Unitymedia Annual Report for the financial year ended December 31, 2009

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General Note:

The financials and business description presented in this 2009 Annual Report generally do not include any effects of the January 28, 2010 Liberty Global Transaction or the 2010 Refinancing unless otherwise noted. Certain definitions (including definitions of subscriber metrics and performance measures), product specifications, commercial and financial policies and other relevant factors influencing our business as laid out in this 2009 Annual Report are subject to change as a result of Unitymedia´s integration into Liberty Global.

In addition, Unitymedia's financial condition and results of operations will be included in Liberty Global's consolidated financial statements under accounting principles generally accepted in the United States ("U.S. GAAP") while the Unitymedia consolidated financial statements contained in this report are prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("EU-IFRS"). There are significant differences between the U.S. GAAP and EU-IFRS presentations of Unitymedia's consolidated financial statements.

Minor differences in figures throughout this document are due to rounding.

Disclosure Regarding Forward-Looking Statements

This annual report includes forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology, including words such as “believes,” “estimates,” “anticipates,” “expects,” “intends,” “may,” “will”, “could” or “should” or, in each case, their negative or other variations thereof or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this annual report and include statements regarding, or based upon, our management’s current intentions, beliefs or expectations concerning, among other things, our future results of operations, financial condition, liquidity, prospects, growth, strategies, potential acquisitions, or developments in the industry in which we operate.

Forward-looking statements are based upon assumptions and estimates about future events or circumstances, and are subject to risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that these expectations will materialize. Accordingly, our actual results may differ materially from those expressed or implied thereby. In evaluating these statements, you should consider the following risks and uncertainties that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the markets in which we operate;
- the competitive environment in the broadband communications and programming industries in the markets in which we operate;
- competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of existing service offerings, including our digital video, voice and broadband internet services;
- consumer acceptance of new technology, programming alternatives and broadband services that we may offer;
- our ability to manage rapid technological changes;
- our ability to maintain or increase the number of subscriptions to our digital video, voice and broadband internet services and our average revenue per household;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;

- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;

- the outcome of any pending or threatened litigation;

- changes in, or failure or inability to comply with, government regulations in the markets in which we operate and adverse outcomes from regulatory proceedings;

- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions, as well as our ability to satisfy conditions imposed by competition and other regulatory authorities in connection with acquisitions;

- government intervention that opens our broadband distribution networks to competitors;

- our ability to successfully negotiate rate increase with local authorities;

- changes in laws or treaties relating to taxation, or the interpretation thereof, in the markets in which we operate;

- uncertainties inherent in the development and integration of new business lines and business strategies;

- capital spending for the acquisition and/or development of telecommunications networks and services;

- the ability of suppliers and vendors to timely deliver products, equipment, software and services;

- the availability of attractive programming for our digital video services at reasonable costs;

- 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 labour councils and unions, and

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

The broadband communications services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this Annual 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 Annual 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.

All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above. Readers are cautioned not to place undue reliance on any forward-looking statements.

Operating and Financial Overview

Summary Segment Operating and Financial Data

(in '000s unless otherwise stated)	Year ended December 31,		
	2009	**2008**	**2007**
Unitymedia Cable Segment			
Footprint			
Homes Passed	8,786	8,685	8,643
Homes Passed Upgraded	92%	83%	66%
Subscribers			
Analogue Basic Cable	3,161	3,391	3,973
Digital Basic Cable	1,362	1,228	789
Total Basic Cable Subscribers	**4,523**	**4,619**	**4,762**
RGUs (1)			
Basic Cable	4,523	4,619	4,762
New Services	2,038	1,561	942
Total RGUs	**6,560**	**6,180**	**5,704**
New Services RGUs			
Digital TV Pay (2)	491	568	456
Retail Broadband Internet	584	377	199
Wholesale MMA Internet (3)	377	253	112
Telephony	586	363	175
Total New Services RGUs	**2,038**	**1,561**	**942**
Penetration			
BCS in % of Homes Passed	51%	53%	55%
Digital in % of BCS	30%	27%	17%
Retail Broadband in % of BCS	13%	8%	4%
ARPU (€) (4)			
Basic Cable ARPU (€) (5)	10.12	9.81	9.19
Incremental New Service ARPU (6)	4.10	2.95	1.84
Blended ARPU (€)	**14.22**	**12.77**	**11.03**
Digital TV Pay	8.92	9.82	11.01
Retail Broadband Internet (7)	15.39	14.67	15.23
Wholesale MMA Internet	1.58	2.43	2.35
Telephony (7)	12.62	16.13	20.69
Broadband (Retail BB Internet & Tel) (8)	28.01	30.80	35.92
Unity3play (Broadband incl. BCS) (9)	38.13	40.61	45.11
arena Segment			
arenaSAT RGUs	57	191	334
arenaSAT ARPU (in €) (17)	18.33	18.67	17.13

(in €m, unless otherwise stated)	Year ended December 31, 2009	2008	2007
Segment Financials			
Revenue			
Unitymedia Cable Segment	869.6	809.5	706.4
arena Segment	174.3	352.4	308.6
Consolidated [14]	1,043.9	1,161.9	999.0
Adjusted EBITDA [11]			
Unitymedia Cable Segment	446.0	394.9	332.8
arena Segment	17.3	41.3	(24.2)
Consolidated	463.3	436.2	308.6
Capital Expenditure [12]			
Unitymedia Cable Segment	251.7	231.5	171.7
arena Segment	0.5	1.6	1.8
Consolidated	252.2	233.0	173.6

Our Segments

Overview

Unitymedia is the second largest cable television operator in Germany and an indirectly owned subsidiary of Liberty Global, Inc. We provide basic cable television services and digital cable television, Internet and telephony services to our customers who reside in our upgraded network area in the federal states of North Rhine-Westphalia and Hesse. We believe our cable network, which passes approximately 8.8 million homes, is one of the most technically advanced in Europe. In addition to this core business, we operate a digital pay TV satellite platform, arenaSAT, which is part of our arena segment.

Unitymedia´s ultimate parent, Liberty Global, is the leading international cable operator offering advanced video, voice and broadband internet services and operating state-of-the-art networks across 14 countries principally located in Europe, Chile and Australia. Liberty Global's operations also include significant programming businesses such as Chellomedia in Europe.

Revenue for the financial year ended December 31, 2009 was €1,043.9 million and for the year ended December 31, 2008 was €1,161.9 million. Adjusted EBITDA for the financial year ended December 31, 2009 was €463.3 million and for the year ended December 31, 2008 was €436.2 million. Our cable business ("Unitymedia Cable") is our core business and generated 96.3 percent and 90.5 percent of our total Adjusted EBITDA in the financial year ended December 31, 2009 and the financial year ended December 31, 2008, respectively.

Unitymedia Cable

We operate our cable business in the federal states of North Rhine-Westphalia and Hesse. The two federal states have a population and combined households of 24.1 million and 11.5 million respectively and, together, would constitute the 6th largest economy in the European Union as measured by GDP. North Rhine-Westphalia and Hesse are home to ten of the 20 largest cities in Germany including Cologne, Essen, Dortmund, Dusseldorf and Frankfurt. These federal states are amongst the most prosperous regions in Germany, characterized by comparatively high GDP per capita and population density.

Our cable business is characterized by recurring revenues and cash flows. The foundation of our business is the provision of basic cable and digital pay cable television ("Digital TV Pay") services. In our upgraded network coverage area we provide an integrated triple play service under the brand "Unity3play", offering our customers access to Internet, telephony and digital cable television services in addition to our basic cable television services, which gives us the opportunity to generate attractive operating and financial growth.

We are currently able to market our triple play service to over 95 percent of our cable television subscribers who reside in the upgraded portion of our network coverage area. We have upgraded approximately 92 percent of our network (equal to approximately 8.1 million homes passed, with a capacity of 862 MHz) to a bi-directional hybrid fiber-coaxial ("HFC") standard up to the building, with in-home wiring upgrades generally on an as-needed, success-based basis. Going forward, based on our current competitive position and return on investment estimates, we expect that only a limited amount of investment will be required to provide our current triple play services to homes in our upgraded network coverage area. Most of our capital expenditure is success-based for subscriber growth or usage and/or related to new product development.

We provide the following products and services to our customers:

- Basic Cable Services ("BCS"): as of December 31, 2009, we provided our basic cable services to 4.5 million subscribers, or 51 percent of homes passed by our network. 30 percent of these basic cable subscribers had switched to digital access as of December 31, 2009. Our basic cable analogue access consists of up to 36 television channels and up to 34 radio channels, depending on the geographic area. Our basic cable digital access comprises up to 73 digital channels, including the simulcast analogue channels, and 67 radio channels. We provide basic cable services via individual contracts with single dwelling units or bulk contracts with landlords or housing associations. For the year ended December 31, 2009, our basic cable services generated an average monthly revenue per user ("ARPU") of €10.12 per month. We announced a rate increase effective as of January 1, 2010 for certain multi-user contracts. In addition, in the financial year ended December 31, 2009, we generated €83.3 million in revenue in carriage fees from both public and commercial broadcasters (including Sky Deutschland).
- Digital TV Pay Services: as of December 31, 2009, we provided our Digital TV Pay services to approximately 491,000 revenue generating units ("RGUs"). Our Digital TV Pay services consist of programming that we assemble into packages as well as pay TV content sourced from other providers, including international and domestic German broadcasters. For the year ended December 31, 2009, our Digital TV Pay services generated an ARPU of €8.92 per month.
- Internet Access Services: we provide Internet access services both on a retail and wholesale basis.
  - Retail Broadband: as of December 31, 2009, we provided our Retail Broadband Internet access services to approximately 584,000 RGUs. Our current Retail Broadband Internet access service portfolio consists of services with download speeds ranging from 2 Mb/s to 32 Mb/s with no time or data volume restrictions, with a 120 Mb/s service available for subscription in selected cities since November 2009. Our customers can choose between different attractive and competitively-priced packages, including our core triple play product, Unity3play. For the year ended December 31, 2009, our Retail Broadband Internet access services generated an ARPU of €15.39 per month.
  - Wholesale Multimedia Anschluss ("MMA"): as of December 31, 2009, we provided MMA Internet access services on a wholesale basis to approximately 377,000 RGUs (excluding those customers who had upgraded to our Retail Broadband Internet access services). Our MMA offer is a service tailored for housing associations to purchase Internet access at 128 Kb/s on a bulk basis and enable their properties with plug-and-play Internet access. Tenants in MMA-equipped apartments have the opportunity to upgrade to any of our digital television, broadband and flat rate telephony services. As such, in addition to incremental revenue, the MMA business segment offers us an additional sales channel and serves as a catalyst for the implementation of our triple play strategy. As a result, we typically benefit from significantly higher Retail Broadband penetration in the MMA business segment. For the year ended December 31, 2009, our wholesale MMA Internet access services generated an ARPU (excluding those customers

who had upgraded to our Retail Broadband Internet access services) of €1.58 per month.

- Telephony Services: as of December 31, 2009, we provided our telephony services to approximately 586,000 RGUs. We market our telephony services principally as a component of our Unity3play product bundle. For the year ended December 31, 2009, our telephony services generated an ARPU of €12.62 per month.

The German broadband and digital pay TV markets have historically been underdeveloped compared to other European markets. Unitymedia has been at the forefront of removing the structural impediments to growth in the German broadband and digital pay TV markets, when, for example, it received regulatory approval in 2005 to integrate operators of distribution (level 3) and in-building (level 4) networks. This has allowed us to upgrade our networks and roll-out the internationally proven triple play cable model using established technology.

Our cable business is supported by a dense, high quality network that, as of December 31, 2009, covered approximately 77 percent of all households, or 8.8 million homes passed, in North Rhine-Westphalia and Hesse. The network was built by Deutsche Bundespost, the predecessor of Deutsche Telekom AG ("Deutsche Telekom"), in the 1980s to high specifications and is characterized by homogenous design, high reliability and low maintenance requirements. Our network is one of only two networks with extensive local loop infrastructure across our markets and combined with our regional backbone positions us, we believe, as a leading alternative high bandwidth, infrastructure-based competitor to Deutsche Telekom.

Revenue generated by the Unitymedia Cable segment was €869.6 million for the financial year ended December 31, 2009. Adjusted EBITDA for the Unitymedia Cable segment for the financial year ended December 31, 2009 was €446.0 million. For the financial year ended December 31, 2009, our cable business generated a blended ARPU of €14.22 per month.

arena

Through our national satellite digital pay TV platform arenaSAT, as of December 31, 2009 we provided pay TV services to approximately 57,000 RGUs across Germany. Our satellite platform offers subscribers a range of digital pay TV channels within various packages. Until June 30, 2009, arenaSAT also offered *Bundesliga* programming via a wholesale agreement with Sky Deutschland that expired at such time. We regularly evaluate a range of strategic options for arenaSAT. Revenue generated by the arena segment for the financial year ended December 31, 2009 was €174.3 million and Adjusted EBITDA was €17.3 million. For the financial year ended December 31, 2009, our arenaSAT platform generated an ARPU of €18.33 per month.

Results of Operations

A. Overview

Unitymedia´s cable segment delivered 7% revenue growth, primarily driven by New Services growth, while Adjusted Cable EBITDA increased by 13%, as the Company leveraged its existing infrastructure base and maintained a disciplined focus on costs and capital investments.

New Services RGUs, comprising Internet, Telephony and Digital TV Pay offerings, increased by 31% year on year, delivering a ratio of 1.45 subscriptions for each basic cable subscriber, up 8% from a year ago. At year end, the network was 92% upgraded for bi-directional services up to the building, with in-home wiring upgrades generally on an as-needed, success-based basis.

The Digital TV Pay business continued to show underlying organic growth, offset by churn from customers subscribing to former *Bundesliga* packages, which was discontinued on June 30, 2009. The Company expects *Bundesliga* related churn to have largely occurred in 2009 with no meaningful churn expected going forward. Digitisation of its basic cable subscriber base stood at 30% at year-end, as Unitymedia continues on its strategy to migrate customers from analogue to digital access and to upsell premium content to its digital base.

Unitymedia launched a number of new products and enhanced services in 2009. On July 1, 2009, the Company launched a rebranded suite of genre based Pay TV packages, adding a fourth "Lifestyle" oriented pay TV package and including additional premium channels such as Discovery and Animal Planet to its existing packages. In its broadband business and in line with its strategy to be the speed leader, Unitymedia started offering Internet services with download speeds of up to 120 MB/s in the cities of Aachen and Cologne as of November 2009. Under Liberty Global ownership, the Company is seeking to accelerate Docsis 3.0 and HD roll-outs.

B. Operating Performance

RGUs

We classify our customers based on our main subscription-based business activities. The following tables set forth our RGU numbers for our cable business and arena satellite activities as of December 31, 2009, 2008 and December 31, 2007.

	Year ended Dec 31,		
(in '000s unless otherwise stated)	**2009**	**2008**	**2007**
Unitymedia Cable Segment			
Footprint			
Homes Passed	8,786	8,685	8,643
Homes Passed Upgraded	92%	83%	66%
Subscribers			
Analogue Basic Cable	3,161	3,391	3,973
Digital Basic Cable	1,362	1,228	789
Total Basic Cable Subscribers	**4,523**	**4,619**	**4,762**
RGUs (1)			
Basic Cable	4,523	4,619	4,762
New Services	2,038	1,561	942
Total RGUs	**6,560**	**6,180**	**5,704**
New Services RGUs			
Digital TV Pay (2)	491	568	456
Retail Broadband Internet	584	377	199
Wholesale MMA Internet (3)	377	253	112
Telephony	586	363	175
Total New Service RGUs	**2,038**	**1,561**	**942**
Penetration			
BCS in % of Homes Passed	51%	53%	55%
Digital in % of BCS	30%	27%	17%
Retail Broadband in % of BCS	13%	8%	4%
arena Segment			
arenaSAT RGUs	57	191	334

In the period from December 31, 2008 to December 31, 2009, our basic cable subscriber base declined from 4,619,000 to 4,523,000 primarily as a result of the 2008 price increases and the price increase announced in September 2009 in certain segments within the multi-user subscriber base effective January 1, 2010.

As of January 1, 2008, Unitymedia implemented a 16% price increase in the analogue single user segment from €15.49 to €17.90 including VAT while maintaining our digital access service Digital TV Basic for €16.90 including VAT to encourage the switch from analogue to digital reception. Unitymedia's basic cable base was 30% digital at December 31, 2009. In addition, as of July 1, 2008 we also rebalanced our ratecard for our basic cable services for multi-dwelling unit contracts by increasing prices in certain segments. Furthermore, Unitymedia incurred a one-time reduction of reported basic cable subscribers by approximately 19,000 after closing of the Primacom Aachen and Wiesbaden acquisition as a result of converting basic television contracts from bulk signal delivery to direct billing. The reduction of subscribers is due to lump-sum signal purchasing practice whereby level 4 operators achieve lower rates across a larger fixed base of subscribers. In September 2009, we also announced a rate increase effective as of January 1, 2010 for certain multi-user contracts in the basic cable business, ranging from 4.9% to 9.8%, depending on the number of customers under contract. We expect to incur subscriber churn in the course of 2010 from this price increase.

We may lose further customers as a result of the January 1, 2010 and future price increases, competition or other factors. These and future price increases may lead to increased churn upon contract renewal, and as a result, lower revenue in future periods. We expect that the simultaneous introduction of digital access being priced one Euro cheaper than analogue will support our customer retention efforts. In the longer term, we believe that our digital cable television, broadband Internet and telephony services will continue to help maintain basic cable subscriber levels.

Our New Services RGUs, including Digital TV Pay, Internet and Telephony RGUs, increased from 1,561,000 as of December 31, 2008 to 2,038,000 as of December 31, 2009.

Our Digital TV Pay RGUs decreased year over year by 77,000 from 568,000 to 491,000 as of December 31, 2009. Regarding RGU development, the reported decrease in Digital TV Pay RGUs at year-end 2009 versus year-end 2008 has been affected by one-off *Bundesliga* churn as well as the previously disclosed elimination from our Digital TV Pay RGU count of additional smartcards that offered Digital TV Pay customers basic digital content only. The underlying organic growth with key thematic and foreign language programming as well as DVRs is intact.

The number of our Internet customers increased by 331,000 to 961,000 year over year. Internet growth represents the continued strong take-up of Unity3play services in the increasingly upgraded regions as well as the demand for our wholesale Multimedia Anschluss ("MMA") product for landlords and housing associations. Telephony RGUs have increased from 363,000 as of December 31, 2008 to 586,000 as of December 31, 2009, as over 90% of Retail Broadband Internet additions also took Telephony.

New Services RGUs represent 31% of all total RGUs as of December 31, 2009, compared to 25% the year before. At arenaSAT the subscriber base decreased to 57,000 subscribers at December 31, 2009, down from 191,000 as of December 31, 2008, primarily due to expected churn from *Bundesliga* subscribers.

