 32.37% for the 2013 period and 31.88% for the 2012 period as a result of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	in millions			
Computed expected income tax benefit	€ 8.4	€ 18.7	€ 55.4	€ 38.6
Loss of tax attributes due to a deemed change in control (a)	(0.4)	—	(64.9)	—
Non-deductible or non-taxable interest and other items (b)	(9.9)	(8.5)	(31.7)	(19.6)
Recognized (unrecognized) net operating losses and interest carryforwards, net (c)	0.4	(2.5)	(8.6)	8.6
Other, net	(0.5)	0.4	(1.2)	0.2
Total	€ (2.0)	€ 8.1	€ (51.0)	€ 27.8

(a) The loss of tax attributes was recognized in connection with a transaction that was completed by our ultimate parent entity during the second quarter of 2013.

(b) The amount for the nine months ended September 30, 2013 includes a net deferred tax expense of €1.3 million related to prior year non-deductible expenses. 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.

(c) 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) Related-Party Transactions

Our related-party transactions consist of the following:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	in millions			
OpEx	€ 2.3	€ 3.9	€ 8.6	€ 7.7
SG&A	0.8	—	2.0	—
Allocated share-based compensation expense	0.6	0.4	1.3	0.9
Fees and allocations	17.8	15.1	54.2	42.7
Included in EBIT	21.5	19.4	66.1	51.3
Interest expense	26.8	36.8	94.2	64.2
Interest income	(1.3)	—	(6.1)	(0.4)
Share of associate gain	(0.5)	(1.1)	(1.7)	(2.6)
Included in net loss	€ 46.5	€ 55.1	€ 152.5	€ 112.5
Property, equipment and intangible asset additions	€ 45.1	€ 11.5	€ 62.7	€ 15.8

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.

SG&A. These amounts represent certain cash settled charges from other Liberty Global subsidiaries, including charges that originate with UPC Holding, to our company, primarily for software maintenance costs.

Allocated share-based compensation expense. These amounts are allocated to our company by Liberty Global and represent the share-based compensation associated with the Liberty Global share-based incentive awards held by certain employees of our subsidiaries. Awards consist of (i) share appreciation rights, (ii) restricted shares and restricted share units and (iii) performance-based restricted share units (PSUs). PSUs represent the right to receive one Liberty Global Class A ordinary share or Liberty Global Class C ordinary share, as applicable, subject to performance and vesting as determined by the compensation committee of Liberty Global's board of directors. Share-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 other Liberty Global subsidiaries and include charges for management, finance, legal, technology, marketing and other services that support our company's broadband communications operations. The amounts charged generally are based on our company's estimated share of the applicable costs (including personnel-related and other costs associated with the services provided) incurred by the other Liberty Global subsidiaries, plus a mark-up. The monthly amounts charged are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified. Charges that originate with UPC Holding may be cash or loan settled. With respect to the amounts settled during the three and nine months ended September 30, 2013 and 2012, all amounts were loan settled with the exception of (i) €7.6 million and €18.8 million that was cash settled during the 2013 periods, respectively, and (ii) €6.4 million and €19.6 million that was cash settled during the 2012 periods, respectively.

In addition, in December 2012, Liberty Global Services B.V., a subsidiary of UPC Holding, entered into a sub-license agreement with UPC Germany and UPC Germany, in turn, entered into a sub-license agreement with our company for the use of the UPC trademark through April 2, 2017. The sub-license agreement between UPC Germany and our company was effective April 2, 2012 (the date of initial commercial use by Unitymedia KabelBW) and provides for an annual fee for the use of the UPC trademark equal to 0.5% of our revenue (as defined in the sub-license agreement). A fee of €7.3 million was recorded during the nine months ended September 30, 2013. Sub-license fees are payable quarterly and are loan settled unless otherwise determined by UPC Germany.

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 expense. Related-party interest expense relates to (i) our 2010 Shareholder Loan and 2012 Shareholder Loan to UPC Germany and (ii) our loan with UMI. Accrued interest is transferred to the respective loan balance annually on January 1 for the 2010 Shareholder Loan and the 2012 Shareholder Loan. 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.

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

Share of associate gain. These amounts relate to gains from our investment in UMI, as discussed below. Share of associate gain is included in other income (expense), net, in our condensed consolidated statements of operations.

Property, equipment and intangible asset additions. These amounts primarily represent customer premises and network-related equipment acquired from other Liberty Global subsidiaries, including Liberty Global Europe B.V. and UPC Holding and are generally cash settled.

The following table provides details of our related-party balances:

	September 30, 2013	December 31, 2012
	in millions	
Loan receivable – related-party (a)	€ 255.7	€ 168.7
Investment in associate (b)	63.1	64.3
Other noncurrent assets (c)	12.0	—
Total	€ 330.8	€ 233.0
Accounts payable and accrued liabilities (d)	€ 69.0	€ 44.4
Related-party debt (e)	1,182.1	1,397.8
Total	€ 1,251.1	€ 1,442.2

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(a) Represents our loan receivable from UPC Germany (the 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 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 our indebtedness. The interest rate on this loan, which is subject to adjustment, was 2.22% as of September 30, 2013. The net increase in the UPC Germany Loan Receivable during the nine months ended September 30, 2013 includes (i) cash loaned of €1,179.0 million, (ii) cash received of €1,098.1 million and (iii) accrued interest of €6.1 million.