ARPU

ARPU (average revenue per unit) is a measure we use to evaluate how effectively we are realising potential revenues from customers. ARPU is generally calculated on a yearly, quarterly or monthly basis by dividing total subscription related sales (excluding installation and carriage fees) by the average number of subscribers served in that period and by the number of months in the period.

Segment ARPUs

(in €)	Year ended December 31, 2009	2008	2007
Unitymedia Cable			
Basic Cable [5]	10.12	9.81	9.19
Incremental New Services [6]	4.10	2.95	1.84
Blended ARPU	14.22	12.77	11.03
Digital TV Pay	8.92	9.82	11.01
Retail Broadband Internet [7]	15.39	14.67	15.23
Wholesale MMA Internet	1.58	2.43	2.35
Telephony [7]	12.62	16.13	20.69
Broadband (Retail BB Internet & Tel) [8]	28.01	30.80	35.92
Unity3play (Broadband incl. BCS) [9]	38.13	40.61	45.11
arena			
arenaSAT [17]	18.33	18.67	17.13

Unitymedia continues its strategy of converting €10 ARPU customers to higher ARPU customers over time. This is being achieved through upselling from basic cable services to higher value Unity3play and Digital TV Pay services as customers increasingly recognise the value of Unitymedia´s bundled products. As a result, blended monthly ARPU across all cable products was €14.22 for the financial year ended December 31, 2009, up 11% from €12.77 year on year, primarily reflecting increased incremental New Services ARPU contribution of €4.10 in the financial year ended December 31, 2009 compared to €2.95 a year before.

Monthly basic cable service ARPU for the financial year ended December 31, 2009 was €10.12, up from €9.81 year on year, primarily reflecting the full incremental revenue effect from the July 1, 2008 price in the multi-user segment as well as the full revenue run-rate from the acquired Aachen and Wiesbaden subscriber base as these networks were consolidated as of September 1, 2008.

Blended Retail Broadband Internet & Telephony ARPU (Broadband ARPU) was €28.01 for the financial year ended December 31, 2009, down from €30.80 year on year, primarily reflecting lower usage based telephony charges as well as generally lower market pricing and promotional campaigns for the Unity3play lead product. These include, for example, the current 20 MBit/s Unity3play offer at €25 (including VAT) per month which increases to €30 per month after the minimum contract period. Unity3play ARPU, which includes the average basic cable service ARPU but excludes any incremental Digital TV Pay contribution, amounted to €38.13, compared to €40.61 year on year.

C. Financial Performance

Basis for Presentation of Financial and Operating Information

The information in this annual report has been derived from our audited consolidated income statement, balance sheet, cash flow statement and other financial and operational data as of and for the year ended December 31, 2009, 2008 and 2007, respectively, prepared in accordance with EU-IFRS. In addition, we present selected financial data derived from our operating segments "Unitymedia Cable" and "arena". See "Note 28" to the audited consolidated financial statements as of and for the financial year ended December 31, 2009.

We derive revenues from six main business activities: our analogue and digital basic cable television, Digital TV Pay, Internet, Telephony (including subscription and usage fees), carriage fees and the arenaSAT business. We refer to the revenues generated by these activities as "revenue". In addition, we recognize own work capitalized and other income. Other income includes prior period income, such as the release of accruals and allowances.

Accounting and Valuation Methods

Critical management assumptions

Critical management assumptions have been made by management regarding the accounting and valuation methods. See the Notes to the Consolidated Financial Statements on F-1 of this report.

I. Segment Results of Operations

We organize our business in two business segments based on the method of transmission employed to deliver our products and services to subscribers. Our cable operations in North Rhine-Westphalia and Hesse are reported as "Unitymedia Cable" and our national satellite platform for the distribution of digital pay TV programs (arenaSAT) as well as sublicensing, wholesale and the previous broadcasting business is reported as "arena". The information presented below as of and for the year and the quarter ended December 31, 2009, 2008 and 2007 include our operating segments Unitymedia Cable and arena.

Unitymedia Cable

The selected financial and operating information of Unitymedia Cable presented below as of and for the years ended December 31, 2009, 2008 and 2007 is derived from the segment reporting of Unitymedia, supplemented by certain operating information, and primarily reflects the financials of our primary operational entities Unitymedia Hessen, Unitymedia NRW, Unitymedia Services and Unitymedia Aachen and Wiesbaden from September 1, 2008.

Income Statement Data - Unitymedia Cable (IFRS Segment Reporting)

(in €m)	Year ended December 31, 2009	2008	2007
Revenue	869.6	809.5	706.4
Own work capitalized	17.4	18.1	14.9
Other income	36.2	29.0	38.3
Cost of materials and services	(148.5)	(134.6)	(127.6)
Personnel expenses	(116.4)	(103.4)	(97.3)
Depreciation and amortization expenses	(288.6)	(250.5)	(223.2)
Other expenses	(215.6)	(222.8)	(195.9)
EBIT	**154.2**	**145.2**	**115.6**
Financial income	119.4	70.0	10.5
Financial expenses	(156.9)	(153.4)	(162.5)
Income taxes	(42.3)	(8.0)	29.2
Profit/(Loss) for the period	**74.3**	**53.9**	**(7.2)**

Financial Data - Unitymedia Cable (IFRS Segment Reporting)

(in €m, except percentages)	Year ended December 31, 2009	2008	2007
Revenue			
Basic cable services	554.5	553.5	535.8
Digital TV Pay	55.5	60.0	54.5
Internet	95.9	55.1	25.9
Telephony	72.9	51.4	26.8
Carriage fees	83.3	81.2	54.4
Installation fees	7.5	8.2	9.0
Revenue	**869.6**	**809.5**	**706.4**
Own work capitalized	17.4	18.1	14.9
Other income	36.2	29.0	38.3
EBITDA (10)	442.7	395.7	338.8
Adjusted EBITDA (11)	**446.0**	**394.9**	**332.8**
Adjusted EBITDA Margin (15)	51.3%	48.8%	47.1%
Capital Expenditures (12)	**251.7**	**231.5**	**171.7**
% of Revenue	28.9%	28.6%	24.3%

Note: Beginning in the fourth quarter of 2009, we began excluding own work capitalized and other income from the denominator of our Adjusted EBITDA margin and Capex as a percentage of revenue ratios and have made these changes for all comparable periods presented.

Cable revenue in the financial year ended December 31, 2009 amounted to €869.6 million, up 7% from €809.5 million in 2008. In the financial year ended December 31, 2007 cable revenue was €706.4 million. The increase in 2009 versus 2008 was primarily due to increased revenues from New Services amounting to €224.3 million, up 35% from €166.5 million the year before.

Total costs in the cable segment increased from €711.3 million in the financial year ended December 31, 2008 to €769.0 million in the financial year ended December 31, 2009, reflecting an increase in certain operating expenditures to accommodate the strong growth in New Services, such as increased investment in marketing and customer facing related personnel expenses. Other costs to service the higher number of customers, such as interconnection and ongoing customer care, have also increased with the larger customer base, offset by lower programming costs following the expiry of our rights to retail *Bundesliga* programming as of June 30, 2009.

2009 Adjusted Cable EBITDA was €446.0 million, up 13% from €394.9 million in 2008. In 2007 Adjusted Cable EBITDA was €332.8 million.

arena

The selected financial and operating information of arena presented below as of and for the years ended December 31, 2009, 2008 and 2007 show selected financial information from the segment reporting of Unitymedia, including revenue from, and shared services charged by Unitymedia Hessen and Unitymedia NRW, which are also reflected in the presentation of Unitymedia Cable. In addition we present certain operating information from the arena segment.

Income Statement Data - arena (IFRS Segment Reporting)

	Year ended December 31,		
(in €m)	**2009**	**2008**	**2007**
Revenue	174.3	352.4	308.6
Own work capitalized	-	-	-
Other income	3.1	13.3	8.3
Cost of materials and services	(8.8)	(11.0)	(12.5)
Personnel expenses	(1.2)	(1.3)	(6.8)
Depreciation and amortization expenses	(2.1)	(5.1)	(7.4)
Other expenses	(160.6)	(306.0)	(345.1)
EBIT	**4.7**	**42.2**	**(54.9)**
Financial income	1.0	5.9	6.9
Financial expenses	-	(0.0)	(1.9)
Income taxes	(3.3)	(11.3)	8.2
Profit/(Loss) for the period	**2.4**	**36.8**	**(41.6)**

Financial and Operational Data - arena (IFRS Segment Reporting)

(in €m)	Year ended December 31, 2009	2008	2007
Revenue			
Satellite revenue	27.7	65.4	78.6
Wholesale revenue	4.2	8.7	44.5
Total subscription revenue	**31.9**	**74.1**	**123.1**
Premiere share revenue	51.3	102.6	94.1
Sublicense revenue	90.8	172.8	82.4
Other revenue (16)	0.4	2.9	9.1
Revenue	**174.3**	**352.4**	**308.6**
Own work capitalised	-	-	-
Other income	3.1	13.3	8.3
EBITDA (10)	6.8	47.4	(47.4)
Adjusted EBITDA (11)	**17.3**	**41.3**	**(24.2)**
Capital Expenditures (12)	0.5	1.6	1.8
RGU information			
arenaSAT RGUs (in '000s)	57	191	334
arenaSAT ARPU (17)	18.33	18.67	17.13

In the financial year ended December 31, 2009 arena generated revenue of €174.3 million compared to 2008 revenue of €352.4 million and €308.6 million in 2007. The decrease in revenue in 2009 versus 2008 was primarily due to the discontinuation of Premiere share revenue recognition and sublicense fees from Premiere as the underlying *Bundesliga* sublicense agreement with Premiere (now Sky Deutschland) expired at June 30, 2009.

Total costs in the arena segment decreased from €323.5 million in the financial year ended December 31, 2008 to €172.7 million in the financial year ended December 31, 2009, primarily reflecting the lower programming costs following the expiry of our rights to retail *Bundesliga* programming as of June 30, 2009 as well as other lower operating costs following the lower arenaSAT subscriber base.

arena generated an Adjusted EBITDA of €17.3 million in the financial year ended December 31, 2009 compared to €41.3 million and €(24.2) million in the respective periods in 2008 and 2007.

II. Consolidated Results of Operations

Our consolidated revenue in the financial year ended December 31, 2009 amounted to €1,043.9 million compared to €1,161.9 million in the financial year ended December 31, 2008 and €999.0 million in the respective period in 2007. Our Consolidated Adjusted EBITDA in the year ended December 31, 2009 was €463.3 million and €436.2 million in the year ended December 31, 2008. In the financial year ended December 31, 2007 our Consolidated Adjusted EBITDA amounted to €308.6 million.

Income Statement Data - Unitymedia GmbH (IFRS Consolidated)

	Year ended December 31,		
(in €m)	**2009**	**2008**	**2007**
Revenue	1,043.9	1,161.9	999.0
Own work capitalized	17.4	18.1	14.9
Other income	38.7	41.2	44.1
Cost of materials and services	(157.3)	(145.6)	(140.1)
Personnel expenses	(117.6)	(104.7)	(104.1)
Depreciation and amortization expenses	(290.6)	(255.6)	(230.7)
Other expenses	(375.6)	(527.8)	(522.4)
EBIT	**158.9**	**187.5**	**60.7**
Financial income	120.4	71.3	16.3
Financial expenses	(156.9)	(153.4)	(163.2)
Income taxes	(45.7)	(19.3)	37.4
Profit/(Loss) for the period	**76.7**	**86.1**	**(48.8)**

Operating Metrics

(in €m)			
EBITDA (10)	**449.5**	**443.1**	**291.4**
Adjusted EBITDA (11)	**463.3**	**436.2**	**308.6**
of which Unitymedia Cable	446.0	394.9	332.8
of which arena	17.3	41.3	(24.2)
Capital Expenditures (12)	**252.2**	**233.0**	**173.6**
Net debt (13)	**1,505.4**	**1,507.5**	**1,705.5**

Consolidated results for the financial year ended December 31, 2009 compared to the financial year ended December 31, 2008

Revenue

Consolidated revenue including arena and the cable segment decreased by 10%, from €1,161.9 million in the financial year ended December 31, 2008 to €1,043.9 million in the financial year ended December 31, 2009. The decrease in revenue was primarily due to the reduction in Premiere (now Sky Deutschland) sublicense revenues and Premiere share revenue recognition following the expiry of our right to retail *Bundesliga* programming as of June 30, 2009, as well as lower revenue from the arenaSAT subscriber base. This decrease was partially offset by increased revenue from New Services subscriptions, the full effect of the basic cable price increase in the multi-user segment in July 2008 as well as increased digital carriage fees in the cable segment.

Basic cable subscription revenue primarily consists of monthly basic cable subscription fees from the delivery of analogue and digital television access signals and increased by 0.2%, from €553.5 million for the financial year ended December 31, 2008 to €554.5 million for the financial year ended December 31, 2009. This increase was primarily due to the full effect of the July 2008 price increase in the multi-user basic cable subscriber base, increased digital access take-up in multi dwelling units as well as incremental revenue resulting from the conversion of bulk signal delivery to single and multi-user contracts in the former Primacom networks in Aachen and Wiesbaden. The revenue increase was partially offset by churn from the price increases in the single user as well as the multi-user segment as of January 1 and July 1, 2008, respectively. In total, the contribution of the basic cable television business as a percentage of revenue increased from 48% in the financial year ended December 31, 2008 to 53% of consolidated revenue in the financial year ended December 31, 2009.

Revenue from our Digital TV Pay business includes monthly subscription fees for pay TV programming and, from December 2008, for DVRs. Revenue from our Digital TV Pay business decreased from €60.0 million, or 5% of consolidated revenue in the financial year ended December 31, 2008 to €55.5 million, or 5% of consolidated revenue in the financial year ended December 31, 2009. The decrease was primarily due to the loss of customers subscribing to *Bundesliga* content or bundled products following the expiry of our right to retail *Bundesliga* programming, partially offset by continued organic pay TV growth through take-up from an increasing number of basic digital access customers.

Revenue from our Internet business includes the monthly subscription fees for Retail Broadband and Wholesale MMA Internet services. Revenue from our Internet business increased from €55.1 million, or 5% of consolidated revenue in the financial year ended December 31, 2008 to €95.9 million, or 9% of consolidated revenue in the financial year ended December 31, 2009. The 74.0% increase represents an accelerated take-up of our triple play product portfolio in our increasingly upgraded regions in Hesse and North Rhine-Westphalia. In addition, bundling discounts under Unitymedia´s integrated 2play and 3play offerings are fully allocated to telephony since the second quarter of 2008 whereas until and including the first quarter 2008 the full effect of bundling discounts was reflected in Internet.

Revenue from our Telephony business includes monthly line subscription fees and usage. Revenue from our Telephony business increased from €51.4 million or 4% of consolidated revenue in the financial year ended December 31, 2008 to €72.9 million, or 7% of consolidated revenue in the financial year ended December 31, 2009. Throughout the year 2009, over 90% of Retail Broadband Internet additions also took Telephony. As expected, strong bundled broadband subscriber growth was partially offset by lower mobile and rate based international voice calls per subscriber, lower interconnection revenue from incoming calls as well as general bundled pricing and promotional campaigns.

Carriage fees increased by 3%, from €81.2 million in the financial year ended December 31, 2008 to €83.3 million in the financial year ended December 31, 2009 primarily due to increased revenue from shopping channels and other digital cable television content.

Installation fees were €7.5 million for the financial year ended December 31, 2009 compared to €8.2 million in the financial year ended December 31, 2008.

Revenue from arena was €174.3 million in the financial year ended December 31, 2009, or 17% of consolidated revenue. Included in arena revenue are both installation and subscription fees relating to arenaSAT packages, sales generated from set-top boxes sold as well as wholesale revenue, the Premiere share revenue recognition and sublicense fee payments by Premiere until June 30, 2009. The Premiere share and sublicense revenue (as well as the expenses for the *Bundesliga* Rights to the DFL) for the respective seasons were realized on a proportional basis depending on the number of *Bundesliga* games in the respective period. Both revenue from the Premiere share revenue recognition and *Bundesliga* sublicense fees were only incurred until June 30, 2009 as the underlying sublicense agreement with Premiere expired as of June 30, 2009 following the discontinuation of the rights to offer *Bundesliga* content on a retail basis. The shares of Premiere AG were sold to News Corp in January 2008 for €287 million before transaction costs and the original book value was the basis for deferred revenue recognition for the life-time of the underlying contract until the end of the season 2008/2009. Revenue in the arena segment in the financial year ended December 31, 2008 was €352.4 million.

Own work capitalized

Own work capitalized decreased by 4% from €18.1 million in the financial year ended December 31, 2008 to €17.4 million in the financial year ended December 31, 2009. Own work capitalized represent network projects staffed by in-house employees resulting from upgrade activity in increasingly rural areas. A corresponding amount of expenditure is reflected in personnel expenses.

Other income

Other income decreased by 6%, from €41.2 million in the financial year ended December 31, 2008 to €38.7 million in the financial year ended December 31, 2009. Other income in the financial year ended December 31, 2009 primarily includes releases of certain prior period accruals in the amount of €23.3 million, of which €18.5 million were non-recurring. Other income in the financial year ended December 31, 2008 includes releases of certain prior period accruals in the amount of €17.3 million, of which €6.1 million were non-recurring. For further details please see “Note 3” of the F-Pages.

Cost of materials and services

Cost of materials and services consists of raw materials and consumables and purchased services. Raw materials and consumables primarily include WLAN routers, refurbishment of CPE and set-top boxes which we sell. Purchased services primarily consists of network infrastructure services, which include costs under long term agreements with Deutsche Telekom (Term Sheets), costs for arena’s satellite platform, cost of repair and maintenance as well as other agreements. Our most significant costs include payments under long term agreements with Deutsche Telekom for the use of assets which are shared between our network and that of Deutsche Telekom and for services provided by Deutsche Telekom. Total cost of materials and services for the financial year ended December 31, 2009 was €157.3 million compared to €145.6 million for the financial year ended December 31, 2008.

Raw materials and consumables. Cost of raw materials and consumables increased from €9.8 million in the financial year ended December 31, 2008 to €10.2 million in the financial year ended December 31, 2009. Our cost of raw materials and consumables as a percentage of consolidated revenue was 1% both in the financial year ended December 31, 2009 and in the financial year ended December 31, 2008.

Purchased services. Cost of purchased services increased by 8%, from €135.8 million in the financial year ended December 31, 2008 to €147.2 million in the financial year ended December 31, 2009. The increase primarily relates to higher interconnection and connectivity costs and technical service visits on a higher base of Internet and telephony customers as well as higher energy costs. Our cost of purchased services as a percentage of consolidated revenue increased from 12% in the financial year ended December 31, 2008 to 14% in the financial year ended December 31, 2009.

Personnel expenses

Personnel expenses include salaries and wages, social security, pension, share-based payments and other benefits of our permanent staff. They also include other forms of compensation such as overtime and stand-by pay, but do not include outsourced or temporary staff expenses, which are included in other expenses.

Personnel expenses also include non-cash charges for share-based payments to certain management members and the Board of Directors of Unitymedia Management S.A. Share based payments amounted to €5.0 million in the financial year ended December 31, 2009 compared to €1.8 million in 2008. Total personnel expenses increased by 12% from €104.7 million in the financial year ended December 31, 2008 to €117.6 million in the financial year ended December 31, 2009 due to a higher headcount in customer facing departments such as customer service and our technical hotline as well as salary increases. Our personnel expenses as a percentage of consolidated revenue increased to 11% in the financial year ended December 31, 2009 compared to 9% in the financial year ended December 31, 2008.

Depreciation and amortization expenses

Depreciation and amortization expenses relate to property, plant and equipment and intangible assets and are depreciated over the estimated useful asset life or the contract period as applicable. This includes the costs of set-top boxes and cable modems rented to the customer as well as certain third party customer acquisition costs.

Depreciation and amortization increased by 14%, from €255.6 million in the financial year ended December 31, 2008 to €290.6 million in the financial year ended December 31, 2009. The increase relates to a higher fixed and intangible asset base primarily resulting from upgrade projects as well as a higher amount of short-term depreciable CPE and capitalized customer acquisition costs from the larger triple play base. Our depreciation and amortization expenses as a percentage of consolidated revenue increased to 28% in the financial year ended December 31, 2009 compared to 22% in the financial year ended December 31, 2008.

Other expenses

Other expenses include copyright license fees, rental and leasing fees, sales and marketing expenses, legal, consulting, bad debt allowance and miscellaneous other operating expenses including costs for our customer care, billing and network systems, management fees and payments for the *Bundesliga* rights to the DFL until June 30, 2009. We also pay license fees for our digital television programming.

Other expenses decreased by 29% from €527.8 million in the financial year ended December 31, 2008 to €375.6 million in the financial year ended December 31, 2009. This decrease is primarily due to lower programming costs following the expiry of our rights to retail *Bundesliga* programming as of June 30, 2009, and lower operating costs at arena following a lower arenaSAT subscriber base. This decrease was partially offset by higher sales and marketing expenses in the cable segment.

Financial income

Financial income increased from €71.3 million in the financial year ended December 31, 2008 to €120.4 million in the financial year ended December 31, 2009. The €71.3 million in 2008 primarily reflect capital gains recorded in connection with the sale of the Premiere shares in the amount of €42.1 million as well as a €15.5 million gain from the nominal €251.0 million repurchased NRW/Hesse Notes below par value and €13.7 million interest and similar income. The €120.4 million in 2009 primarily reflect a capital gain of €79.4 million based on a share swap agreement between Unitymedia Hessen and Unitymedia GmbH exchanging previously purchased Unitymedia S.C.A shares by Unitymedia Hessen for a shareholding in Unitymedia GmbH, a €38.4 million non-cash gain on the valuation of prepayment options of the Unitymedia Group Notes under EU-IFRS as well as €2.6 million interest and similar income. The decrease in interest income is due to the lower cash and interest rate level in 2009.

Financial expenses

Financial expenses increased from €153.4 million in the financial year ended December 31, 2008 to €156.9 million in the financial year ended December 31, 2009. This increase year on year was primarily due to the release of the previously recognized interest hedge reserve in the amount of €28.1 million resulting from the fact that the requirements for hedge accounting according to IAS 39.88 were no longer fulfilled as of December 31, 2009 given the 2010 Refinancing. Financial expenses in the financial year ended December 31, 2008 include a €4.8 million non-cash writedown on the value of prepayment options for the fixed rate Unitymedia Notes. The year over year increase was partially offset by lower outstanding debt principal from the nominal € 251 million NRW/Hesse Notes repurchased in 2008 as well as lower Euribor rates on the unhedged portion of the NRW/Hesse Notes and Term Loan in 2009. For more details refer to “Note 9” of the F-Pages.

Income taxes

Income tax expenses of €45.7 million in the financial year ended December 31, 2009 primarily included €16.6 million of current trade and corporate income tax expenses and deferred taxes of €24.7 million. In the financial year ended December 31, 2008 we incurred income tax expenses of €19.3 million, primarily reflecting trade tax and corporate income tax expenses including € 3.5 million deferred taxes. For further details refer to “Note 10” of the F-Pages.

Profit/loss

Profit for the Group in the financial year ended December 31, 2009 of €76.7 million included a capital gain of €79.4 million based on a share swap agreement between Unitymedia Hessen and Unitymedia GmbH exchanging previously purchased Unitymedia S.C.A shares by Unitymedia Hessen for a shareholding in Unitymedia GmbH and a €38.4 million non-cash gain on the valuation of prepayment options of the Unitymedia Group Notes under IFRS, offset by a release of the previously recognized interest hedge reserve in the amount of €28.1 million. Profit for the Group in the financial year ended December 31, 2008 of €86.1 million included capital gains recorded in connection with the sale of the Premiere shares in the amount of €42.1 million as well as a €15.5 million gain from the nominal €251.0 million repurchased NRW/Hesse Notes below par value. Excluding these effects from our 2009 and 2008 results, we incurred a loss of €13.0 million in the financial year ended December 31, 2009, compared to a profit of €28.5 million during the year ended December 31, 2008, primarily due to lower EBITDA contribution from the arena segment, higher depreciation and amortization expenses as well as higher income tax expenses, offset by improved EBITDA contribution from the cable business and lower financial expenses.

Consolidated results for the financial year ended December 31, 2008 compared to the financial year ended December 31, 2007

Revenue

Revenue increased by 16.3%, from €999.0 million in the financial year ended December 31, 2007 to €1,161.9 million in the financial year ended December 31, 2008. The increase in revenue was primarily due to increased revenue from arena, our New Services and price increases in the basic cable single user and multi user subscriber base, as well as increased digital carriage fees under the July 2007 Premiere agreement and the revised content feed-in agreement with German public broadcasters.

Basic cable subscription revenue primarily consists of monthly basic cable subscription fees from the delivery of analogue and digital television access signals and increased by 3%, from €535.8 million for the financial year ended December 31, 2007 to €553.5 million for the financial year ended December 31, 2008. This increase was primarily due to price increases in the analogue single and multi user basic cable subscriber base and increased digital access take-up in multi dwelling units. The revenue increase was partially offset by churn from both the 2007 and 2008 price increases. In total, the contribution of the basic cable television business as a percentage of revenue decreased from 54%, or €535.8 million, in the financial year ended December 31, 2007 to 48%, or €553.5 million, of consolidated revenue in the financial year ended December 31, 2008.

Revenue from our Digital TV Pay business includes monthly subscription fees for pay TV programming as well as rented set-top boxes and, from December 2008 for digital video recorders. Revenue from our Digital TV Pay business grew from €54.5 million, or 5% of consolidated revenue in the financial year ended December 31, 2007 to €60.0 million, or 5% of consolidated revenue for the financial year ended December 31, 2008. The increase was primarily due to an increase in RGUs of our Digital TV Pay offerings reflecting the increased conversion to pay TV from the growing basic digital access customer base which was partially offset by *Bundesliga* subscriber churn.

Revenue from our Internet business includes the monthly subscription fees for retail broadband and wholesale MMA Internet services. Revenue from our Internet business increased from €25.9 million, or 3% of consolidated revenue in the financial year ended December 31, 2007 to €55.1 million, or 5% of consolidated revenue in the financial year ended December 31, 2008. The 113% increase represents an accelerated take-up of our triple play product portfolio in our increasingly upgraded regions in Hesse and North Rhine-Westphalia. Bundling discounts are allocated to telephony since the second quarter of 2008 whereas until and including the first quarter 2008 the full effect of bundling discounts was reflected in Internet.

Revenue from our Telephony business includes monthly line subscription fees and usage. Revenue from our Telephony business increased from €26.8 million or 3% of consolidated revenue in the financial year ended December 31, 2007 to €51.4 million, or 4% of consolidated revenue in the financial year ended December 31, 2008. This increase represents an accelerated take-up of our telephony products in our upgraded regions tracking the accelerated Internet growth as over 90% of Retail Broadband Internet additions also take Telephony. This increase was partially offset by lower ARPU from promotional campaigns for the Unity3play lead product. The discounts are allocated to telephony since the second quarter of 2008.

Carriage fees increased by 49%, from €54.4 million in the financial year ended December 31, 2007 to €81.2 million in the financial year ended December 31, 2008 primarily due to increased revenue from Premiere content feed-in fees following the six year Premiere carriage agreement and increased revenue from a revised feed-in agreement from public broadcasters, which both commenced January 1, 2008, as well as revenue from other digital cable television content on Unitymedia's cable network.

Installation fees decreased from €9.0 million in the financial year ended December 31, 2007 to €8.2 million for the financial year ended December 31, 2008 due to lower one-time charge volume from analogue basic cable and digital subscribers being connected.

Revenue from arena was €352.4 million in the financial year ended December 31, 2008, or 30% of consolidated revenue. Included in arena revenue are both installation and subscription fees relating to arena satellite packages as well as wholesale revenue, sales generated from set-top boxes sold, the Premiere share revenue recognition and sublicense fee payments by Premiere. The Premiere share and sublicense revenue (as well as the expenses for the *Bundesliga* Rights to the DFL) for the respective seasons are realized on a proportional basis depending on the number of games in the respective period. The shares of Premiere AG were sold to News Corp in January 2008 for €287 million before transaction costs and the original book value is the basis for deferred revenue recognition. The €42.1 million capital gain resulting from the difference between higher sale price and book value is shown within financial income.

Own work capitalized

Own work capitalized increased by 22% from €14.9 million in the financial year ended December 31, 2007 to €18.1 million in the financial year ended December 31, 2008. This increase largely reflects an increase in the level of network projects staffed by in-house employees resulting from higher upgrade activity in our regions. A corresponding amount of expenditure is reflected in personnel expenses.

Other income

Other income decreased by 7%, from €44.1 million in the financial year ended December 31, 2007 to €41.2 million in the financial year ended December 31, 2008. Other income of €44.1 million in the financial year ended December 31, 2007 included €16.1 million non-recurring settlement and purchase price adjustment accrual releases. Net of this effect, other income increased by €13.2 million. This increase was primarily due to release of prior period accruals, one-time revenues from sublicencing certain *Bundesliga* games as well as a consolidation gain resulting from share acquisitions of the Primacom networks in the amount of €1.7 million. The two latter effects are reflected in Adjusted EBITDA.

Cost of materials and services

Cost of materials and services consists of raw materials and consumables, and purchased services. Raw materials and consumables primarily include the cost of repair and maintenance, cable modems and set-top boxes which we sell. Purchased services primarily consists of network infrastructure services, which include costs under long term agreements with Deutsche Telekom, costs for arena's satellite platform as well as other agreements. Our most significant costs include payments under long term agreements with Deutsche Telekom for the use of assets which are shared between our network and that of Deutsche Telekom and for services provided by Deutsche Telekom. Total cost of materials and services for the financial year ended December 31, 2008 was €145.6 million.

Raw materials and consumables. Cost of raw materials and consumables decreased from €10.1 million in the financial year ended December 31, 2007 to €9.8 million in the financial year ended December 31, 2008. The decrease primarily relates to a lower amount of set-top boxes sold in 2008 at arena. Our cost of raw materials and consumables as a percentage of consolidated revenue was 1% in the financial year ended December 31, 2008 and 2007.

Purchased services. Cost of purchased services increased by 4%, from €130.0 million in the financial year ended December 31, 2007 to €135.8 million in the financial year ended December 31, 2008. The increase primarily relates to higher interconnection and connectivity costs due to a higher base of Internet and telephony customers partially offset by savings under our BRN agreements with Deutsche Telekom. Our cost of purchased services as a percentage of consolidated revenue decreased from 13% in the financial year ended December 31, 2007 to 12% in the financial year ended December 31, 2008.

Personnel expenses

Personnel expenses include salaries and wages, social security, pension, share-based payments and other benefits of our permanent staff. They also include other forms of compensation such as overtime and stand-by pay, but do not include outsourced or temporary staff expenses, which are included in other operating expenses.

Personnel expenses also include non-cash charges of €1.8 million in the financial year ended December 31, 2008 compared to €1.9 million in the same period 2007 for share-based payments to certain management members and the Board of Directors of Unitymedia Management S.A. Total personnel expenses increased by 1% from €104.1 million in the financial year ended December 31, 2007 to €104.7 million in the financial year ended December 31, 2008 due to a higher headcount in customer facing departments such as customer service as well as salary increases. These increases were partially offset by a lower headcount at the level of Unitymedia Services and lower personnel expenses at arena following the closure of the broadcasting business which led to personnel restructuring expenses in 2007. Our personnel expenses as a percentage of consolidated revenue decreased to 9% in the financial year ended December 31, 2008 compared to 10% in the financial year ended December 31, 2007.

Depreciation and amortization expenses

Depreciation and amortization expenses relate to property, plant and equipment and intangible assets and are depreciated over the estimated useful asset life or the contract period as applicable. This includes the costs of set-top boxes and cable modems rented to the customer as well as certain third party customer acquisition costs.

Depreciation and amortization increased by 11%, from €230.7 million in the financial year ended December 31, 2007 to €255.6 million in the financial year ended December 31, 2008. The increase relates to a higher fixed and intangible asset base primarily resulting from finalized upgrade projects as well as a higher amount of short-term depreciable CPE and capitalized customer acquisition costs. Our depreciation and amortization expenses as a percentage of consolidated revenue decreased to 22% in the financial year ended December 31, 2008 compared to 23% in the financial year ended December 31, 2007.

Other expenses

Other expenses include copyright license fees, rental and leasing fees, sales and marketing expenses, legal, consulting, bad debt allowance and miscellaneous other operating expenses including costs for our customer care, billing and network systems, management fees and payments for the *Bundesliga* rights to the DFL. We also pay license fees for our digital television programming.

Other expenses increased from €522.4 million in the financial year ended December 31, 2007 to €527.8 million in the financial year ended December 31, 2008. This increase is primarily due to higher sales and marketing expenses as well as outsourcing and temporary staff costs for customer care in the cable segment. This increase was partially offset by lower operating costs at arena after the shut down of arena's broadcasting business and the incurrence of restructuring costs.

Financial income

Financial income increased from €16.3 million in the financial year ended December 31, 2007 to €71.3 million in the financial year ended December 31, 2008. The increase is primarily due to the capital gain from the sale of Premiere shares of €42.1 million in the first quarter of 2008 and a gain of €15.5 million from the nominal €251.0 million repurchased NRW/Hesse Notes below par value in 2008.

Financial expenses

Financial expenses decreased from €163.2 million in the financial year ended December 31, 2007 to €153.4 million in the financial year ended December 31, 2008. The decrease in interest expenses year on year was primarily due to lower outstanding debt principal from the retired €75 million of NRW/Hesse Notes in December 2007, as well as a positive netting effect of interest payments from the nominal €251 million NRW/Hesse Notes repurchased in 2008. The decrease was partially offset by a €4.8 million non-cash writedown on the value of prepayment options for the fixed rate Unitymedia Notes as they traded below par on December 31, 2008, as well as higher Euribor settings on the unhedged portion of NRW/Hesse Notes and the Term Loan and interest payments for the drawn portion of the NRW/Hesse Revolving Credit Facility.

Income taxes

We incurred income tax expenses of €19.3 million in the financial year ended December 31, 2008, primarily related to accrued trade tax and corporate income tax expenses of €17.9 million. We incurred an income tax benefit of €37.4 million in the financial year ended December 31, 2007 primarily due to the revaluation of deferred tax liabilities based on new tax rates according to the German tax reform which was introduced by the German government in the third quarter of 2007. For further details refer to “Note 10” of the F-Pages.

Profit/loss

Profit in the financial year ended December 31, 2008 was €86.1 million compared to a net loss of €48.8 million in the financial year ended December 31, 2007. The primary drivers for the increase in net profit were growth in revenue in the cable segment, higher revenue at arena from the July 2007 Premiere agreement and the capital gain upon disposal of the Premiere shares in January 2008 as well as lower financial expenses due to the €251.0 million repurchased NRW/Hesse Notes during 2008.

Cash flow

Our primary sources of liquidity are cash flows from operating activities and borrowings. The table below shows our cash flow for the financial year ended December 31, 2009, 2008 and 2007.

Cash flow statement data - Unitymedia GmbH (IFRS Consolidated)

Consolidated Statement of Cash flows for the period January 1 until December 31

(in €m)	Year ended December 31, 2009	2008	2007
Cash flow provided by operating activities			
Earnings before interest and taxes (EBIT)	**158.9**	**187.5**	**60.7**
Depreciation and amortization expenses	290.6	255.6	230.7
Other non-cash income	(69.6)	(108.2)	(104.5)
Losses from disposals of property, plant and equipment	5.3	1.8	0.1
Decrease of inventories, trade receivables and other assets not related to investing or financing activities	60.1	25.1	1.3
Increase (decrease) of accruals, trade payables and other liabilities not related to investing or financing activities	(6.1)	(20.0)	45.8
Income taxes paid	(20.7)	(24.8)	(5.7)
Financial income received	4.6	6.7	8.1
Financial expenses paid	(125.7)	(144.0)	(155.5)
Proceeds from disposal of available for sale securities	0.0	244.0	0.0
Cash flow provided by operating activities	**297.5**	**423.6**	**81.0**
Cash flow used by investing activities			
Proceeds from disposal of property, plant and equipment	0.0	0.0	0.6
Proceeds from disposal of available for sale securities	0.0	42.1	0.0
Investments in available for sale securities	(45.6)	0.0	0.0
Investments in tangible fixed assets	(207.2)	(186.7)	(150.2)
Investments in intangible fixed assets	(45.0)	(39.7)	(17.3)
Reimbursement from / (investments in) the acquisition of subsidiaries	1.0	(49.1)	0.0
Cash flow used by investing activities	**(296.8)**	**(233.4)**	**(166.9)**
Cash flow used by financing activities			
Repayment of finance lease obligations	(0.6)	(1.2)	(1.6)
Cash paid into capital reserves	0.0	0.0	0.2
Revolver / (revolver repayment)	(30.0)	30.0	0.0
Cash repayments of loans or short or long term borrowings	0.0	(231.2)	(130.0)
Cash flow used by financing activities	**(30.6)**	**(202.4)**	**(131.4)**
Cash and cash equivalents at the end of the period			
Change in cash and cash equivalents from cash relevant transactions	(30.0)	(12.1)	(217.3)
Cash and cash equivalents at the beginning of the period	214.9	227.1	444.4
Cash and cash equivalents at the end of the period	**185.0**	**214.9**	**227.1**

Cash flow from operating activities for the financial year ended December 31, 2009 compared to the financial year ended December 31, 2008

Cash flow provided by operating activities

Our cash flow provided by operating activities decreased by €126.1 million from a cash inflow of €423.6 million in the financial year ended December 31, 2008, to a cash inflow of €297.5 million in the financial year ended December 31, 2009. The inflow in the financial year ended December 31, 2008 included the book value of the proceeds from the sale of the Premiere shares in January 2008 of €244.0 million. Net of this effect, cash flow provided by operating activities increased by €117.9 million which is primarily due to €33.7 million cash collection in the first week of January 2009 from a year-end 2008 billing run as well as Unitymedia Cable EBITDA growth and lower interest payments.