(b) Represents our investment in UMI. We own a 100% equity interest 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, all of the revenue of UMI is derived from 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 additional information regarding a loan from UMI to our company, see note 8.

(c) Includes our loan receivable from UMI that matures on February 28, 2016 and was issued in August 2013 (the UMI Loan Receivable). Amounts loaned to UMI pursuant to this agreement are subject to certain restrictions contained in the instruments governing our indebtedness. The interest rate on this loan, which is subject to adjustment, was 2.47% as of September 30, 2013. The net increase in the UMI Loan Receivable during the nine months ended September 30, 2013 includes (i) cash loaned of €17.3 million and (ii) cash repayments of €5.3 million.

(d) Represents various non-interest bearing related-party payables that may be cash or loan settled.

(e) For information regarding our (i) 2010 Shareholder Loan, (ii) 2012 Shareholder Loan, (iii) 2013 Shareholder Capex Loan and (iv) UMI Loan, see note 8.

(11) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to non-cancelable operating leases, programming contracts, purchases of customer premises equipment and other items. These include several long-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 additional services requested and increased costs, subject to index-linked limitations. Some agreements impose prices based on the cost to Deutsche Telekom of services that are passed through to us. In accordance with EU-IFRS, we treat these agreements as operating rather than finance leases or as other commitments, as applicable. We expect that in the ordinary course of business, operating leases that expire generally will be renewed or replaced by similar leases.

Guarantees and Other Credit Enhancements

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

Legal Proceedings

Deutsche Telekom Litigation. On December 28, 2012, we filed a lawsuit against Telekom Deutschland GmbH, an operating subsidiary of Deutsche Telekom, in which we assert that we pay excessive prices for the co-use of Deutsche Telekom's cable ducts in our footprint. The Federal Network Agency approved rates for the co-use of certain ducts of Telekom Deutschland GmbH in March 2011. Based in part on these approved rates, we are seeking a reduction of the annual lease fees (approximately €76 million for 2012) by approximately two-thirds and the return of similarly calculated overpayments from 2009 through the ultimate settlement date, plus accrued interest. The resolution of this matter may take several years and no assurance can be given that our claims will be successful. Any recovery by our company will not be reflected in our consolidated financial statements until such time as the final disposition of this matter has been reached.

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.

FCO Regulatory Issues. The LG/KBW Transaction was subject to the approval of the Federal Cartel Office (FCO) in Germany, which approval was received in December 2011. 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 LG/KBW Transaction. On August 14, 2013, the Düsseldorf Court of Appeal issued a ruling that set aside the FCO's clearance decision. Although the Düsseldorf Court of Appeal did not grant the right to appeal against its ruling to the Federal Supreme Court, on September 16, 2013, we filed a formal request to appeal to the Federal Court of Justice seeking permission to appeal the Düsseldorf Court of Appeal's decision. The Düsseldorf Court of Appeal's ruling is not legally binding until all appeals have been rejected. If we are not granted the right to appeal, or if any appeal is unsuccessful and the Düsseldorf Court of Appeal's ruling to overturn the FCO clearance becomes final and binding, the LG/KBW Transaction would be remitted to the FCO for a new phase II review. The FCO would have the power to clear the deal subject to additional remedies or, although we do not expect either to be the outcome, to refuse clearance of the transaction or clear the transaction unconditionally. We will continue to pursue any available opportunity to appeal the Düsseldorf Court of Appeal's ruling. We do not expect that the continued proceedings relating to these appeals will have any impact on the integration and development of our operations in Germany or the day-to-day running of our business. We cannot predict the final outcome of this appeal process, however, any new decision by the FCO with respect to the acquisition of LG/KBW Transaction as a result of the Düsseldorf Court of Appeal's ruling, including any decision that increases the existing conditions we are subject to in connection with the FCO's initial approval of the LG/KBW Transaction or imposes additional conditions, could have a material adverse impact on the financial condition and results of operations of our company.

FCO Communication. 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 the LG/KBW Transaction 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 the LG/KBW Transaction.

Other

In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving value added tax and wage, property and other tax issues and (iii) disputes over interconnection, programming, copyright and carriage fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations or cash flows in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

(12) Subsequent Event

Unitymedia KabelBW Notes

On November 21, 2013, the UM Senior Secured Notes Issuers issued €475.0 million principal amount of 6.25% senior secured notes due January 15, 2029 (the November 2013 UM Senior Secured Notes). The net proceeds from the issuance of the November 2013 UM Senior Secured Notes will be used to redeem all of the outstanding 8.125% euro-denominated senior secured notes due 2017 (the 2009 UM Euro Senior Secured Notes), including the related redemption premiums and, to a lesser extent, for general corporate purposes.

The November 2013 UM Senior Secured Notes are (i) senior obligations of the UM Senior Secured Notes Issuers that rank equally with all of the existing and future senior debt of each UM Senior Secured Notes Issuer and are senior to all existing and future subordinated debt of each of the UM Senior Secured Notes Issuers and (ii) secured by a first-ranking pledge over the shares of Unitymedia KabelBW and the UM Senior Secured Notes Issuers and certain other share and/or asset security of Unitymedia KabelBW and certain of its subsidiaries.