Cash flow used by investing activities

Our cash flow used by investing activities was €296.8 million in the financial year ended December 31, 2009, which primarily represents operating capital expenditures of €244.1 million, €8.1 million of third party network acquisitions as well as €45.6 million for the purchase of shares in Unitymedia S.C.A. In the financial year ended December 31, 2008, cash used by investing activities was €233.4 million, which was primarily due to operating capital expenditures of €226.4 million as well as the acquisition of the shares of the former Primacom Aachen and Wiesbaden networks in the amount of €49.1 million, primarily offset by a capital gain of €42.1 million resulting from the sale of Premiere shares above book value in the first quarter of 2008.

Capital expenditures

Our capital expenditures relate primarily to extending or upgrading our network, installation and in-home wiring for new customers, the cost of set-top boxes and cable modems rented to our customers. Capital expenditures also include increases in intangible assets (except our customer list) and do not include financial assets.

Total capital expenditures for the financial year ended December 31, 2009 amounted to €252.2 million compared to €233.0 million (including €6.6 million of non-cash capitalized leases) a year before. Capital expenditures for our cable business increased from €231.5 million for the financial year ended December 31, 2008 to €251.7 million (including €8.1 million of third party network acquisitions) for the financial year ended December 31, 2009. arena had €0.5 million of capital expenditures in the financial year ended December 31, 2009 compared to €1.6 million in the financial year ended December 31, 2008.

Capital expenditures for the financial year ended December 31, 2009 included €42.0 million for additional upgrades of our network for over 874,000 additional homes passed and €19.9 million were spent for node splits. We are continuing with further selected upgrades of our network.

In the financial year ended December 31, 2009 capital expenditures also included €44.2 million customer premise equipment capital expenditures primarily related to set-top boxes and cable modems rented as part of our digital and broadband cable offerings and a further €69.8 million related to the service installation and upgrade of in-home wiring where a specific Retail Broadband Internet or MMA contract was secured. Our New Services, in particular the digital access and triple play products, could significantly increase our capital expenditures. In accordance with EU-IFRS, third party commissions paid for our digital and broadband services with minimum contract periods are capitalized and amount to €31.0 million in the financial year ended December 31, 2009. Core network and other capital expenditures amounted to €44.8 million in the financial year ended December 31, 2009, also including €8.1 million for acquisitions of third party networks previously served through a signal delivery agreement. Unitymedia continues to evaluate further bolt-on acquisitions.

We have a high quality, well-engineered network in which the vast majority of the cable plant is below the ground (and as such is subject to fewer breakdowns caused by external elements). In addition, we believe our network ownership structure contributes to lower capital maintenance and operating expenses for infrastructure. Incremental capital expenditures such as CPE, installation or in-home wiring upgrades or the introduction of a new product are designed to ensure that our return-on-investment thresholds are met. As such a significant portion of our capital expenditure is demand-driven, meaning that the majority of our capital expenditure outlay occurs after we acquire a new customer, and therefore is incurred in line with subscriber growth. Accordingly, our planned future capital expenditure could increase or decrease depending on changes in subscriber growth.

We will continue to evaluate the speed and extent of further network upgrades depending upon our competitive position and return on investment estimates, which could increase our level of capital expenditures significantly.

Cash flow used by financing activities

Our cash flow used by financing activities was €30.6 million in the financial year ended December 31, 2009, primarily due to the repayment of the NRW/Hesse Revolving Credit Facility in the first quarter of 2009. In the financial year ended December 31, 2008 our cash outflow from financing activities was €202.4 million which primarily reflects open market repurchases of €251 million par value NRW/Hesse Notes, offset by the drawing of €30 million of the NRW/Hesse Revolving Credit Facility in the fourth quarter of 2008.

Our cash balance as of December 31, 2009 was €185.0 million compared to €214.9 million as of December 31, 2008.

Cash flow for the financial year ended December 31, 2008 compared to the financial year ended December 31, 2007

Cash flow provided by operating activities

Our cash flow provided by operating activities increased by €342.6 million from a cash inflow of €81.0 million in the financial year ended December 31, 2007, to a cash inflow of €423.6 million in the financial year ended December 31, 2008. This increase is primarily driven by the book value of the proceeds from the sale of the Premiere shares in January 2008 of €244.0 million as well as the Unitymedia Cable revenue growth and improved EBITDA performance at arena, partially offset by transaction-related tax expenses for Unitymedia Services in the amount of €21.4 million paid in the second quarter of 2008 related to the October 2006 acquisition of TeleColumbus´ in-region subscribers. Cash flow provided by operating activities includes interest expenses.

Cash flow used by investing activities

Our cash flow used by investing activities was €233.4 million in the financial year ended December 31, 2008, which primarily represents capital expenditures of €233.0 million including non-cash €6.6 million of capitalized future lease obligations, €3.0 of asset deal acquisitions, as well as €6.1 million of Aachen and Wiesbaden upgrades, primarily in the fourth quarter of 2008. Cash flow used by investment activities also includes investments in the share acquisition of the former Primacom Aachen and Wiesbaden networks of €49.1 million, offset by the €42.1 million capital gain portion of the sale of Premiere shares. In the financial year ended December 31, 2007, cash outflow from investing activities was €166.9 million, which was primarily due to capital expenditures (see below).

Capital expenditures

Our capital expenditures relate primarily to extending or upgrading our network, installation and in-home wiring for new customers, the cost of set-top boxes and cable modems rented to our customers. Capital expenditures also include increases in intangible assets (except our customer list) and do not include financial assets.

Total capital expenditures for the financial year ended December 31, 2008 amounted to €233.0 million (excluding the acquisitions of the shares of the PrimaCom entities in Aachen and Wiesbaden in the amount of €49.1 million) compared to €173.6 million for the previous year. Capital expenditures for our cable business increased from €171.7 million for the financial year ended December 31, 2007 to €231.5 million for the financial year ended December 31, 2008. arena had €1.6 million of capital expenditures in the financial year ended December 31, 2008 compared to €1.8 million in the financial year ended December 31, 2007.

Capital expenditures for the financial year ended December 31, 2008 included approximately €67.1 million for additional upgrades of our network for over 1.5 million additional homes passed, node splits and other network development as well as €6.6 million capitalized long-term fiber leases. As of December 31, 2008, approximately 7.2 million homes in Hesse and North Rhine-Westphalia were upgraded to 862MHz bi-directional capability up to the building, with in-home wiring upgrades generally on an as-needed, success-based basis.

In the financial year ended December 31, 2008 capital expenditures also included €38.3 million customer premise equipment capital expenditures primarily related to set-top boxes and cable modems rented as part of our digital and broadband cable offerings and a further €58.5 million related to the upgrade of in-home wiring where a specific retail broadband Internet or MMA contract was secured. Our new product offerings, in particular the digital access and triple play products could significantly increase our capital expenditures. In accordance with EU-IFRS, third party commissions paid for our digital and broadband services with minimum contract periods are capitalized and amount to €19.6 million in the financial year ended December 31, 2008. Core network and other capital expenditures amounted to €47.9 million in the financial year ended December 31, 2008, also including €3.0 million of asset deal acquisitions.

We have a high quality, well-engineered network in which the vast majority of the cable plant is below the ground (and as such is subject to fewer breakdowns caused by external elements). In addition, we believe our network ownership structure contributes to lower capital maintenance and operating expenses for infrastructure. Incremental capital expenditures such as CPE, installation or in-home wiring upgrades or the introduction of a new product are designed to ensure that our return on investment thresholds are met. As such a significant portion of our capital expenditure is demand-driven, meaning that we spend the majority of such capital expenditures after acquiring a new customer, and therefore is incurred in line with subscriber growth. Accordingly, our planned future capital expenditure could increase or decrease depending on changes in subscriber growth.

We will continue to evaluate the speed and extent of our network upgrades depending upon our competitive position and return on investment estimates, which could increase our level of capital expenditures significantly.

Cash flow used by financing activities

Our cash flow used by financing activities was €202.4 million in the year ended December 31, 2008, primarily due to the open market repurchases of €251 million par value NRW/Hesse Notes offset by a net €30 million draw on the NRW/Hesse Revolving Credit Facility. In the year ended December 31, 2007 our cash flow used by financing activities was €131.4 million which primarily reflects a €55.0 million repayment on the NRW/Hesse Revolving Credit Facility and €75.0 par value million retired NRW/Hesse Notes.

Our cash balance as of December 31, 2008 was €214.9 million (including €102.5 million collateralized cash for the DFL Bank Guarantee for the 2008/2009 *Bundesliga* season) compared to €227.1 million as of December 31, 2007.

Capital Resources and Financial Condition

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in euros. Historically, we have relied primarily upon the proceeds of offerings of debt securities, bank borrowings and cash flow from operations to provide funds required for acquisitions and operations.

Our principal source of liquidity on an on-going basis will be our operating cash flows and drawings under the Unitymedia 2010 Revolving Credit Facility under which we will have access to funds to service our working capital and general corporate needs. Please refer to the “Description of Indebtedness.” Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. Our high number of subscribers to basic cable services who pre-pay their annual bill in the months between November and February leads to higher cash inflows in these months as compared to the rest of the year.

We believe that the cash flow from operations, the Unitymedia 2010 Revolving Credit Facility and parent financing by UPC Germany GmbH will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements over the next 12 months, although we cannot assure you that this will be the case. To the extent that we are not able to fund any principal payment at maturity with respect to any of our indebtedness, we will be required to refinance this indebtedness with additional credit facilities and/or the issue of new debt or equity securities in the capital markets. Any failure to raise additional necessary funds would result in a default under Unitymedia 2010 Revolving Credit Facility and our other indebtedness, including the Unitymedia 2010 Senior Secured Notes and Unitymedia 2010 Senior Notes. We anticipate that we will have to refinance in part the payment of certain notes at maturity. Our shareholders have not guaranteed any of our debt obligations. In addition, additional indebtedness incurred could reduce the amount of our cash flow available to make payments on our indebtedness and increase our leverage.

The terms of the Unitymedia 2010 Revolving Credit Facility and the indentures governing the Unitymedia 2010 Senior Secured Notes and Unitymedia 2010 Senior Notes contain a number of significant covenants that restrict our ability, and the ability of our subsidiaries, to, among other things, pay dividends or make other distributions, make capital expenditures, and incur additional debt and grant guarantees. Furthermore, the ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, other agreements and legal prohibitions on such payments or otherwise distributing funds, including for the purpose of servicing debt. In addition, our net equity and that of certain of our subsidiaries is low, which may restrict our ability to pay dividends or otherwise distribute funds, including for the purpose of servicing debt. Losses or other events could further reduce our net equity.

Seasonality

Certain aspects of our business are subject to seasonal factors. In particular we have a disproportionately high level of annual prepayments in the months between November and February, which results in higher levels of accounts receivable and cash flow from operations in these months each year, offset by associated VAT payments. We also generally have a higher relative level of capital expenditures in the second half of each calendar year, which generally results in higher payments in the fourth and first quarters of each calendar year.

Overview of Financing Instruments

In funding its continuing growth Unitymedia benefits significantly from the stable, utility-like cash flows derived from its large basic cable subscriber base. As of December 31, 2009, we had €1,699 million of long-term nominal value indebtedness, which consisted of the following:

- €1,024 million under the NRW/Hesse Notes issued by Unitymedia NRW and Unitymedia Hessen in April 2006 (net of €251 million repurchased but not retired)
- €100 million drawn under the Senior Secured Term Loan in October 2006;
- €575 million under the Unitymedia Senior Notes and Unitymedia New Senior Notes issued by Unitymedia in 2005; and
- €130 million NRW/Hesse Revolving Credit Facility, which was undrawn as of December 31, 2009.

Under EU-IFRS accounting financial debt amounted to €1,690.4 million when deducting the foreign exchange valuation of the US$ bond and capitalized transaction costs and adding accrued interest. As of December 31, 2009 Unitymedia had €185.0 million in cash and cash equivalents.

Subsequent to the Liberty Global Transaction, the Company redeemed its above mentioned indebtedness on March 2, 2010 and became issuer, together with its operating subsidiaries Unitymedia Hessen and Unitymedia NRW, of the Unitymedia 2010 Notes. Unitymedia´s outstanding nominal value indebtedness as of March 10, 2010 consisted of the following:

- €1,430 million under the Unitymedia 2010 Senior Secured Notes co-issued by Unitymedia NRW and Unitymedia Hessen;
- $845 million under the Unitymedia 2010 Senior Secured Notes co-issued by Unitymedia NRW and Unitymedia Hessen;
- €665 million Unitymedia 2010 Senior Notes issued by Unitymedia GmbH;
- €80 million Unitymedia 2010 Revolving Credit Facility, which was undrawn as of the debt pushdown on March 2, 2010 and €35 million drawn as of March 10, 2010.

Contractual Commitments

We have entered into several long term Term Sheets with Deutsche Telekom and its affiliates. These include usage and access agreements for underground cable ducts space, the use of fiber optic transmission systems, tower and facility space. In general, these agreements primarily impose fixed prices for a limited period of time, which may then be raised to reflect services requested additionally and increased costs, subject to index-linked limitations. Some agreements impose prices based on the cost to Deutsche Telekom of services that are passed through to us. Furthermore, we have entered into long term BRN agreements under which we lease additional fiber optic lines. We have the ability to terminate these agreements with notice periods of between 12 and 24 months. We have also entered into various other license, rental and operating lease agreements, all of which are expensed as services are provided. In accordance with EU-IFRS, we treat these leases as operating rather than capital leases.

For more detail on the Term Sheets as well as other financial obligations refer to “Note 23” of the F-Pages.

Off-Balance Sheet Arrangements

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

Material Recent Developments

Closing of Liberty Global´s Acquisition of Unitymedia

On January 28, 2010, Unitymedia announced the closing of the acquisition of 100% of the shares of Unitymedia GmbH by UPC Germany GmbH, an indirectly owned subsidiary of Liberty Global, Inc. ("the Liberty Global Transaction") that was previously announced on November 13, 2009. The closing followed the approval by the European Cartel Office on January 25, 2010. Unitymedia is now a 100% indirectly owned subsidiary of Liberty Global, Inc.

Unitymedia appoints W. Gene Musselman as new acting Managing Director

On January 28, 2010, W. Gene Musselman, President and Chief Operating Officer of UPC Broadband, was appointed acting Managing Director of Unitymedia in addition to his European role at UPC Broadband. Gene Musselman has over twenty five years of experience in the cable industry, primarily in Europe. Parm Sandhu, former Chief Executive Officer of Unitymedia, has decided to leave the company to pursue other opportunities.

2010 Refinancing

Following the closing of the Liberty Global Transaction and subsequent to the redemption notices sent out on January 28, 2010, Unitymedia refinanced its existing indebtedness under the Unitymedia Group Notes and the previous Term Loan with the Unitymedia 2010 Senior Secured and Unitymedia 2010 Senior Notes on March 2, 2010. In addition, the previous NRW/Hesse Revolving Credit Facility has been cancelled and replaced with the Unitymedia 2010 Revolving Credit Facility.

Business

Overview

Unitymedia is the second largest cable television operator in Germany and an indirectly owned subsidiary of Liberty Global, Inc. We provide basic cable television services and digital cable television, Internet and telephony services to our customers who reside in our upgraded network area in the federal states of North Rhine-Westphalia and Hesse. We believe our cable network, which passes approximately 8.8 million homes, is one of the most technically advanced in Europe. In addition to this core business, we operate a digital pay TV satellite platform, arenaSAT, which is part of our arena segment.

Unitymedia´s ultimate parent, Liberty Global, is the leading international cable operator offering advanced video, voice and broadband internet services and operating state-of-the-art networks across 14 countries principally located in Europe, Chile and Australia. Liberty Global's operations also include significant programming businesses such as Chellomedia in Europe.

Our Strengths

We believe the following strengths will allow us to execute our growth strategy described below:

We operate in a highly attractive cable footprint. We are the largest cable television service provider in terms of revenues, homes passed and subscribers in North Rhine-Westphalia and Hesse (Source: Paul Budde Communication Pty. Ltd, May 2009). We serve the industrial and technological heartland of Western Germany including the Rhine-Ruhr and Rhine-Main regions. In 2008, North Rhine-Westphalia and Hesse generated approximately 31 percent of Germany's GDP and, together, constituted the 6th largest economy in the European Union as measured by GDP. With a combined population of 24.1 million and combined average GDP per capita of approximately €32,000 in 2008 (Source: Hessian Statistics Office and North Rhine-Westphalia Statistics Office), North Rhine-Westphalia and Hesse are among the most densely populated and economically prosperous regions in Europe, and we believe they therefore provide us with attractive growth opportunities. We believe that higher disposable income translates into relatively higher spending on media and communications services, while high population density allows for more efficient cable network operations and marketing.

The German market offers significant growth opportunities for our sector. The market for broadband Internet access services in Germany has grown rapidly over the last five years with a compound annual growth rate from 2004-2008 of 35.9 percent (Source: Screen Digest Ltd.). Despite the rapid growth, broadband penetration in Germany of 57.5 percent is still relatively low compared to the broadband Internet access penetration in Western Europe, which averaged 63.2 percent, and in neighboring markets such as Belgium and the Netherlands, which were 65.0 percent and 81.9 percent, respectively, in each case as of December 31, 2008 (Source: Screen Digest Ltd.). We also see significant upside in migrating customers from free-to-air TV to pay TV, as investment in and development of pay TV broadcast channels and content continue to accelerate. As of December 31, 2008, German digital pay TV subscribers represented only 15.8 percent of total television households, compared to a Western European average of 41.2 percent (Source: Screen Digest Ltd.). We are well positioned to participate in the growth in our sector as a result of our advanced products and services and our reputation in our markets as a leading triple play provider.

Our basic cable services provide us with strong, stable cash flows. A significant portion of our residential customers pay via direct debit, and many of our housing association customers pay annually or semi-annually in advance pursuant to multi-year contracts. These characteristics, together with the high value proposition of our basic cable services, have historically been responsible for relatively low gross churn rates and a relatively stable basic cable service subscriber base. As a result, our business enjoys reliable revenues, which, when combined with our predictable cost base and capital expenditures, have led to strong and stable cash flows.

Our established brand, local presence and triple play service offering are key drivers of growth. Since rebranding our cable operations as Unitymedia in 2007, we have significantly increased brand recognition and loyalty, establishing ourselves, we believe, as the leading provider of triple play services in our regions. We are able to leverage our local presence by rolling out integrated marketing plans by city, including, for example, coordinated waves of traditional and ambient advertising tailored to the cultural nuances of target cities combined with targeted marketing, sponsoring and sales channel distribution. Our cable network allows us to provide customers with a triple play service quality experience that we believe is superior to the experience of customers served by competitive infrastructures. We are able to lead pricing for our triple play service offerings based on our comparatively lean cost structure, high customer density and end-to-end control of our network. As a result, we increased our RGUs from “New Services” (consisting of Digital TV Pay, Retail Broadband Internet access, wholesale MMA Internet access and telephony) to 2.0 million in the financial year ended December 31, 2009 from 1.6 million in the financial year ended December 31, 2008. Further, in the financial year ended December 31, 2009, we believe that we captured more than 50 percent of Internet subscriber growth in our upgraded footprint, with approximately 80 percent of our new Retail Broadband Internet access RGUs opting for triple play services and, in addition, over 10 percent of our new Retail Broadband Internet access RGUs subscribing to a double play package, consisting of Retail Broadband Internet access and telephony.

We have a large customer base to which we can up- and cross-sell our triple play services. Our basic cable services subscriber base represents a unique asset to which we can up- and cross-sell digital products and services using our extensive sales and distribution network. Due to the delayed roll-out of digital products in Germany, our total ratio of RGUs per basic cable subscriber was relatively low at 1.45 as of December 31, 2009. Our single and combined offering of digital television, broadband Internet access and telephony services, in connection with our established brand and the current general trend towards digitalization, provides us with the opportunity to sell additional services to our existing customers. During the past year, we have significantly enhanced the service capabilities at our call centers by implementing new systems and reorganizing our call center operations to focus even more on customer retention and upselling opportunities. In addition, we believe that our triple play product offerings, which can be marketed to over 95 percent of our cable television subscribers within our upgraded footprint, will further increase our ability to attract new customers and open additional customer segments that we could not previously access.

Our network provides us with a superior platform. Our cable network is, for the majority of our footprint, one of only two networks with extensive local loop infrastructure across North Rhine-Westphalia and Hesse. It is highly engineered and benefited from a publicly funded homogenous roll-out, resulting in high network reliability and low maintenance requirements. Our regional backbone and local loop network position us, we believe, as the only alternative, infrastructure-based competitor to Deutsche Telekom across our market. We believe that control over the local loop last mile, allowing us to connect our network directly to the end-user premises, provides us with increased flexibility in product design and delivery, time-to-market advantages and certain cost advantages relative to operators without their own local loop. As of December 31, 2009, the network was 92% upgraded for bi-directional services up to the building, with in-home wiring upgrades generally on an as-needed, success-based basis.

We benefit from an advantageous cost structure with inherent operating leverage and success-based capital expenditures. We benefit from an advantageous cost structure as a result of our secure, long-term access to the cable ducts of Deutsche Telekom and our stringent focus on cost control. Despite significant upfront investments into our sales and marketing capabilities, network upgrades as well as our customer premises equipment we have been able to deliver strong financial results. Certain of our cost elements, such as a portion of our network operations, customer care, billing and administration costs, are relatively fixed, which allows us to generate high incremental returns as we grow our business. In addition, as we have upgraded a substantial part of our network, we expect the majority of our future capital expenditures to be success-based and thus directly linked to incremental revenue generating unit growth, including investments related to providing new products and services to existing subscribers.

We have a highly experienced management team with a successful track record at Unitymedia. Our management team has significant experience in the German and international cable television industries and mixes international and local expertise. We have a management team whose members have held senior management positions at various domestic and international cable operators prior to joining Unitymedia and who have developed strong relationships with our market partners, including housing associations and broadcasters.

Strategy

The key components of our growth strategy are as follows:

Drive growth from an integrated triple play product strategy. We believe that our upgraded network provides us with a superior technological infrastructure for delivering triple play services as a high value consumer proposition. We plan to continue to provide comprehensive, innovative multimedia and entertainment service bundles to existing and new customers, which bundles will offer customers both higher speed and more product breadth at competitive prices. We believe that the competitive price and quality of our bundled services allow us to differentiate ourselves from our competitors and gain new customers, increase customer retention, maximize revenues generated from existing customers through cross- and up-selling and enhance our profitability. Since the beginning of 2006, we have achieved significant growth in our Digital TV Pay, Internet access and telephony services, in particular in the period since we rebranded and started offering Unity3play. The relatively low penetration in the New Services offers us significant potential for further growth.

Increase our broadband Internet access and telephony penetration. We plan to grow our Retail Broadband Internet access customer base by emphasizing our bandwidth capabilities and high value-for-money service proposition, and by converting our growing wholesale MMA Internet access service customers into Retail Broadband Internet access customers. We intend to acquire a substantial share of new broadband Internet access customers on our footprint and win customers away from our competitors based on our competitive pricing and service quality as well as the superior speed of our offerings. In November 2009, we deployed DOCSIS 3.0 in selected cities (initially Aachen and Cologne), which will allow customers in the upgraded areas to download data from the Internet at speeds of up to 120 Mb/s. We plan to market our Internet and telephony products aggressively in our footprint either in a service bundle or as standalone products. We see our telephony product, which is used as a first line service, as a potent way to disconnect customers from our competitors for current and future media and telecommunications products using alternative access technologies.

Further develop our Digital TV Pay and other product offerings. We plan to continue the digitization of our basic cable services subscriber base, which is a prerequisite for Digital TV Pay growth. Our 2007 "Jetzt Digital" digitalization initiative has received significant support of state media authorities in North Rhine-Westphalia and Hesse. Full simulcast of analogue channels in digital format and increasing brand awareness further support the demand for Digital TV Pay. We intend to market additional attractive content, which is becoming increasingly available in Digital TV Pay, to our customers. In addition, in December 2008 we increased the functionality of our services by introducing DVRs.

Maintain and expand strong competitive position in our market. We believe that Unitymedia currently has a very competitive product offering, enabled by our upgraded network which we believe is much better suited to data transmission than our competitors' networks. We market all of our products and services using the single Unitymedia brand, which according to independent research commissioned by the Company, is one of the most strongly associated with triple play services in North Rhine-Westphalia and Hesse. Moreover, the pricing of our product is below most of our competitors as we continue to benefit from an advantageous cost structure and have implemented stringent cost controls. This allowed us, for example, to capture what we believe to be more than 50 percent of Internet subscriber growth in our upgraded footprint in the financial year ended December 31, 2009.

Expand our network coverage area through acquisitions. We regularly evaluate potential value accretive acquisition targets and, subject to market conditions and the availability of suitable investment opportunities, intend to expand our network coverage area through acquisitions of related businesses in our existing regions or natural extension through contiguous operations. In selecting potential targets, we intend to focus on gaining access to new markets and product segments, minimizing overlap with our existing network and creating operational synergies. We believe that due to our experience with, and track record of, integrating past acquisitions, such as ish, Tele Columbus and Primacom Aachen and Wiesbaden, we will be able to successfully integrate companies and realize synergies.

Maintain focus on operational excellence. We have streamlined our operations, automated and integrated various customer care and billing platforms, established closer relationships with our sales agents and implemented earnings-based incentives. We closely monitor key performance indicators to assess our operational processes, sales and marketing efficiency and the reliability of our infrastructure. Call answer rates have exceeded 90 percent for all but one month since January 2008, and we have created specialized inbound and outbound departments in customer care to address billing and collections, customer retention and sales. We are focused on the continued training and development of our sales force and call center agents, so that we can efficiently provide high quality service to our customers.

Focusing on cash flow growth and an efficient capital structure. We are committed to exploiting the growth opportunities that we believe are available to our business and generating high incremental returns on our investments. We intend to leverage the scalability of our operations and our significant historical network investments to translate revenue growth into Adjusted EBITDA.

Our History

Unitymedia's operations result from the acquisition by iesy Hessen GmbH & Co. KG of ish NRW GmbH & Co. KG in 2005 and the integration of the Tele Columbus In-Region assets. The combinations allowed us to interconnect the broadband cable networks in North Rhine-Westphalia and Hesse and build the first fully integrated cable network in Germany. In 2007, we introduced a single Unitymedia brand for our products and services and in our upgraded network coverage area began to offer a triple play product, combining digital cable television services with broadband Internet access and telephony products under the brand "Unity3play". In September 2007, we launched our comprehensive "Jetzt Digital" campaign to promote the benefits of converting from analogue to digital television. In August 2008, we acquired the network assets of PrimaCom in the cities of Aachen and Wiesbaden. In November 2009, UPC Germany, an indirectly owned subsidiary of Liberty Global, Inc., entered into a purchase agreement with Unitymedia S.C.A to acquire 100% of the capital stock of Unitymedia GmbH. The transaction closed on January 28, 2010, following the approval by the European Cartel Office on January 25, 2010.

Products and Services

We currently provide analogue and digital cable television and radio services as well as Digital TV Pay products to customers in North Rhine-Westphalia and Hesse. In addition, in the upgraded portion of our network coverage area, we offer our customers access to triple play services consisting of digital cable television, Internet access and telephony, which we market under the name "Unity3play". We are focused on continuing to convert analogue cable television subscribers to digital cable television and on selling such customers our premium products and services, such as Digital TV Pay, Internet access and telephony, which generate significantly higher ARPU than our basic cable television services. We believe that the provision of the New Services, either on a stand-alone basis or together in our product bundles, is a key driver of revenue and ARPU growth and strengthens customer loyalty.

Unitymedia Cable

Basic Cable Television

We market our basic cable television services under the integrated "Unitymedia" brand. As of December 31, 2009, our network passed approximately 8.8 million homes in North Rhine-Westphalia and Hesse, of which approximately 4.5 million are connected and subscribe to our basic cable services.

Subscriber Segments

We divide our basic cable subscribers into three specific market segments, each targeted with tailored marketing, sales and advertising techniques:

Residential Subscribers. Residential subscribers represent accounts with single or small multi-dwelling units of up to five homes. We typically enter into standard form contracts with, and deliver targeted marketing directly to, our residential subscribers.

Small and Medium Enterprises (SMEs). SMEs represent accounts with multi-dwelling units of six to 300 homes. These customers are generally landlords, housing management companies and special organizations such as hotels and hospitals. We market our basic cable television service directly to the business and our digital and broadband services to the end-customer.

Key Accounts. Key accounts represent customers with multi-dwelling units of more than 300 homes. There are numerous sub-segments within this category encompassing housing associations (professional property investors, public property owners) and housing administrators (property management firms) as well as professional Level 4 operators. This segment includes customers that not only own and operate their own in-building networks, but may also operate and administer the networks of other housing associations. While the majority of housing associations subscribe to our services pursuant to our standard terms and conditions, we have multi-year framework agreements with a number of our larger customers within this segment. Pursuant to the concession agreements that we sign with housing associations, we typically have the exclusive right to offer and provide cable television services to individual tenants and include other general terms governing the provision of such services. Under such agreements, we are typically allowed to offer our full Unity3play offerings, including broadband Internet and telephony as well as Digital TV BASIC and Digital TV Pay, directly to the tenant.

Level 4 operators, such as Tele Columbus Multimedia GmbH (TC Multimedia), procure basic television signals from us and generally resell them to housing associations. Professional Level 4 operators generally enjoy volume-based discounts built into our standard rate card, which create incentives for these operators to cluster their subscribers behind individual connection points. Historically, our agreements with professional Level 4 operators have included additional volume-based rate discounts to our standard rate card. Operator-specific discounts, when combined with volume based discounts built into the standard rate card, have traditionally resulted in a substantially lower ARPU within this subscriber segment. However, our costs associated with these customers are also lower for a variety of reasons, particularly since we are not responsible for certain activities such as customer care and network maintenance, which the Level 4 operators provide. We have entered into agreements that allow us to market our products and services directly to the Level 4 operators' subscriber base ("pass-through agreements"), including a pass-through agreement relating to our complete range of products and services with TC Multimedia.

Our Basic Cable Television Products

As of December 31, 2009, approximately 3.16 million RGUs subscribed to our basic analogue package of up to 36 television and 34 radio channels and approximately 1.36 million RGUs subscribed to our additional basic cable digital television product, "Digital TV BASIC", either through a single-user contract or through an additional package on top of the basic analogue package. "Digital TV BASIC" is an entry level digital cable product with up to 73 digital channels, including the analogue simulcast, and 65 radio channels (as of December 31, 2009). As of December 31, 2009, the digitization rate of our basic cable subscribers was 30.1 percent, compared to 26.6 percent as of December 31, 2008.

Our Basic Cable Services Fees

In January 2008, we introduced a new price scheme for basic cable services for single dwelling units. As of January 1, 2008, single dwelling unit subscribers to Digital TV BASIC were charged €16.90 a month (including VAT), while single dwelling unit subscribers to our analogue access product were charged €17.90 a month (including VAT), with the price differential intended to encourage customers to switch from analogue to digital reception.

Subscription fees for our basic analogue cable television services for customers with multi-dwelling units (typically landlords and housing associations) are based on the Unitymedia standard rate card. The rate card is based on the number of dwelling units connected to each connection point to the end-customers' premises. Generally, the higher the amount of units connected the lower the per unit charges.

On July 1, 2008, we increased the pricing for certain multi-users and single-users on multi-user framework agreements. The pricing under certain multi-user contracts was increased via a rate increase and/or a discount reduction for lump sum contracts. In September 2009, we announced a rate increase for analogue basic cable television, effective as of January 1, 2010, for certain multi-user contracts, ranging from 4.9 percent to 9.8 percent, depending on the number of users under contract. In parallel we announced for certain multi-user contracts a rate decrease of €1 gross per dwelling unit under contract for digital TV reception (i.e. Digital TV BASIC). We regularly review our pricing policy and price increases may lead to increased churn of our analogue and digital basic cable subscribers, and as a result, lower revenue in future periods as well as higher customer service requirements and related expenses.

In order to upgrade to basic digital access, tenants under a multi-user contract have the option to enter into a direct contract with Unitymedia and pay an additional €3.90 per month for our Digital TV BASIC product, which is in addition to the basic analogue cable fee paid by their landlord and typically charged to the tenant as part of the monthly utility bill.

In addition to the monthly subscription fees, subscribers generally pay an activation fee upon connecting or re-connecting to our network. This activation fee is sometimes waived for larger multi-dwelling unit customers, when a subscriber is reconnecting to our network, when a customer moves into a previously connected household, or as part of periodic marketing promotions to increase our customer base. We charge a standard activation fee for both analogue and digital basic cable services of €39.90 (including VAT), which historically we have often waived as a promotion. When a customer converts from analogue to digital cable access, we charge a reduced activation fee of €19.95 (including VAT).

Digital TV Pay

Our Digital TV Pay products include programming that we assemble into packages as well as digital pay content of other content providers. As of the date hereof, we offer four genre-based Digital TV Pay packages (Family, Lifestyle, Kinder, Sport & Mehr), which can be ordered individually for €8.90 or in package bundles at discounted rates. All packages feed into the networks in North Rhine-Westphalia and Hesse from our own state-of-the-art NOC in Kerpen. Furthermore, we offer Digital TV INTERNATIONAL which consists of our individual foreign language programming packages in Arabic, Bosnian, Croatian, Greek, Italian, Japanese, Polish, Portuguese/Spanish, Russian, Serbian and Turkish (Basic, Premium and Professional). In addition, we enhance our customers’ TV viewing experience with our Digital Video Recorder (DVR) product.

A key element of our strategy to migrate basic cable subscribers to Digital TV Pay has been to provide one of the four genre-based packages for three months on a free trial basis. We have been granted relief from many of the content providers for fees during this trial period.

New customers who subscribe to any of our Digital TV Pay packages must either have basic digital cable access if on a single dwelling unit contract, subscribe to Digital TV BASIC for a €3.90 monthly fee (including VAT) if the analogue cable contract is through their landlord or subscribe to a Unity3play product. Our Digital TV Pay packages are only available for subscription using direct debit.

In addition to monthly subscription fees, new subscribers pay an activation fee of €39.90 (including VAT), or €19.95 (including VAT) if a basic cable connection is already active, upon subscribing to any Digital TV Pay package which may be discounted or waived as part of the promotion. The monthly Digital TV Pay subscription fees are in addition to the basic cable services fees paid by such customers to us. For Digital TV Pay packages we deal directly with the individual subscriber and not the Level 4 providers or housing associations. As a result, we do not offer volume discounts or flat rates for these Pay TV services.

Our Programming Content and Payments

We mainly license our Digital TV Pay foreign language programming from third-party content providers. With respect to our foreign-language programming packages, we procure content via Mediapool, which aggregates and procures supply on behalf of the larger German cable operators (Unitymedia, Kabel Deutschland and Kabel Baden-Württemberg). We procure the content for our genre-based Digital TV Pay offerings directly from broadcasters and procure our pay-per-view content from On Demand Deutschland (feature movies) and the tmc Content Group (adult movies). In general, we pay license fees based on subscriber numbers to these content providers and our agreements with certain providers require us to pay minimum guarantees. For the year ended December 31, 2009, the cable content fees we paid amounted to 5 percent of our cable revenue (compared to 6 percent for the financial year ended December 31, 2008).

Our Carriage Fees

In addition to subscription and activation fees, we receive carriage fees from broadcasters for the delivery of television and audio signals in analogue and digital mode via our network. Private as well as public broadcasters pay carriage fees. The underlying contracts typically have an average of one- to four-year terms with automatic renewal clauses for successive one-year terms. We generally collect the carriage fees directly from our broadcasters under regime-specific feed-in contracts on a regional basis. In general, carriage fees for analogue and digital channels are charged on a monthly basis, depending on the number of subscribers. Under a collective agreement with all public broadcasters we have flat-fee arrangements with each of the public broadcasters in connection with the transmissions of their analogue and digital programming. The current collective agreement came into effect June 30, 2008 and has a retroactive effect as of January 1, 2008. We invoice the carriage fees directly to all broadcasters.

Internet Access

As of December 31, 2009, a total of 8.1 million homes were upgraded to bi-directional capability across North Rhine-Westphalia and Hesse up to the building, with in-home wiring upgrades generally on an as-needed, success-based basis.