The November 2013 UM Senior Secured Notes contain certain customary incurrence-based covenants. For example, the ability to raise certain additional debt and make certain distributions or loans to other subsidiaries of Liberty Global is subject to a Consolidated Net Leverage Ratio test, as defined in the indenture.

Subject to the circumstances described below, the November 2013 UM Senior Secured Notes are non-callable until January 15, 2021. At any time prior to January 15, 2021 the UM Senior Secured Notes Issuers may redeem some or all of the November 2013 UM Senior Secured Notes 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 indenture) as of the redemption date plus 50 basis points.

The UM Senior Secured Notes Issuers may redeem some or all of the November 2013 UM 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 indenture), if any, to the redemption date, if redeemed during the twelve-month period commencing on January 15 of the years set forth below:

Year	Redemption price
2021	103.125%
2022	102.083%
2023	101.042%
2024 and thereafter	100.000%

In addition, at any time prior to January 15, 2017, the UM Senior Secured Notes Issuers may redeem up to 40% of the November 2013 UM Senior Secured Notes (at redemption prices of 106.250%) with the net proceeds from one or more specified equity offerings.

The UM Senior Secured Notes Issuers may redeem all of the November 2013 UM Senior Secured Notes at prices equal to their respective principal amounts, plus accrued and unpaid interest, upon the occurrence of certain changes in tax law. If the UM Senior Secured Notes Issuers or certain of Unitymedia KabelBW's subsidiaries sell certain assets or experience specific changes in control, the UM Senior Secured Notes Issuers must offer to repurchase the November 2013 UM Senior Secured Notes at a redemption price of 101%.

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 2012 annual report, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Forward-Looking Statements.* This section provides a description of certain of the factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business, our product offerings and recent events.
- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three and nine months ended September 30, 2013 and 2012.
- *Material Changes in Financial Condition.* This section provides an analysis of our liquidity and condensed consolidated statements of cash flows.

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 our business, product and finance strategies, our property, equipment and intangible asset additions, liquidity, subscriber growth and retention rates and competitive and economic factors. 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 2012 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, fixed-line 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 LG/KBW Transaction;
- our ability to maintain our revenue from channel carriage arrangements;
- our ability to maintain or increase the number of subscriptions to our digital video, broadband internet, fixed-line 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 present and any future conditions imposed in connection with the LG/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;
- 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 a subsidiary of Liberty Global and we provide digital and analog cable television, broadband internet and fixed-line telephony services over our broadband communications network and mobile services as a mobile virtual network operator (MVNO). We are the second largest cable operator in Germany and largest cable operator in the German federal states of North Rhine-Westphalia and Hesse (collectively, the Unitymedia footprint) and Baden-Württemberg (the KabelBW footprint) in terms of the number of video subscribers.

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, fixed-line 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, high definition (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 that allows our customers to access digital cable, broadband internet, telephony and mobile services in addition to our analog video services as follows:

- *Video Services.* As of September 30, 2013, we provided our basic digital and analog cable services to 52.5% of the homes passed by our network. Our basic digital television channels are unencrypted in our KabelBW footprint and, effective January 1, 2013, are unencrypted in our Unitymedia footprint as well. 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, 2013, 21.0% 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).

- *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, 2013, our ultra high-speed broadband internet services were available to 97% of our homes passed.

- *Fixed-Line Telephony Services.* We market our fixed-line telephony services principally as a component of our product bundles but also on a standalone basis.

- *Mobile Services.* As an MVNO, we offer mobile voice and data services to our customers as a component of our product bundles or on a standalone basis.

In September 2013, we introduced a next generation set-top box platform, which we refer to as "Horizon TV", in our Unitymedia footprint. Horizon TV is a family of media products that allows customers to view and share content across the television, computer, tablet and smartphone. Horizon TV is powered by a user interface that provides customers a seamless intuitive way to access linear, time-shifted, on-demand and web-based content on the television. It also features an advanced set-top box that delivers not only video, but also internet and voice connections along with a wireless network for the home. For our Horizon TV customers, we also offer applications for various services.

As of September 30, 2013, we served 6,627,800 video revenue generating units (RGUs) (including 2,214,300 digital cable RGUs), 2,490,700 broadband internet RGUs and 2,444,500 fixed-line telephony RGUs over a broadband communications network that passed 12,620,900 homes. We also offer mobile services using third-party networks, but do not currently include subscriptions to mobile services in our reported RGU statistics.

We added 124,300 and 422,300 RGUs on an organic basis during the three and nine months ended September 30, 2013, respectively, as compared to 157,200 and 565,600 RGUs that we added on an organic basis during the three and nine months ended September 30, 2012, respectively. The organic RGU growth during the three and nine months ended September 30, 2013 is attributable to the growth of our (i) broadband internet services, which added 86,900 and 271,500 RGUs, respectively, (ii) fixed-line telephony services, which added 59,100 and 212,500 RGUs, respectively, and (iii) digital cable services, which added 9,300 and 11,000 RGUs, respectively. The growth of our broadband internet, fixed-line telephony and digital cable RGUs was partially offset by declines in our analog cable RGUs of 31,000 and 72,700, 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 and (ii) the scheduled expiration of contracts for certain of our residential subscribers and housing associations, our analog cable RGU losses during the remainder of 2013 and over the next few years have the potential to be higher than current levels. For additional information, see the below discussion under *Material Changes in Results of Operations – Revenue*.