As of December 31, 2009, we served approximately 961,000 Internet access RGUs both on a retail and wholesale basis. Since June 2007, we have marketed our retail broadband Internet services through a new product portfolio under the unified brand name “Unitymedia” with particular focus on our “Unity3play” offer.

Retail Broadband Internet

As part of our standard Internet product portfolio, we currently provide retail broadband Internet services at a download speed of up to 2Mbit/s, 10Mbit/s, 20Mbit/s and 32Mbit/s without any time or data volume restrictions. Customers can choose between different packages: 1play Internet, our stand-alone broadband Internet access, is available with a download speed of up to 2Mbit/s; 2Play 10.000, 2Play 20.000 or 2Play 32.000, including telephony access with a flat rate to national landline and our broadband Internet services can be subscribed to at download speeds of up to 10Mb/s, 20Mb/s or 32Mb/s. In addition, the deployment of DOCSIS 3.0 in selected cities (initially Aachen and Cologne) enable customers in the upgraded areas to subscribe to Unity3play 120.000, which provides download speeds of up to 120 Mb/s. Our core product is Unity3play, which includes broadband Internet and telephony and bundles our digital access product Digital TV Basic free of charge.

In July 2009, we introduced on a free trial basis an Internet security package bundled with all 1Play, 2Play and Unity3play products. The security package includes anti-virus, anti-spy, firewall and spam protection and costs €4.90 per month after the three-month free trial period expires.

Wholesale (MMA) Internet

In addition, we offer the Multimedia Anschluss (MMA), a service tailored for housing associations to purchase Internet access at 128 kbit/s on a bulk basis and to enable their properties for Internet access. Tenants in these MMA equipped apartments have the opportunity to upgrade to any standard broadband package offered by Unitymedia providing higher speeds and flat rate telephony.

MMA contracts are increasingly becoming the standard when entering into or extending the contractual relationship with housing associations. Alongside the basic cable access fee, our key account customers under an MMA contract pay us an additional fee per apartment for the life of the typically long-term contract. The standard MMA product was already introduced in Hesse in 2004, whereas in North Rhine-Westphalia it was rolled out during 2006. As an additional service to housing associations in our upgraded areas, we have offered a digital MMA ("DMMA") since May 2007, which contains an Internet access at 128 kbit/s on a bulk basis plus a Digital TV Basic access product including the digital receiver. Our telephony MMA offers Internet access at 128 kbit/s on a bulk basis plus flat rate telephony access to German fixed lines.

Telephony

In June 2007, we began to offer telephony services bundled with broadband Internet as part of the new Unity3play product portfolio. The telephony products offered as part of these packages included a flat rate for unlimited calls to landlines in Germany. In March 2007, we introduced "Spar International", an option which can be added to existing telephony contracts, where customers who pay one additional euro can benefit from significant savings on their international calls. In February 2008, we also introduced an international flat rate providing subscribers landline calls without any time restrictions to 27 international countries. We further expanded our product portfolio by introducing Telefon PLUS, a new option with ISDN functionality and compatibility. Since April 1, 2008, we have offered 1Play Telefon, a stand alone access telephony product – tailored for target groups without the need of Internet access services. In January 2009 we launched a new product "Tele&fon" which comprises a basic cable access line and a telephony connection with usage based charging, primarily targeted at basic cable customer retention.

Internet and Telephony Product Portfolio Subscription Fees

Subscribers to any of our Internet/telephony packages receive the cable modem free of charge (except MMA 128 Kbit/s customers who pay a one-time modem fee) and pay a fee that is in addition to their basic cable services fees. Since April 2007, we have marketed a part of our broadband services to households without basic cable services subscriptions in the upgraded portion of our network coverage area. As our Digital TV Pay packages, these products are only available for subscription using direct debit, unless subsequently changed by the customer. In addition to monthly subscription fees, subscribers pay an activation fee as well as an installation fee upon subscribing to one of these products. To date, these one-time charges have often been waived for promotional reasons.

To promote additional take-up of our services, we introduced a special promotional switcher campaign in October 2009 focused on attracting DSL customers from competitors that grants DSL customers who switch from competitors up to six months of free broadband services if their existing DSL contract term is longer than three months.

From time to time we offer limited promotional offers, whereby certain packages are offered at discounted prices and/or for extended contract periods. For example, the pricing of our flagship product Unity3play 20.000 is set at €25 per month in promotional offers and increases to €30 per month after the initial minimum contract term of 12 months expires.

arena

arena customers can subscribe to a range of digital television programs by subscribing to arenaSAT FAMILY, arenaSAT FAMILY XL or arenaSAT FAMILY XXL. Additionally, we currently bundle in arenaSAT MOVIES, a 12-month DVD rental service, free of charge when customers subscribe to any new two-year arenaSAT FAMILY package. arena´s lead product is arenaSAT Family currently priced at €14.90 (including VAT).

As of December 31, 2009, arenaSAT had approximately 57,000 digital pay TV satellite RGUs. In the second half of 2008, we incurred subscriber churn as the two-year contracts offered in connection with the launch of arena in 2006 expired. As a response to this anticipated contract churn, we made retention offers to these customers, including offering a free *Bundesliga* subscription until the end of the 2008/2009 *Bundesliga* football season if customers subscribed to a new two-year contract with non-*Bundesliga* content. We experienced further churn as a result of the expiry of our rights to retail *Bundesliga* programming as of June 30, 2009 and expect further churn on the platform going forward.

Marketing and Sales

Marketing

Our marketing department is responsible for designing and promoting new products and services to customers. We market all of our products and services under the “Unitymedia” brand, which according to independent research commissioned by the Company, is one of the most strongly associated with triple play services in North Rhine-Westphalia and Hesse. Our marketing department is divided into the following three groups:

Television Services

The television services group is responsible for programming content, marketing strategy and product development of our basic cable and Digital TV Pay services. This includes the content portfolio of the television products, from content acquisition to package structure. It also includes the management and development of new television products and services as per our overall television product strategy. The television services group is also responsible for the marketing and sales plan for these products to drive growth of the basic cable and Digital TV Pay subscriber base.

Broadband Services including Telephony

This group focuses particularly on the development and marketing of broadband Internet access and telephony services as well as pricing and bundling. This includes business development and the long-term product strategy for our customer base, the development of a marketing, sales and service strategy as well as the management of product-related end-to-end processes.

Marketing Communication

This group focuses on the production of marketing and other materials required to brand and sell our products and services. It provides its services to all internal groups including all sales functions, product marketing functions, and other departments with respect to external marketing communication. It is responsible for managing external agencies, for the placement of outdoor advertisements, for direct mailing, and data sourcing. This group provides data and logistical support for all marketing and sales channels.

Sales

We market and sell our products to customers using a broad range of sales channels, primarily including retail outlets, online, inbound and outbound telesales, and field sales as well as informal “customer-gets-customer” promotions. The manner in which we target customers depends on the customer segment.

A team of approximately 70 in-house key account managers and respective sales support staff work exclusively with our key account customers, who have generally more than 300 units under contract. This in-house sales staff develops and cultivates close working relationships with our key account customers and works with residential sales teams to generate customer sales leads and increase retention of existing customers.

We promote our products and services to both SME and residential customers through door-to-door marketing. We have approximately 50 field sales agents working to sell our products and services to SME customers and approximately 400 field sales agents working to sell our products and services to residential customers. The field sales agents are responsible for sales of our basic cable television, Digital TV Pay, Retail Broadband Internet access and telephony services and also manage disconnections of services. Our field sales agents are independent contractors who work on commission.

In addition, we target residential customers through partnerships with retail outlets, such as multi-media retailers, electronics, PC and telecommunications stores. We have a customer center at our headquarters in Cologne and, in 2008 and 2009, opened 30 Unitymedia flagship stores in major cities in our network coverage area, such as Darmstadt, Dusseldorf, Essen, Frankfurt, Fulda, Hagen, Oberhausen and Wiesbaden. In addition, as of December 31, 2009 we had contracts with different telesales agencies providing us approximately 200 commission-based outbound telesales agents to promote our services.

For the year ended December 31, 2009, our combined sales and marketing expense for Unitymedia Cable was €78.8 million, excluding €31.0 million third party commission expenses relating to subscriber acquisition cost which are capitalized in accordance with EU-IFRS (compared to €72.8 million for the financial year ended December 31, 2008, excluding €19.6 million third party commission expenses relating to subscriber acquisition cost).

Customer Operations

Customer Service

The customer service function is responsible for all customer care activities, including handling customer queries and complaints. Customer service also provides inbound telemarketing and sales support functions for the residential and SME segments. In 2008, we implemented a comprehensive customer care initiative to improve operational performance, including call response times, significantly increased the capacity of our call centers and expanded outsourcing for specific areas. Continuing into 2009, we improved our customer service function by splitting our customer care department into a general and a special care section. While our general customer care section deals with general queries as well as general contract related issues the special care section focusses on specific processes such as number porting, billing and dunning, retention. The revised structure and focus on process specialization has improved quality and customer satisfaction significantly resulting in lower customer contact rates and complaints.

We have continuously invested in systems that support customer operations, such as document and workflow management systems and computer telephony integration (“CTI”), which enables call distribution based on a customer’s contract status. In the financial year ended December 31, 2009, our call answer rate was consistently above 90 percent, however, to the extent we experience high volume or variability in customer acquisition, our customer service levels and activation periods will continue to fluctuate. Customers may contact us through a variety of means, mainly by telephone, although approximately one-third of all customer contacts are by regular mail, email or fax. Typical queries involve invoices, account details and collection notices. Furthermore, we increasingly use all customer contacts to up- and cross-sell additional services and products to our existing customer base.

We operate dedicated customer service centers in Bochum and Marburg with approximately 496 customer service agents as of December 31, 2009, supplemented by outsourced call-center capacity. All of our customer service agents are skilled in multiple areas, including sales skills and customer care for a variety of analogue and digital products.

As part of our customer retention efforts, we focus on minimizing the number of contract cancellations by customers by e.g. constant customer service monitoring and by routing cancellation requests or customers at risk into specifically skilled teams. We monitor performance using a variety of key performance indicators to ensure customers receive a high standard of service.

Billing

Our billing operations, including customer care, billing and accounts receivable management, are based primarily on CableMaster, which is supported by Convergys Information Management Group Inc. (“Convergys”), an established billing and IT service provider. For our broadband customers, we use an e-billing function, while all other retail customers can choose to receive either paperless or regular mail invoices. In addition, in 2009 we introduced credit checks for our web and door-to-door based sales activities in order to further enhance bad debt management.

Network Operations

Our Network and Technical Infrastructure

In total, our network extended over approximately 135,700 kilometers, passing approximately 8.8 million homes, as of December 31, 2009. Average annual network availability of our network and product platforms is high, at approximately 99.9 percent for both 2008 and 2009.

The original infrastructure, which was a single direction broadcast network, was based on the homogeneous topology developed by Deutsche Telekom. From the year 2000 until December 31, 2009 the network has been upgraded to a HFC-based system with full bi-directional capabilities for approximately 92 percent of our homes passed up to the building, with in-home wiring upgrades generally on an as-needed, success-based basis. The use of upgrade technology with a frequency range between 5 and 862 MHz enables us to distribute digital and analogue television signals as well as to provide advanced bi-directional cable services such as Internet access and telephony. The 862 MHz network includes up to 36 analogue television channels (depending on the region served), up to 38 analogue radio channels and 33 digital channels with up to 12 digital television and/or several digital radio programs (representing the capability for approximately 400 digital TV programs).

The upgraded network comprises a central signal feed coming from the NOC in Kerpen, connecting to a series of interconnected primary and secondary fiber optic links in a ring structure. Besides a high service quality, a key feature of the digital fiber optic link architecture is the alternate routes to the hubs, which protect against faults in the backbone network. Through the fiber optic backbone network all 24 content hubs are served with Internet and telephony services, analogue and digital television and radio programs as well as Digital TV Pay cable television channels supplied by the central playout facilities in the NOC in Kerpen.

Deutsche Telekom and its predecessors originally constructed both our cable television network and Deutsche Telekom’s current fixed-line telephony network. Certain parts of the infrastructure (including cable ducts, towers, fiber optic transmission systems, and equipment locations) are shared by both the Deutsche Telekom telephony network and our cable television business. Unitymedia NRW and Unitymedia Hessen lease these assets from Deutsche Telekom under the MSAs and the BRN agreements. For a description of the MSAs and the BRN agreements, see “Material Contracts — Material Supply Contracts — Supply — Agreements with Deutsche Telekom”.

We have made in the past, and will continue to make, improvements to the networks. Future upgrades above 450 MHz can be executed in order to meet customer demand for broadband internet services or in conjunction with long-term MMA agreements in certain regions. In such instances, we can upgrade our 450 MHz network to 862 MHz bi-directional networks with minimal digging by utilizing existing fiber in the ground, by pulling new fiber through the Deutsche Telekom duct systems and by exchanging the amplifiers.

Product Platforms

The product platforms are hosted in Kerpen, where the NOC is located, and in several hub sites in North Rhine-Westphalia and Hesse. The highly scalable platforms consist of the following platforms:

- the Playout Center for analogue and digital television and radio services,

- the IP Platform for internet access and other IP services (broadband Internet products),
- the Telephony Platform which both provides standard and enhanced telephony services as well as additional services like voicemail.

Unitymedia uses an IP based Playout Center from Scientific Atlanta. It currently serves 33 digital transport streams, each carrying up to 12 digital programs. An efficient bandwidth management ensures high signal quality and optimal bandwidth usage. EdgeQAM devices compile the digital channels for each network region and allow to feed-in regional channels. From our NOC we are able to remotely modify the channel lineup presented to our customers.

Since July 2004, the NOC has operated its own Conditional Access System (“CAS”), a system utilized by television operators across the world and other major operators in Germany to manage transactions and ensure that only subscribers of a service can gain access to it. Previously, we relied on MSG’s CAS and since July 2006 we have insourced those services for our own digital packages and procuring our own smart cards. In 2008 all smartcards which are not controlled by our CAS were removed from our network.

Network Operations Center

Our NOC in Kerpen is a central facility to ensure around the clock network monitoring and network operation. It monitors the product platforms, the fiber backbone as well as active Level 2 and Level 3 equipment, and facility equipment located in hubs. The NOC also features a dedicated equipment room which houses the layout center as well as headend and Digital TV Pay equipment (including a video-on-demand server on site), ISP servers and voice switching services, and a testing laboratory that evaluates new equipment for all services, including Internet, digital television, voice, operations support and our hybrid fiber coaxial cable plant.

Competition

The cable television, Internet access, and telephony industries are competitive, and we face significant competition from established and new competitors in these areas.

Cable Television

We face competition for housing association contracts within North Rhine-Westphalia and Hesse from Level 4 operators. In addition, certain housing associations own and operate Level 4 networks on behalf of others, and accordingly, may display certain characteristics similar to Level 4 operators. Level 4 operators typically enter into long-term contracts with housing associations and may have greater flexibility in their pricing strategies, which limits our opportunities to win new contracts with these housing associations and may hinder our efforts to effectively market our services to housing associations.

We further compete with the providers of digital pay TV products that currently utilize our network to reach their own subscribers. These providers may decide to develop or use alternative distribution platforms, such as free to air satellite, adversely affecting our ability to generate carriage fees and subscriber revenues, and potentially reducing the appeal of cable television. Certain digital pay TV providers, such as now Sky Deutschland, have made use of their own satellite platforms and introduced DVRs to provide additional functionality for those subscribers who receive their digital pay programming through satellite, thereby making satellite more attractive to potential customers.

Satellite

Although data is limited, one satellite industry source has published data indicating that for the whole of Germany the market share of satellite distribution decreased from 43 percent to 42 percent between 2005 and 2008, while the market share of cable television was stable at 52 percent (Source: Digitisation Report 2008, Association of Regulatory Authorities). While we provide our own satellite service through arenaSAT, an increase in the market share of satellite distribution, particularly free-to-air satellite, may have a negative impact on our cable television subscriber base in the future.

Digital Terrestrial Transmission and Emerging Technologies

We face significant competition from companies engaged in the terrestrial transmission of digital cable television, other means of television signal delivery and emerging technologies such as IPTV, hybrid television, “over-the-top”-TV and wireless broadband. Demand for digital terrestrial television may increase in the future as it becomes more widely available and the price of the receiving equipment decreases. Marketing and competition from providers of video over the Internet, such as T-Home, an affiliate of Deutsche Telekom, may increase in the future.

In addition, regionally-focused telecommunication network providers, such as Alice and Vodafone, also offer IPTV and VoD services, in particular VDSL services, in selected cities. To promote IPTV, competitors in the market are offering, among other things, free IPTV subscriptions and the ability to try the service with no obligation to subscribe. In addition, in other markets, such as the United States, a range of internet-based TV options such as AppleTV and Hulu have gained significant traction. The full extent to which these alternative technologies will compete effectively with our cable television system is currently not known.

Broadband Internet Access

We compete with companies that provide low-speed and low-cost (or potentially even free) Internet services over traditional telephone lines. For broadband Internet access, DSL is currently the dominant technology and Deutsche Telekom is the major DSL provider in Germany, followed by United Internet, Vodafone and Telefonica O2 Germany. We also compete with service providers that use other alternative technologies for Internet access, such as satellite technologies or mobile standards such as UMTS. In the future, additional access technologies may be launched, which could further increase competition or force us to increase capital expenditure for additional upgrades.

Telephony

The market for residential telephony services is highly competitive. The fixed-line telephony services market is under increasing pressure from resellers, alternative carriers, declining mobile phone charges and alternative access technologies like VoIP and Internet telephony offered via DSL and other broadband connections. The German market for residential telephony services is relatively price sensitive and is price competitive when compared to similar product offerings in other European countries. We expect increasing competition, including price competition, from traditional and non-traditional telephony service providers in the future.

Intellectual Property

Third Party Copyrights

The German Copyright Act (Urheberrechtsgesetz) requires operators of cable networks to acquire rights for the retransmission of radio and television programs. Claims for royalties can exclusively be asserted by collecting societies (Verwertungsgesellschaften) and not by individual holders of copyrights themselves. As an exception, broadcasters can assert their rights individually. The German Society for Musical Performing and Mechanical Reproduction Rights (Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte) ("GEMA"), a major German collecting society, has been mandated by most of the other relevant German collecting societies to collect royalties from the cable network operators, whereas various commercial broadcasters have mandated the collecting society VG Media to assert their rights. Together with the other major cable network operators we have entered into two agreements on annual royalty payments for protected works included in both analogue and digital retransmissions with GEMA and VG Media. Also see "— Legal Proceedings — Pending Intellectual Property Proceedings".

Real Property

The following table sets forth certain information with respect to the facilities where we currently operate and which we believe are of importance to our operations. We lease all of the following facilities.

Location	Approximate Area (m^2)	Use of Facility
Cologne	10,745	Head office
Kerpen	8,850	NOC
Bochum	8,365	Customer service
Frankfurt am Main	2,270	Branch office
Marburg	1,488	Branch office
Krefeld	1,380	Branch office
Kassel	840	Branch office
Other offices	965	Branch offices
Technical sites	9,645	Technical sites

We believe that our facilities meet our present needs and that our properties are generally well maintained and suitable for their intended use. We believe that we generally have sufficient space to satisfy the demand for our products in the foreseeable future, but keep flexibility to move certain operations to alternative premises. In this context we are planning to move our Bochum office to a new site in the city during the first half of 2010 and to hand back the existing facility to the landlord.

Employees and Pensions

The following table sets forth the number of permanent employees we employed as of December 31, 2007, 2008 and 2009. As of December 31, 2009, Unitymedia employed 1,725 people, which equals 1,608 full time equivalents (FTE):

	2007	2008	2009
Sales and marketing	182	194	215
Network and technology	753	795	850
Customer services	435	457	496
Administration and finance	141	145	155
arena	14	11	9
Total number of people employed	**1,525**	**1,602**	**1,725**

We have continued to increase the resources dedicated to our sales and marketing and customer services functions, increasing permanent sales and marketing headcount from 182 on December 31, 2007 to 215 on December 31, 2009 and permanent customer services headcount from 435 on December 31, 2007 to 496 on December 31, 2009. Furthermore we have increased the number of permanent employees working in our network department and related technical functions such as technical hotline and other customer facing operations from 753 on December 31, 2007 to 850 on December 31, 2009.

Approximately 10.5 percent of the Unitymedia Hessen and Unitymedia NRW employees have civil servant status. These employees have a permanent right to return to Deutsche Telekom upon giving us prior notice. We estimate that approximately one-third of our employees are members of a labor union, the German United Services Labor Union (Vereinte Dienstleistungsgewerkschaft or “Verdi”). We entered into a collective bargaining agreement with Verdi in 2002, which applies to 83.3 percent of our employees and provides for annual salary increases. Following the acquisition of the predecessor company of Unitymedia NRW by Unitymedia Hessen, we agreed with Verdi to renegotiate the collective bargaining agreements on a one-company basis to achieve a unified collective bargaining agreement. Furthermore, Verdi terminated the Compensation Tariff Agreement (Entgelttarifvertrag) in December 2007. In April 2008, the negotiations led to a new Compensation Tariff Agreement, which is valid retroactively from January 1, 2008. The new agreement resulted in salary increases at Unitymedia Hessen, Unitymedia NRW and Unitymedia Services for 2008 and 2009. The Compensation Tariff Agreement is scheduled to expire in April 2010, which will include negotiations for a new collective bargaining agreement.

Environmental Matters

We are subject to a variety of laws and regulations relating to land use and environmental protection, including those governing the clean-up of contaminated sites. For example, in the past asbestos-containing materials and polychlorinated biphenyls have been identified at some of the facilities we lease from Deutsche Telekom. We believe the legal obligation to refurbish these facilities is entirely Deutsche Telekom’s responsibility, and have no reason to believe that Deutsche Telekom has failed or would fail to fulfill its obligations. While we could incur costs, such as clean-up costs, fines and third-party claims for property damage or personal injury, as a result of violations of or liabilities under environmental laws and regulations, we believe that we are in substantial compliance with applicable requirements of such laws and regulations.

Insurance

We have insurance coverage under various liability and property insurance policies for, among other things, damages in the areas of operations, environmental liabilities and business interruption. Our own fixed assets such as technical, IT and office equipment in our NOC, hubs and headends, office locations and warehouses (except for the buildings) and except for our cable network (cable, fiber in the ducts and amplifier points in street cabinets) and parts of our current assets are protected by a bundled industrial insurance policy (damages from fire, catastrophes, burglary, piped water, storm and hail) that includes a business interruption insurance when business interruption is caused by an insured property damage. We do not have insurance coverage for all interruption of operations risks because in our view, these risks cannot be insured or can only be insured at unreasonable terms. There is also no protection against the risk of failure by customers to pay. We also have various legal services and motor vehicle insurance policies including third-party liability insurance as well as fully comprehensive coverage for our vehicle fleet.

For all members of the management board as well as certain other persons within Unitymedia a directors and officers liability insurance coverage exists ("D&O insurance") under the current D&O insurance policy of Liberty Global Europe Holding BV.

Legal Proceedings

We are involved in a number of legal proceedings that have arisen in the ordinary course of our business. Other than as discussed below, we do not expect the legal proceedings in which we are involved or with which we have been threatened to have a material adverse effect on our business or consolidated financial position. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and we can offer no assurances in this regard.

Pending Intellectual Property Proceedings

The collecting society VG Media initiated arbitration proceedings on behalf of various commercial broadcasters against all four major cable operators (including Unitymedia NRW and Unitymedia Hessen) to declare their new tariffs for the retransmission of radio and television programs adequate, which had been rejected by the cable operators. VG Media requested that a new tariff apply with retroactive effect as of January 1, 2006, which would provide for royalty payments of 2.09 percent of the relevant subscriber revenue for analogue retransmissions and 2.51 percent of the relevant subscriber revenue for digital retransmission. The new tariff would more than double our current preliminary royalty payment obligations of approximately €4.59 million per calendar year under the existing interim agreement with VG Media, which terminated at the end of December 2008, but was extended until the end of 2009 on the basis of a payment of €2.75 million plus VAT per calendar year. In March 2009, the arbitration panel ruled that the digital tariff was not applicable and that royalty payments due shall not exceed 1.1 percent of BCS revenue or 1.38 percent if an association discount did not apply. Both parties have objected to the arbitration panel's decision. We have been in negotiations with VG Media to explore a new contractual agreement. As the negotiations failed in December 2009, VG Media brought actions against Unitymedia NRW and Unitymedia Hessen for claims in the total amount of €9.6 million.

Other Material Legal Proceedings

Subsequent to our termination of a service agreement dated July 14, 2004 between Unitymedia NRW and Chellomedia Programming B.V., an indirect subsidiary of LGI ("Chellomedia"), for provision of video-on-demand and near-video-on-demand services on May 24, 2006, Chellomedia initiated litigation against Unitymedia NRW in the District Court of Amsterdam, The Netherlands, on April 21, 2008 to enforce claims for compensation in the amount of €5.9 million. On December 30, 2009, the District Court of Amsterdam dismissed the alleged claims in its entirety.

arena is party to a dispute with Mediamarkt-Management Gesellschaft/Saturn Management Gesellschaft mbH (“Mediamarkt/Saturn”) in connection with several agreements entered into regarding the marketing of arena subscriptions in Mediamarkt and Saturn stores. Mediamarkt/Saturn claim payment of the amount of €4.6 million from arena, whereas arena raised counterclaims against Mediamarkt/Saturn and has claimed a net settlement in the amount of €1.0 million. arena has initiated litigation proceedings against Mediamarkt/Saturn.

The Federal Cartel Office has initiated regulatory proceedings against us and other German cable network operators and pay TV providers under the provisions on market dominance regarding market foreclosure effects resulting from our set-top box procurement strategy and the encryption technology used therein.

The consumer protection association (Verbraucherzentrale) in North Rhine-Westphalia has obtained a first instance judgment of the district court (Landgericht) of Cologne against us, holding that our agents or representatives have placed marketing calls to consumers without obtaining the consumers’ prior consent to receive such marketing calls. In the court of appeal we have entered into a settlement agreement accepting to obtain from outbound telesales marketing calls without obtaining such consumers’ prior consent to receive marketing calls.

GemStar-TV Guide International, Inc. (now renamed to “Rovi”) holds a large patent portfolio related to electronic program guide (“EPG”) products and services (more than 1,300 issued patents and 900 patent applications worldwide, including more than 80 issued European patents). On February 26, 2009 GemStar alleged that Unitymedia infringes upon at least three of these patents. Gemstar claims that any pay-TV operator must acquire from Gemstar an “EPG-License” for its digital TV services irrespective of whether cable operators only distribute TV-signals or STB were provided by third parties. Therefore, GemStar claims that any of our cable customers who receive digital TV (free-TV or pay-TV) is infringing GemStar’s patents by using EPG functionalities which involve GemStar’s patents and that we as a service provider are liable for such infringements regardless of whether any individual cable customer uses an STB rented from Unitymedia, an own device or a STB from a third party. Gemstar has discussed potential solutions for historical items; however, we believe that both the historical and future claims asserted by Gemstar lack merit. GemStar has threatened to initiate litigation against Unitymedia for patent infringement, and if litigation is initiated we will accordingly defend our position.

In September 2009, Sky Deutschland initiated arbitration proceedings against arena, Unitymedia NRW and Unitymedia Hessen. In the arbitration proceedings, Sky Deutschland alleges that the Premiere *Bundesliga* product distributed in the network of Kabel BW GmbH & Co. KG (“Kabel BW”) was made available to a significantly larger number of subscribers than Kabel BW reported to arena, and arena subsequently reported to Premiere, and Sky Deutschland therefore has made an initial claim of €30 million and indicated that it believes that it may be entitled to a significantly larger amount. The claim may be significantly increased during the course of the proceedings. In the arbitration proceedings, Sky Deutschland claims that Kabel BW distributed the same limited “Free *Bundesliga* Friday” offer as Unitymedia Cable, and claims wholesale payments for the full premium product over Kabel BW’s entire subscriber base. In addition, Sky Deutschland alleges that Unitymedia wrongfully continued to distribute non-*Bundesliga* content to its cable subscribers after the term sheet agreement providing for such distribution was cancelled in July 2007. Moreover, Sky Deutschland alleges that Unitymedia did not account for the correct number of smartcards activated for the Premiere *Bundesliga* product and thus did not pay the full amount owed to Premiere. We believe that the claims asserted in the arbitration proceedings lack merit and will accordingly defend our position.

Material Contracts

The agreements described below are or have been in the last three financial years of material importance to the Company or a company of the Unitymedia Group. Agreements concluded in the ordinary course of business are not described. For a description of our material financing agreement, see “Description of Indebtedness”.

Material Supply Contracts

Agreements with Deutsche Telekom

The various services offered by Deutsche Telekom are defined under so-called “Term Sheets” that are based on two MSAs, one with Unitymedia Hessen and one with Unitymedia NRW. The Term Sheets govern the co-use of cable ducts, the use of cable protection tubes, the offer of co-use of further cable ducts, the use of fiber optic transmission systems, the lease of space for broadband cable technology and the purchase of energy for broadband equipment. Except for the Term Sheets on the offer for co-use of further cable ducts, which have already expired, the terms of the Term Sheets are generally indefinite, but the Term Sheets are subject to certain termination rights and, according to German law, lease agreements are subject to a mandatory statutory termination right of either party after a term of 30 years. Furthermore, the MSAs and most of the Term Sheets with Unitymedia Hessen and Unitymedia NRW provide for various termination restrictions for Deutsche Telekom according to which Deutsche Telekom is generally not entitled to terminate the services provided under the Term Sheets on co-use of cable ducts (not including the offer of co-use of further cable ducts), cable protection tubes, fiber optic transmission systems or lease of space for broadband cable technology except under certain circumstances that are related to situations in which Deutsche Telekom discontinues the use of assets previously used for the provision of the respective services, intends to transfer the assets to a third party or intends to abandon leased space in its function as space used for technical purposes.

The charges for the individual services are set out in the Term Sheets. The MSAs include price adjustment clauses related to a change of Deutsche Telekom’s costs. Under the MSA with Unitymedia NRW, price increases may not exceed the increase of the German cost of living index and a decrease may not fall below the prices as of October 1, 2002 set out in the individual Term Sheets. Some of the Term Sheets provided for fixed-price periods which, however, have already expired. Furthermore, there have been issues with Deutsche Telekom as to the charges, quality and accessibility of leased surfaces in relation to the Term Sheet governing lease space for broadband cable technology. Discussions about the increase and of charges under the Term Sheet governing the supply of energy for broadband equipment are pending and may lead to disputes, but no litigation has been initiated. It cannot be excluded that such disputes ultimately could result in higher costs for Unitymedia under the Term Sheets.

BRN Agreements

Unitymedia Hessen and Unitymedia NRW have each entered into BRN agreements with Deutsche Telekom, under which Deutsche Telekom is to install, make available and operate fixed-line broadband and broadcasting links. These links, which are made up of optical leased lines, provide connectivity in the upgrade areas for the full 862 MHz spectrum including return path capabilities. In the non-upgrade regions the frequency range is limited to 450, 574 or 630 MHz. Both BRN agreements were renegotiated in 2009. The new unified BRN-Unitymedia agreement will be effective as of January 1, 2010. The services previously provided under the old BRN-iesy agreement and BRN-ish agreement are combined and the analogue optical broadband cable connection lines (“BKVLs”) that were the subject of one of the Term Sheets between Unitymedia NRW and Deutsche Telekom are transferred to the new BRN-Unitymedia agreement. In addition, the agreement provides the basis for an extension and upgrade of optical BKVLs with a frequency range of up to 862 MHz with return channel. The agreement is structured as a framework agreement with a minimum term until December 31, 2017 and more flexible termination rights compared to the old BRN agreements. We have the right to terminate lines subject to the BRN agreements and have done so in most of our upgraded areas where we have either built our own fiber or leased dark fiber from third parties. Currently less than five percent of our upgraded networks are subject to the BRN-Unitymedia agreement.

Interconnection with Deutsche Telekom

In order to deliver telephony services to our customers, Unitymedia NRW entered into a voice interconnection agreement with Deutsche Telekom. Although this agreement was terminated as of June 30, 2003, the Federal Network Agency subsequently ordered the continuation of the voice interconnection on the basis of the standard Deutsche Telekom interconnection agreement, with certain changes, for an indefinite period of time. This interconnection agreement with Deutsche Telekom is a standard agreement as the interconnection regime is heavily regulated.

In addition, we entered into several amendments to the interconnection agreement with Deutsche Telekom under which we extended the scope of services provided by Deutsche Telekom to us.

Other Interconnection Agreements

In addition to our interconnection agreement with Deutsche Telekom, we have entered into interconnection agreements with other major operators of interconnection networks, including BT (Germany) GmbH & Co. oHG (“BT Germany”), MCI Deutschland GmbH (Verizon), QSC AG, Versatel Süd GmbH and Vodafone (formerly Arcor AG & Co. KG). These interconnection agreements generally provide for the interconnection of telecommunications networks to receive, forward and terminate traffic into or through certain national and international fixed-line and mobile networks. The terms of the interconnection agreements are generally indefinite, in some cases after a fixed initial term and in the case of BT Germany an initial term of 18 months with automatic renewal by 12 months periods. The agreements are subject to termination rights with between one to six (mostly three) months’ notice prior to the end of the relevant period. Of those agreements providing for an initial term, the initial term of each agreement except for the agreement with QSC has already ended.

Agreements Regarding the Use of Fiber Optic Cables

In 2007 and 2008, Unitymedia NRW and Unitymedia Hessen entered into several agreements (including a framework agreement) with GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG (“GasLINE”) for the use and maintenance of fiber optic cables, under which the right to grant the use of dark fiber to third parties is expressly excluded. The agreements have an initial term of 18 years (in case of the framework agreement, an initial term is ten years) in relation to each of the leased cables as of the date on which such cables were made available. Some of the agreements grant an option to Unitymedia NRW to extend the term of each of the cables by up to 12 years.

Since 2001, Unitymedia Hessen and Unitymedia NRW have entered into several similar agreements for the use and maintenance of fiber optic cables with other providers of fiber optic cables (e.g., MIT Teleport München GmbH, Conlinet GmbH, WinGas) with durations of mostly 18 to 20 years and automatic extension by one year terms, under which Unitymedia Hessen or Unitymedia NRW, as applicable, have extension rights for up to five years.

Other Significant Supply Agreements

Premiere (now Sky Deutschland) / MSG

On July 19, 2007, we announced our entry into the Premiere Agreements, which led to the Federal Cartel Office's written confirmation that it had completed its formal review of the original cooperation agreement. This new set of agreements includes the distribution of the Premiere (now Sky Deutschland) content in a pass-through model for a six-year term with effect as of January 1, 2008. The distribution contract replaces the former MSG distribution contract which Unitymedia was bound by until December 31, 2007. Instead of being technically implemented via the MSG digital platform, Premiere (now Sky Deutschland) content and all other digital programming are being implemented via Unitymedia's platform. Therefore, the parties agreed to implement a smartcard exchange in order to avoid future use of MSG smartcards. The smartcard exchange was carried out in February 2008.

Nagravision

On August 31, 2007, Unitymedia NRW and Nagravision agreed on an amendment to the conditional access system agreement dated March 17, 2004, under which Nagravision agreed to (i) sell and install parts of Unitymedia NRW's conditional access system, including hardware equipment; (ii) grant licenses for the respective intellectual property rights for the conditional access system; and (iii) provide maintenance, support and security services to Unitymedia NRW. We also ordered smartcards under this agreement. The amendment agreement introduced revised and improved terms for the acquisition of smartcards and for determining the responsibilities relating to a security breach. Under the amendment Unitymedia NRW may terminate the agreement giving 6 months notice.

Subject to certain notice requirements, Nagravision may terminate the maintenance and support agreement if it becomes unable to maintain and support the conditional access system under certain conditions.

In 2007, we ordered additional components, services and smartcards in connection with our agreement with Premiere (now Sky Deutschland), whereby Unitymedia will provide conditional access services and smartcards. This will allow subscribers to have access to Unity Digital TV and Premiere (now Sky Deutschland) programs via a single smartcard. Unitymedia introduced a new generation of Nagravision smartcards between the third quarter of 2008 and the first quarter 2009.

CryptoWorks Agreement

On March 22, 2006, Arena Sport Rechte und Marketing GmbH entered into the CryptoWorks Agreement with Philips Digital Networks B.V., acting through its business unit Philips CryptoTec regarding conditional access services. In January 2007, Philips Digital Networks B.V. assigned the CryptoWorks Agreement to Irdeto Access B.V.. Irdeto Access B.V. agreed to provide arena with its conditional access system for the distribution of arena's pay TV and potential pay-per-view offers by cable and satellite. The system consists of certain hardware, software and technical services necessary to safely deliver the pay TV products of arena and/or its affiliates and to ensure that customers have conditional access to these products. Pursuant to the CryptoWorks Agreement, Irdeto Access B.V. shall render the services until June 30, 2009. An extension of the term until June 30, 2010 has been agreed, this can be further extended at arena's option until June 30, 2011.

Betacrypt Agreements

On April 21, 2005, Unitymedia NRW entered into the Betacrypt Agreements with Premiere (now Sky Deutschland), SCAS, Nagra and BetaResearch. These agreements were subsequently modified in June, September and October 2005.