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 AG 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 macroeconomic and political risks that are outside of our control. For example, high levels of sovereign debt in the U.S. and certain European countries, combined with weak growth and high unemployment, could lead to fiscal reforms (including austerity measures), sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our company. With regard to currency instability issues, concerns exist in the eurozone with respect to individual macro-fundamentals on a country-by-country basis, as well as with respect to the overall stability of the European monetary union and the suitability of a single currency to appropriately deal with specific fiscal management and sovereign debt issues in individual eurozone countries. The realization of these concerns could lead to the exit of one or more countries from the European monetary union and the re-introduction of individual currencies in these countries, or, in more extreme circumstances, the possible dissolution of the European monetary union entirely, which could result in the redenomination of a portion, or in the extreme case, all of our euro-denominated assets, liabilities and cash flows to the new currency of the country in which they originated. 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, loan receivable, derivative instruments, cash balances and cash flows, a redenomination event could have a material adverse impact on our company.

Eleven countries in the EU, including Germany, are participating in an enhanced cooperation procedure to introduce a financial transactions tax (FTT). Under the draft language of the FTT proposal, a wide range of financial transactions could be taxed at rates of at least 0.01% for derivative transactions based on the notional amount and 0.1% for other covered financial transactions based on the underlying transaction price. Each of the individual countries would be permitted to determine an exact rate, which could be higher than the proposed rates of 0.01% and 0.1%. Any implementation of the FTT could have a global impact because it would apply to all financial transactions where a financial institution is involved (including unregulated entities that engage in certain types of covered activity) and either of the parties (whether the financial institution or its counterparty) is in one of the eleven participating countries. Under the current proposal, the FTT could become effective as early as mid-2014, but there is significant uncertainty as to whether the FTT will be implemented and, if implemented, the timing and breadth of application. Any imposition of the FTT could increase banking fees and introduce taxes on internal transactions currently being performed by Unitymedia KabelBW. Due to the uncertainty regarding the FTT, we are currently unable to estimate the financial impact that the FTT could have on our consolidated financial position or results of operations or cash flows.

The video, broadband internet and fixed-line telephony businesses in which we operate are capital intensive. Significant additions to our property, equipment and intangible assets are required to add customers to our networks and to upgrade our broadband communications networks and customer premises equipment to enhance our service offerings and improve the customer experience, including expenditures for equipment and labor costs. Significant competition, the introduction of new technologies, the expansion of existing technologies such as fiber-to-the-home or adverse regulatory developments could cause us to decide to undertake previously unplanned upgrades of our networks and customer premises equipment. In addition, no assurance can be given that any future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned additions to our property, equipment and intangible assets, our growth could be limited and our competitive position could be harmed. For information regarding our property and equipment additions, see *Material Changes in Financial Condition – Condensed Consolidated Statements of Cash Flows* below.

During 2012, certain public broadcasters sent us notices purporting to terminate their carriage fee arrangements effective December 31, 2012. In addition, we made certain commitments to address the competition concerns of the FCO in Germany with respect to the LG/KBW Transaction. For additional information, see the below discussion under *Material Changes in Results of Operations – Revenue*.

During the third quarter of 2013, the Düsseldorf Court of Appeal decided to overturn the FCO's decision to clear the LG/KBW Transaction. For additional information, see note 11 to our condensed consolidated financial statements.

Material Changes in Results of Operations

This section provides an analysis of our results of operations for the three and nine months ended September 30, 2013 and 2012.

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 as follows:

	Three months ended September 30,		Increase (decrease)	
	2013	2012	€	%
		in millions		
Subscription revenue:				
Video	€ 242.1	€ 237.4	€ 4.7	2.0
Broadband internet	94.6	72.3	22.3	30.8
Telephony	97.5	89.0	8.5	9.6
Total subscription revenue	434.2	398.7	35.5	8.9
Non-subscription revenue (a)	50.4	55.2	(4.8)	(8.7)
Total	€ 484.6	€ 453.9	€ 30.7	6.8

	Nine months ended September 30, 2013	2012	Increase (decrease) €	%
		in millions		
Subscription revenue:				
Video	€ 726.8	€ 705.5	€ 21.3	3.0
Broadband internet	265.2	206.9	58.3	28.2
Telephony	292.8	255.6	37.2	14.6
Total subscription revenue	1,284.8	1,168.0	116.8	10.0
Non-subscription revenue (a)	148.4	159.5	(11.1)	(7.0)
Total	€ 1,433.2	€ 1,327.5	€ 105.7	8.0

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

The details of our revenue increases during the three and nine months ended September 30, 2013, as compared to the corresponding periods in 2012, are as follows:

	Three-month period	Nine-month period
	in millions	
Increase in subscription revenue due to change in (a):		
Average number of RGUs (b)	€ 23.4	€ 75.9
Average monthly subscription revenue per average RGU (ARPU) (c)	12.1	40.9
Decrease in non-subscription revenue (d)	(4.8)	(11.1)
Total	€ 30.7	€ 105.7

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(a) Our subscription revenue includes revenue from multi-year bulk agreements with landlords or 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 subscribers. Our bulk agreements are, to a significant extent, medium- and long-term contracts, although bulk agreements related to approximately 21% of the video subscribers that we serve through these agreements expire by the end of 2014. During the three months ended September 30, 2013, 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 made to the FCO in connection with the LG/KBW Transaction. In this regard, we have, among other items, agreed to grant a special termination right with respect to certain of our existing access agreements (the Remedy HA Agreements). The total number of dwelling units covered by the Remedy HA Agreements was approximately 340,000 as of December 15, 2011. At September 30, 2013, approximately 14% of the dwelling units covered by the Remedy HA Agreements remain subject to special termination rights and another 9% are the subject of contract termination notices that have been received by our company. These dwelling units (which include agreements that are not among the 20 largest bulk agreements) accounted for less than 1% of our total revenue during the three months ended September 30, 2013. During the third quarter of 2013, the Düsseldorf Court of Appeal decided to overturn the FCO's decision to clear the LG/KBW Transaction. For additional information, see note 11 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 numbers of analog cable RGUs. The declines in our average numbers of analog cable RGUs led to declines in the average numbers of total video RGUs during the three and nine months ended September 30, 2013, as compared to the corresponding periods in 2012.

(c) The increases in our subscription revenue related to changes in ARPU are due to (i) net increases resulting primarily from the following factors: (a) higher ARPU from digital cable services, (b) higher ARPU from broadband internet services, (c) lower ARPU from telephony services due to the net impact of (1) decreases in ARPU associated with lower telephony call volumes for customers on usage-based calling plans and (2) increases in ARPU associated with the migration of customers to fixed-rate plans and related value-added services, (d) higher ARPU due to lower negative impacts from free bundled services provided to new subscribers during promotional periods and (e) higher ARPU from analog cable services during the nine-month period, as price increases more than offset lower ARPU due to higher proportions of subscribers receiving discounted analog cable services through bulk agreements and (ii) improvements in RGU mix attributable to higher proportions of telephony and broadband internet RGUs.

(d) The decreases in our non-subscription revenue are primarily attributable to the net effect of (i) decreases in carriage fee revenue, (ii) increases in installation revenue, due to higher numbers of installations and increases in the average installation fee and (iii) increases in mobile services revenue. The carriage fee revenue is subject to contracts that expire or are otherwise terminable by either party on various dates ranging from 2013 through 2018. The aggregate amount of revenue related to these carriage contracts represented approximately 5% of our total revenue during the three months ended September 30, 2013. In 2012, public broadcasters sent us notices purporting to terminate their carriage fee arrangements effective December 31, 2012. While we are seeking to negotiate with the public broadcasters to reach acceptable agreements, we have rejected the termination notices and filed lawsuits for payment of carriage fees against the public broadcasters. Until such time as we resolve these disputes or obtain favorable outcomes in our lawsuits, we don’t believe we meet the criteria to recognize the impacted revenue for 2013 and future periods. The aggregate amount of revenue related to these public broadcasters was €6.0 million or 1% of our total revenue during the three months ended September 30, 2012. In addition, some private broadcasters are seeking to change the distribution model to eliminate the payment of carriage fees and instead require that cable operators pay license fees to the broadcasters. In this regard, we are currently in negotiations with certain of the larger private broadcasters and we expect to reach agreements that are acceptable to all parties, although no assurance can be given that any of our agreements with broadcasters will be renewed or extended on financially equivalent terms, or at all. Also, 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 LG/KBW Transaction.

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 the number of our digital video subscribers, (ii) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, and (iii) price increases. 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 costs are as follows:

	Three months ended September 30,		Increase (decrease)	
	2013	2012	€	%
	in millions			
Direct costs (programming and copyright, interconnect, and other)	€ 46.5	€ 40.4	€ 6.1	15.1
Staff-related costs (excluding restructuring charges)	18.1	20.5	(2.4)	(11.7)
Network operating costs	37.2	37.8	(0.6)	(1.6)
Other indirect costs	30.1	21.4	8.7	40.7
Total	€ 131.9	€ 120.1	€ 11.8	9.8

	Nine months ended September 30,		Increase (decrease)	
	2013	2012	€	%
	in millions			
Direct costs (programming and copyright, interconnect and other)	€ 142.8	€ 127.7	€ 15.1	11.8
Staff-related costs (excluding restructuring charges)	62.6	63.9	(1.3)	(2.0)
Network operating costs	108.8	114.4	(5.6)	(4.9)
Other indirect costs	90.0	63.8	26.2	41.1
Total	€ 404.2	€ 369.8	€ 34.4	9.3

Our total OpEx increased €11.8 million or 9.8% and €34.4 million or 9.3% during the three and nine months ended September 30, 2013, respectively, as compared to the corresponding periods in 2012. These increases include the following factors:

- Increases in other indirect costs of €8.7 million or 40.7% and €26.2 million or 41.1%, respectively, primarily due to (i) increases in outsourced labor and professional fees, primarily attributable to (a) increased call center costs, (b) increased outsourced labor costs associated with customer-facing activities and (c) higher consulting costs related to a customer retention project and (ii) increases in bad debt and collection expenses;

- Increases in direct costs of €6.1 million or 15.1% and €15.1 million or 11.8%, respectively, primarily due to the net effect of (i) increases in programming and copyright costs, primarily due to (a) growth in digital cable services and (b) an increase of €3.3 million due to the impact of accrual releases during the third quarter of 2012 relating to the settlement or reassessment of operational contingencies and (ii) decreases in interconnect costs, primarily due to lower rates;

- Decreases in network operating costs of €0.6 million or 1.6% and €5.6 million or 4.9%, respectively. The decrease during the nine-month period is largely due to the net effect of (i) a decrease associated with the reassessment of certain accruals related to the refurbishment of customer premises equipment during the second quarter of 2013, (ii) an increase associated with higher network and customer premises equipment maintenance costs and (iii) other individually insignificant net decreases; and

- Decreases in staff-related costs of €2.4 million or 11.7% and €1.3 million or 2.0% primarily due to the net effect of (i) decreased staffing levels and (ii) annual wage increases.

SG&A

General. SG&A includes human resources, information technology, general services, management, finance, legal and marketing costs, share-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 as follows:

	Three months ended September 30,		Increase (decrease)	
	2013	2012	€	%
	in millions			
Staff-related costs (excluding restructuring charges)	€ 16.0	€ 16.7	€ (0.7)	(4.2)
Sales and marketing costs	24.5	25.9	(1.4)	(5.4)
Other indirect costs	17.1	19.5	(2.4)	(12.3)
Total	€ 57.6	€ 62.1	€ (4.5)	(7.2)

	Nine months ended September 30,		Increase	
	2013	2012	€	%
	in millions			
Staff-related costs (excluding restructuring charges)	€ 52.5	€ 48.8	€ 3.7	7.6
Sales and marketing costs	74.2	74.6	(0.4)	(0.5)
Other indirect costs	52.4	52.2	0.2	0.4
Total	€ 179.1	€ 175.6	€ 3.5	2.0

Our total SG&A increased (decreased) (€4.5 million) or (7.2%) and €3.5 million or 2.0% during the three and nine months ended September 30, 2013, respectively, as compared to the corresponding periods in 2012. These increases (decreases) include the following factors:

- An increase in staff-related costs of €3.7 million or 7.6% during the nine-month period, primarily due to (i) increased staffing levels and (ii) annual wage increases. During the three-month period, staff-related costs remained relatively unchanged; and

- Increases (decreases) in other indirect costs of (€2.4 million) or (12.3%) and €0.2 million or 0.4%, respectively, including the net impact of (i) decreases in outsourced labor and professional fees, primarily due to lower consulting costs incurred during the 2013 periods related to the integration of KBW, (ii) increases in information technology-related costs in connection with the migration of certain operating systems and higher software maintenance costs and (iii) increases in facilities expenses, mostly due to increased rent.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €4.8 million and €8.5 million during the three and nine months ended September 30, 2013, respectively, as compared to €11.3 million and €13.8 million during the corresponding periods in 2012. The 2013 amounts include (i) restructuring charges of €3.8 million and €8.0 million, respectively, and (ii) direct acquisition costs of €1.4 million during each period. The 2012 amounts include restructuring costs of €11.6 million and €15.9 million, respectively. The 2013 and 2012 restructuring costs primarily represent employee severance and termination costs and the 2013 direct acquisition costs represent third-party legal fees incurred in connection with the appeal by two of our competitors of the FCO decision to approve the LG/KBW Transaction. For additional information regarding the FCO matter, see note 11 to our condensed consolidated financial statements.

Related-Party Fees and Allocations

We recorded related-party fees and allocations related to corporate services performed by certain subsidiaries of Liberty Global of €17.8 million and €54.2 million during the three and nine months ended September 30, 2013, respectively, as compared to €15.1 million and €42.7 million during the corresponding periods in 2012. 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, including the use of the UPC trademark. For additional information, see note 10 to our condensed consolidated financial statements.

Depreciation and Amortization Expense

Depreciation and amortization expense increased €14.3 million or 9.0% and €31.2 million or 6.6% during the three and nine months ended September 30, 2013, respectively, as compared to the corresponding periods in 2012. These increases are due primarily to the net effect of (i) increases associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives, (ii) decreases associated with certain assets becoming fully depreciated and (iii) decreases associated with changes in the useful lives of certain assets.

Net Financial and Other Expense

Our net financial and other expense primarily includes interest expense, interest income, foreign currency transaction gains or losses, realized and unrealized gains or losses on derivative instruments and losses on debt extinguishment. As further described below, we recorded net financial and other expense during the three and nine months ended September 30, 2013 of €124.9 million and €456.1 million, respectively, as compared to €144.9 million and €375.8 million, respectively, during the corresponding periods in 2012.

Interest expense – third-party

Our third-party interest expense decreased €3.9 million or 3.7% and €13.7 million or 4.3% during the three and nine months ended September 30, 2013, respectively, as compared to the corresponding periods in 2012, primarily due to the net effect of (i) lower weighted average interest rates and (ii) higher average outstanding third-party debt balances.

Interest expense – related-party

Our related-party interest expense increased (decreased) (€10.0 million) and €30.0 million during the three and nine months ended September 30, 2013, respectively, as compared to the corresponding periods in 2012. The decrease during the three-month period is due primarily to lower average outstanding related-party debt balances. The increase during the nine-month period is due primarily to higher average outstanding related-party debt balances and, to a lesser extent, higher weighted average interest rates. For additional information regarding our related-party indebtedness, see note 8 to our condensed consolidated financial statements.

Foreign currency transaction gains (losses), net

We recognized foreign currency transaction gains (losses), net, of €43.8 million and €27.1 million during the three and nine months ended September 30, 2013, respectively, as compared to €18.6 million and (€7.7 million) during the corresponding periods in 2012. 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:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	in millions			
Cross-currency derivative contracts (a)	€ (42.3)	€ (14.6)	€ (42.2)	€ 23.0
Interest rate derivative contracts (b)	—	(1.8)	—	(5.6)
Total	€ (42.3)	€ (16.4)	€ (42.2)	€ 17.4

(a) The loss during the three months ended September 30, 2013 is primarily attributable to the net effect of (i) losses associated with a decrease in the value of the U.S. dollar relative to the euro and (ii) gains associated with decreases in market interest rates in the U.S. dollar market. The loss during the nine months ended September 30, 2013 is primarily attributable to the net effect of (i) losses associated with increases in market interest rates in the U.S. dollar market, (ii) losses associated with a decrease in the value of the U.S. dollar relative to the euro and (iii) gains associated with increases in market interest rates in the euro market. In addition, the losses during the 2013 periods include net gains of €4.1 million and €4.4 million, respectively, resulting from changes in our credit risk valuation adjustments. The loss during the three months ended September 30, 2012 is primarily attributable to the net effect of (i) losses associated with decreases in market interest rates in the euro market, (ii) losses associated with a decrease in the value of the U.S. dollar relative to the euro and (iii) gains associated with decreases in market interest rates in the U.S. dollar market. The gain during the nine months ended September 30, 2012 is primarily attributable to the net effect of (i) losses associated with decreases in market interest rates in the euro market, (ii) gains associated with decreases in market interest rates in the U.S. dollar market and (iii) gains associated with an increase in the value of the U.S. dollar relative to the euro. In addition, the gains (losses) during the 2012 periods include net gains of €3.6 million and €1.1 million, respectively, resulting from changes in our credit risk valuation adjustments.

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

For additional information regarding our derivative instruments, see notes 5 and 6 to our condensed consolidated financial statements.

Losses on debt extinguishment

We recognized losses on debt extinguishment of nil and €52.6 million during the three and nine months ended September 30, 2013, respectively, as compared to €7.9 million and €9.9 million during the corresponding prior year periods. The loss during the 2013 nine-month period is related to the redemption of a portion of our 2009 UM Euro Senior Secured Notes, including (i) €37.4 million representing the difference between the principal amount and redemption price of the debt redeemed and (ii) €15.2 million associated with the write-off of deferred financing costs and an unamortized discount. The loss during the 2012 nine-month period includes losses of €1.1 million and €8.6 million, each representing the difference between the carrying value and redemption price of certain senior and/or senior secured notes that were redeemed during May 2012 and September 2012, respectively.

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

Income tax benefit (expense)

We recognized income tax expense of €2.0 million and income tax benefit of €8.1 million during the three months ended September 30, 2013 and 2012, respectively.

The income tax expense during the three months ended September 30, 2013 differs from the expected income tax benefit of €8.4 million (based on the German group income tax rate of 32.37%) 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 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.

We recognized income tax expense of €51.0 million and income tax benefit of €27.8 million during the nine months ended September 30, 2013 and 2012, respectively.

The income tax expense during the nine months ended September 30, 2013 differs from the expected income tax benefit of €55.4 million (based on the German group income tax rate of 32.37%), due primarily to the negative impacts of (i) the loss of tax attributes in connection with a transaction that was completed by our ultimate parent entity, (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items and (iii) the nonrecognition of certain net operating losses and interest carryforwards.

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 to the net effect of (i) the negative impact of certain permanent differences between the financial and tax accounting treatment of interest and other items and (ii) the positive impact of the recognition of certain net operating loss and interest carryforwards.

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

Net loss

We reported net losses of €27.8 million and €222.1 million during the three and nine months ended September 30, 2013, respectively, as compared to €50.6 million and €93.4 million during the corresponding periods in 2012.

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) share-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 taxes. As we use the term, Adjusted EBITDA is defined as EBITDA before share-based compensation, impairment, restructuring and other operating items and related-party fees and allocations, net.

Due largely to the fact that we seek to maintain our debt at levels that provide for attractive equity returns, as discussed under *Material Changes in Financial Condition — Capitalization* below, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information with respect to certain trends that may affect our operating results in future periods, see the discussion under *Overview* above. For information concerning the reasons for changes in specific line items in our condensed consolidated statements of operations, see the above discussion.

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 subsidiaries' debt instruments restrict our ability to access the assets of these subsidiaries. At September 30, 2013, €92.2 million of our consolidated cash and cash equivalents was held by our company and the remaining €15.8 million was held by our subsidiaries. In addition, our ability to access the liquidity of our subsidiaries may be limited by tax and legal considerations or other factors.

Liquidity of Unitymedia KabelBW

Our sources of liquidity at the parent level include (i) our cash and cash equivalents, (ii) amounts due under the UPC Germany Loan Receivable, (iii) funding from UPC Germany (and ultimately from Liberty Global or other Liberty Global subsidiaries) in the form of loans or contributions, as applicable, and (iv) subject to the restrictions noted above, proceeds in the form of distributions or loans from Unitymedia Hessen, Unitymedia NRW, 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 or (c) acquisitions and 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, 2013, we had aggregate borrowing capacity of €417.5 million under the Unitymedia KabelBW Revolving Credit Facilities. For information regarding limitations on the borrowing availability of the Unitymedia KabelBW Revolving Credit Facilities, see note 8 to our condensed consolidated financial statements.

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 Statements of Cash Flows* 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

At September 30, 2013, our outstanding consolidated third-party debt and finance lease obligations aggregated €5,599.1 million, substantially all of which is not due until 2017 or thereafter.

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. Our ability to maintain or increase 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. 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.

With regard to our leverage covenants, the ratio of our September 30, 2013 Senior Debt to our annualized EBITDA (last two quarters annualized) was 3.75x for the quarter ended September 30, 2013. In addition, the ratio of our September 30, 2013 Total Debt to our annualized EBITDA (last two quarters annualized) for the quarter ended September 30, 2013 was 4.90x, with each ratio defined and calculated in accordance with our credit facilities and the indentures governing our existing bonds. We do not anticipate any instances of non-compliance with respect to any of our debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

We believe that our cash and cash equivalents, the UPC Germany Loan Receivable, 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. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

Condensed Consolidated Statements of Cash Flows

The below discussion is based on the amounts as presented in our condensed consolidated statements of cash flows.

Summary. Our condensed consolidated statements of cash flows for the nine months ended September 30, 2013 and 2012 are summarized as follows:

	Nine months ended September 30, 2013	Nine months ended September 30, 2012	Change
	in millions		
Net cash provided by operating activities	€ 525.3	€ 484.0	€ 41.3
Net cash used by investing activities	(403.0)	(509.3)	106.3
Net cash used by financing activities	(34.5)	(2.6)	(31.9)
Net increase (decrease) in cash and cash equivalents	€ 87.8	€ (27.9)	€ 115.7

Operating activities. The increase in net cash provided by our operating activities is primarily attributable to the effect of (i) an increase in the cash provided by our Adjusted EBITDA and related working capital changes, (ii) an increase in cash provided due to lower cash payments for taxes and (iii) an increase in cash provided due to lower cash payments for interest.

Investing activities. The decrease in net cash used by our investing activities is primarily attributable to (i) a decrease in cash used to fund advances to UPC Germany of €65.0 million and (ii) a decrease in cash used due to lower capital expenditures of €40.7 million.

The capital expenditures that we report in our consolidated statements of cash flows do not include amounts that are financed under vendor financing or finance lease arrangements. Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and as repayments of debt when the principal is repaid. In the following discussion, we present (i) our capital expenditures as reported in our consolidated statements of cash flows, which exclude amounts financed under vendor financing or finance lease arrangements, and (ii) our total property, equipment and intangible asset additions, which include our capital expenditures on an accrual basis and amounts financed under vendor financing or finance lease arrangements.

A reconciliation of our consolidated property, equipment and intangible asset additions to our consolidated capital expenditures as reported in the condensed consolidated statements of cash flows is set forth below:

	Nine months ended September 30,	
	2013	2012
	in millions	
Property, equipment and intangible asset additions	€ 363.9	€ 377.4
Assets acquired under capital-related vendor financing and capital lease arrangements (including related-party amounts)	(19.7)	(8.6)
Changes in liabilities related to capital expenditures (including related-party amounts)	(32.4)	(16.3)
Capital expenditures	€ 311.8	€ 352.5

The decrease in our property, equipment and intangible asset additions is primarily due to (i) a decrease in expenditures for new build and upgrade projects to expand services and (ii) a decrease in expenditures for the purchase and installation of customer premises equipment. In terms of the composition of our property, equipment and intangible asset additions during the first nine months of 2013, (a) 47% relates to the rebuild and upgrade of our distribution network, primarily in connection with the upgrade of in-home wiring, (b) 27% relates to the purchase and installation of customer premises equipment, (c) 14% relates to capitalized third-party commissions and (d) the remainder relates to expenditures for general support systems and other intangible assets.

Financing activities. The increase in net cash used by our financing activities is primarily attributable to the net effect of (i) an increase in cash used related to higher net repayments of related-party debt of €397.7 million, (ii) a decrease in cash used related to higher net borrowings of third-party debt of €382.9 million and (iii) an increase in cash used associated with higher payments of financing costs and debt premiums of €29.6 million.

Off Balance Sheet Arrangements

In the ordinary course of business, we may provide indemnifications to our lenders, our vendors and certain other parties and 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.