The Premiere Agreements amended the Betacrypt Agreements and removed the restrictions preventing cable subscribers in NRW and Hesse from having access to both Digital TV Pay and Premiere (now Sky Deutschland) content via a single smartcard.

Convergys

On December 18, 2000, Convergys granted Unitymedia NRW a non-transferable and non-exclusive license to use the "CableMaster" software for its customer support and billing operations. The license agreement is effective for the longer of (a) the duration of the copyright of the licensed program materials and derivative works or (b) 50 years. On May 8, 2006, Convergys and Arena Sport Recht and Marketing GmbH entered into a new Software License Agreement thereby granting arena a perpetual, non-transferable and non-exclusive license within the territory of the European Union for Pay-TV services including pay-per-view services. The license is subject to the termination provisions applicable under German law. An amendment agreement was entered into in December 2007 by Convergys Information Management Group INC, Convergys EMEA Ltd., Unitymedia NRW GmbH and Unitymedia Hessen GmbH & Co. KG, whereby the number of perpetual licenses purchased was increased to provide for the inclusion of subscribers in Hesse. The maintenance and support agreement was also renewed and extended to December 2010. It may be terminated by Convergys if Unitymedia NRW's hardware or operating software cease to be able to run the system successfully. The license agreement may be terminated for cause by either party.

Nortel

On December 21, 2007, Unitymedia NRW and Nortel GmbH entered into a contract on the deployment and installation of hardware and software ("Purchase and Installation Agreement") to expand the new voice platform on a price per line basis to meet the customer growth and provide additional functionality, and to replace the original switch which was delivered in 2001. The agreement does not provide for a specific term, but sets out certain discounts for each of the years 2008 to 2011 and beyond in relation to the service charges payable under two service level agreements between the parties. Nortel is obliged under the Purchase and Installation Agreement to provide spare or replacement parts for voice equipment for a period of eight years and in case of optical equipment ten years from delivery at its then prevailing prices. Furthermore, Nortel GmbH is obliged to offer software support for a period of ten years from the date of delivery at its then prevailing prices. Also on December 21, 2007, Unitymedia NRW and Nortel GmbH entered into two service level agreements for central office voice equipment and central office optical equipment, both agreements pertaining to technical support services in relation to network components delivered and installed by Nortel. The agreements have an initial term from May 1, 2007, to December 31, 2008, and while not formally extended are being performed by both parties with charges based on the discounts provided for in the Purchase and Installation Agreement.

On January 14, 2009, Nortel Networks Corp. filed for bankruptcy protection under the Canadian Companies' Creditors Arrangement Act, Chapter 11 of the U.S. Bankruptcy Code and administration under English insolvency law. Unitymedia is actively working with Nortel GmbH to ensure contractual compliance for its support obligations, as well as evaluating alternative and back-up solutions.

Cisco/Scientific Atlanta

In 2007, Unitymedia NRW entered into an agreement with Scientific Atlanta (SA), a Cisco company, to update, expand and support its digital headend equipment. In December 2007, Unitymedia NRW entered into another agreement with Cisco whereby Cisco agreed to provide Cable Modem Termination System ("CMTS") equipment in 2008 for NRW and/or Hesse, together with Multi Media Terminal Adaptors ("MTAs"), which are the voice-enabled cable modems. These contractual relationships have been extended through 2009 and into 2010 and now include EuroDOCSIS 3.0 equipment.

Motorola

In 2006, Unitymedia NRW entered into an agreement with Motorola GmbH under which Motorola GmbH agreed to replace part of the existing CMTS platform and provide new CMTS for Unitymedia NRW's expansion. This arrangement has been continued through 2009 and into 2010.

Motorola GmbH who have provided Unitymedia NRW with MTAs and cable modems for a number of years announced in January 2010 that they are selling their EMEA EuroDOCSIS 2.0 and 3.0 MTA and Cable Modems business to Compal Broadband Networks of Taiwan ("Compal"). In such case, we expect to procure equipment from Compal under essentially the same terms.

STBs

During 2009, Unitymedia purchased STBs from Samsung and Technotrend and a Samsung DVR based on the Nagravision international Conditional Access Kernel, which included features that optimize the user experience when watching the digital content provided by Unitymedia. The orders placed supported the higher subscriber growth; no long-term commitments were made to the manufacturers.

Other Network Agreements

We also lease fiber capacity in connection with the network upgrade from other telecommunications service providers under several dark fiber service agreements. In particular, we are a party to several dark fiber, as well as hardware and software agreements in connection with the integration of the Unitymedia networks. Where an amount has been prepaid upon signing of the agreement, it is amortized over the life of the agreement resulting in a non-cash charge to our income statement.

In connection with the integration of the Unitymedia Hessen and Unitymedia NRW networks, Unitymedia Hessen also entered into an agreement with Circular Information systems, which provides certain technical elements necessary for the connection of the Unitymedia NRW and the Unitymedia Hessen networks.

Feed-in Agreements

We have entered into numerous feed-in agreements with public and commercial broadcasters for the analogue and/or digital non-pay and pay carriage of their signals. The most important feed-in agreements are with the public broadcasters (ARD and ZDF), the RTL Group and ProSiebenSat.1.

Content Agreements

For our digital cable television offerings, we are party to a number of content agreements with content providers, including individual channels, in particular ARD and ZDF, as well as the History Channel and Fox, as well as Mediapool, a provider of international content. The majority of our content agreements provide for the payment of a variable fee to the content provider per subscriber per month, with low if any minimum guaranteed payments. As more premium content becomes available in our markets, however, we may be increasingly required to make certain minimum subscriber guarantees in order to secure rights to such content. In general the terms of these agreements vary from one to seven years and typically contain automatic extension clauses for additional one-year periods unless terminated within the three to six month notice periods. Some agreements provide that although we do not have to pay a fee to the broadcaster, we may retransmit the program. See “Business — Intellectual Property”.

Regulatory

Our business is subject to various regulatory requirements and obligations including the telecommunications and media laws, general antitrust law as well as technical and other regulations.

Telecommunications Regulation

The telecommunications business in Germany is subject to the regulatory regime of the German Telecommunications Act and certain ordinances promulgated under the German Telecommunications Act. The German Telecommunications Act covers the transport of any signal by telecommunications installations encompassing TV signals, Internet data transport and voice telephony, all of which we provide.

The German regulatory framework is predominantly based on the European Union (EU) regulatory framework. The body of EU law that deals with communications regulation consists of a variety of legal instruments and policies (collectively referred to as the EU Communications Regulatory Framework or Regulatory Framework). The key elements of the Regulatory Framework are various directives that require member states to harmonize their laws, as well as certain regulations that have effect without any national transposition.

The Regulatory Framework primarily seeks to open European markets for communications services. It harmonizes the rules for the establishment and operation of electronic communications networks, including cable television and traditional telephony networks, and the offer of electronic communications services, such as telephony, Internet and, to some degree, television services. The Regulatory Framework does not generally address issues of content.

On November 24, 2009, the European Parliament and the European Council completed the process of agreeing on a set of revisions to the Regulatory Framework after a revision process that has been going on for some years. The revisions to the Regulatory Framework must be transposed in Germany before June 19, 2011. Generally, the changes to the Regulatory Framework are limited, but will affect us. Some changes are institutional. For example, a new body of European regulators was created in early 2010. Some new powers, however, will be given to national regulators. For example, the national regulators will have rights to mandate access to ducts even without "Significant Market Power" findings. Also, there will be enhanced powers for member states to impose quality of service requirements on internet service providers (ISPs). In general, pending the adoption and the transposition by Germany of the new directives, the existing legal situation is unchanged.

The regulatory situation in Germany

The German Federal Network Agency is responsible for the regulation of the German telecommunications market. In addition, the German Federal Cartel Office has powers to address completion issues in all markets.

Relevant legislation imposes a variety of rules on us and other market participants. Certain key provisions are set forth below. This description is not intended to be a comprehensive description of all regulation in this area nor a review of specific obligations which have been imposed on us.

Interconnection and Access Obligations

Every operator of a public telecommunications network, irrespective of its market position, is obligated upon request to offer interconnection with its network to other network operators. If the parties cannot agree upon the conditions of such interconnection, the Federal Network Agency can impose obligations.

The regulatory powers of the Federal Network Agency are comprehensive vis-à-vis operators with significant market power, irrespective of their granting access to end customers. Based on a market analysis, the Federal Network Agency may impose operators of public telecommunications networks with significant market power various obligations to interconnect and to grant other undertakings access to their telecommunications networks for the provision of telecommunications services.

Regulation of Fees

Under the German Telecommunications Act, the fees for telecommunications access services offered by providers can be subject to pricing regulation, if significant market power has been determined or if the operator controls access to end-users.

Allocation of Frequencies

In addition to the notification requirement mentioned above, in principle, a frequency allocation by the Federal Network Agency is required for the use of frequencies in our cable network. The allocation of frequencies is subject to a one time fee and the usage of frequencies is subject to annual fees. The requirement of a frequency allocation generally applies to the use of terrestrial frequencies as well as, in principle, to the use of frequencies in cable network. Up to July 2009, frequencies in cable networks within the frequency range from 9 kHz to 3 GHz could be used on the basis of the German Frequency Range Allocation Plan Ordinance (Frequenzbereichszuweisungsplanverordnung) without an additional allocation decision by the Federal Network Agency, subject to certain conditions regarding electromagnetic interferences and security-related radio services.

Rights of Way

Operators of public telecommunications networks that wish to use public streets, squares, bridges and public waters for the laying and operating of telecommunications lines have to apply to the Federal Network Agency in order to obtain the respective rights of way. In particular, the Federal Network Agency has to determine whether the applicant has demonstrated sufficient professional expertise, reliability and financial capability to operate telecommunications lines. Both the installation of new telecommunications lines and the modification of existing telecommunications lines also require the consent of the competent road construction and maintenance authority.

Media Regulation

Regulation of the media falls within the legislative competence of the German federal states (*Bundesländer*). The media laws of all 16 federal states have been partially harmonized with the State Broadcasting Treaty (Rundfunkstaatsvertrag). The State Broadcasting Treaty establishes the framework of the German broadcasting system. In particular, it provides for a regime designed to ensure that a diversity of opinions is secured in the mix of public and commercial radio and television channels and their respective programming. The regime affects our ability to decide how to use our digital platform and therefore may impact our business.

Each German state has established its own independent regulatory body, the state media authority (Landesmedienanstalt), for the regulation of the private broadcasting sector, except for the states of Berlin and Brandenburg, which have established a joint regulatory body. The state media authorities are primarily responsible for licensing and supervision of commercial broadcasters and the allocation of transmission capacities for radio and television channels. They are also in charge of the regulation of conditional access systems, interfaces, navigators and the bundling of programs.

Broadcasters have the right to file a complaint with the relevant state media authority in the event that cable network operators refuse to carry their signals. The state media authorities are vested with the power to order the transmission of channels upon receipt of such complaints, provided that the respective broadcasters programs enjoy a “must carry” status or that the network has sufficient excess capacity.

Allocation and Use of Transmission Capacities

The State Broadcasting Treaty sets forth the rules for the allocation and use of digital transmission capacities and digital playout facilities for television channels. The allocation and use of analogue cable transmission capacities for both radio and television channels and digital transmission for digital radio capacities are primarily governed by the laws of the respective states.

Allocation and Use of Analogue Transmission Capacities

Regulations regarding the analogue cable transmission of radio and television channels vary from state to state and cable network operators are generally not free to allocate analogue channels in their networks. Rather, the state media authorities make allocation decisions regarding the programs that will be transmitted over the cable networks, in order to ensure a diversity of opinions in the mix of channels and programming.

Allocation and Use of Digital Transmission Capacities

In the digital range, “must carry” obligations currently apply for the distribution of certain digital channels (up to a maximum of one third of our digital bandwidth dedicated to broadcasting services). Practically speaking, one third of digital capacity is must carry, one third is allocated to ensure diversity and one third is for the cable operator’s own choice.

Use of Conditional Access Systems

The operation of conditional access systems for television services is governed by the State Broadcasting Treaty (Rundfunkstaatsvertrag) and the German Telecommunications Act. Generally, operators must have a diverse program offering and must not unfairly obstruct or discriminate against broadcasters and other content providers through conditional access systems, interfaces, navigators or the fee structures.

Management

Management of Unitymedia

In accordance with German corporate law, Unitymedia, Unitymedia Management, Unitymedia Hessen Verwaltung, Unitymedia NRW, Unitymedia Services, Unitymedia Aachen, Unitymedia Wiesbaden and arena are managed by their Managing Directors (*Geschäftsführer*).

Responsibilities for operations are allocated to members of senior management.

Managing Directors

The Managing Directors of Unitymedia, Unitymedia Management, Unitymedia Hessen Verwaltung, Unitymedia NRW, Unitymedia Services, Unitymedia Aachen, Unitymedia Wiesbaden and arena are responsible for the day-to-day management of the business of their respective entities. The shareholders' meeting of Unitymedia, Unitymedia Management, Unitymedia Hessen Verwaltung, Unitymedia NRW, Unitymedia Aachen, Unitymedia Wiesbaden, Unitymedia Services and arena appoint the Managing Directors of the relevant company and are authorized to remove them. The Managing Directors are obligated to report regularly to the relevant shareholders' meeting or partners' meeting, as the case may be, on the business activities and strategy of the relevant company, and the shareholders' meeting or partners' meeting, as the case may be, may request additional reports at any time. The Managing Directors must obtain prior approval from the shareholders' meeting or partners' meeting, as the case may be, with respect to certain material matters, but the shareholders' meeting or partners' meeting, as the case may be, is generally not entitled to assume management functions or interfere with the day-to-day management of the businesses.

Unitymedia currently has four Managing Directors[1]:

Name	Age	Position	Year First Appointed
W. Gene Musselman............................	65	Managing Director	2010
Dr. Herbert Leifker................................	56	Managing Director	2005
Christopher Winfrey..............................	34	Managing Director	2006
Joachim Grendel	44	Managing Director	2009

arena currently has three Managing Directors:

Name	Age	Position	Year First Appointed
W. Gene Musselman............................	65	Managing Director	2010
Christopher Winfrey..............................	34	Managing Director	2008
David McGowan...................................	47	Managing Director	2006

[1] Effective April 1, 2010, Ray Samuelson, Chief Financial Officer of UPC Broadband, will be appointed as interim Chief Financial Officer of Unitymedia, in addition to his European responsibilities at UPC. Mr. Samuelson has been working in several finance and accounting roles with Liberty Global and its predecessor companies since 1993. Before that time, he was employed by USWest and Arthur Andersen. Ray Samuelson will succeed Christopher Winfrey, Chief Financial Officer and Managing Director, who is stepping down from the company with effect as of March 31, 2010.

W. Gene Musselman has been appointed acting Managing Director of Unitymedia in January 2010, in addition to his role since June 2005 as President and Chief Operating Officer of UPC Broadband, the largest division of Liberty Global. Mr. Musselman served in similar positions with the UPC Broadband division of UGC Europe and its predecessors from April 2000 to June 2005. Mr. Musselman also serves as a Director or Supervisory Board member for a number of UPC's subsidiary cable operations, including subsidiaries in Austria, Belgium, Hungary, Ireland, the Netherlands, Poland, and Switzerland. Mr. Musselman is an executive officer of Liberty Global and sits on the company's Executive Management Committee. Mr. Musselman was a member of UPC's Board of Management from June 2000 to September 2003. In September 1997, he became Chief Operating Officer of Telekabel Wien, an Austrian subsidiary. Shortly thereafter, he became Chief Executive Officer of Telekabel Wien. Then in July 1999, prior to moving to UPC, Mr. Musselman became Chief Operating Officer of the UPC Central Europe Group overseeing properties in Poland, Czech Republic, Austria, Slovakia, Hungary and Romania. Except when working with Tevecap S.A. in Brazil from 1995 to 1997, Mr. Musselman has been with UnitedGlobalCom, Inc. and its predecesors and now its parent, Liberty Global, since 1991. Mr. Musselman has been actively involved in the cable industry for more than 25 years. Prior to 1991, he worked with The Hearst Corporation from 1983 to 1990 as Executive Vice President and Chief Operating Officer of Hearst Cablevision. He also served as Director of New Business Development at Hearst's Entertainment and Syndication Group in 1991. Previously, Mr. Musselman worked with Televents Inc. as Vice President of Operations and Marketing. Mr. Musselman earned a Masters degree in Industrial Relations from Loyola University of Chicago.

Dr. Herbert Leifker is our Chief Commercial Officer and was appointed Managing Director of Unitymedia following the Tele Columbus acquisition and Managing Director of Unitymedia Hessen Verwaltung and Unitymedia NRW in February 2006, Unitymedia Management in March 2006 and Unitymedia Services in May 2007. He was previously the CEO of Tele Columbus which he developed from 1990 until the merger with Unitymedia and subsequent sale of the regions outside North Rhine-Westphalia and Hesse. Dr. Leifker holds a doctorate in law and after completing his studies started his career in the banking industry.

Christopher Winfrey has been Chief Financial Officer and Managing Director of Unitymedia since March 2006 and was appointed Managing Director of Unitymedia Management, Unitymedia Hessen Verwaltung and Unitymedia NRW in March 2006, arena in April 2008 and Unitymedia Services in April 2008. As our Chief Financial Officer he is responsible for accounting, controlling, treasury, investor relations, corporate finance, procurement and administration functions. He joined Unitymedia from Cablecom where, as Senior Vice President – Corporate Finance and Development, he played a key role in the operational turnaround, triple play rollout, financial restructuring and ultimate private equity exit of Cablecom. He was previously Director of Financial Planning and Analysis of NTL's continental European operations and a Senior Associate in the private equity group at Communications Equity Associates. Mr. Winfrey graduated Cum Laude from the University of Florida, with a Bachelor of Science in Accounting within the Honors program. He also received his MBA from the University of Florida, with specialization in securities analysis and global business.

Joachim Grendel was appointed as Chief Operating Officer and Managing Director of Unitymedia on March 1, 2009. He is responsible for customer operations which includes all aspects of customer service, information technology and operating process development. Mr. Grendel joined Unitymedia from The Boston Consulting Group where he has served for 10 years most recently as the responsible TMT partner and managing director for Eastern Europe and Russia. Prior to that, Mr. Grendel worked for Roland Berger Strategy Consultants and was responsible for product management at Gesellschaft für Datenfunk. Mr. Grendel graduated from the Ruhr University Bochum with a Masters of Science in Mathematics.

David McGowan was appointed Managing Director of arena in June 2006. He is responsible for the arenaSAT platform and general arena marketing, business development and operations. Mr. McGowan previously served as Chief Content Officer and Senior Vice President, Corporate Strategy and Product Development for Cablecom in Switzerland for two years. Prior to that he was Deputy Chief Operating Officer at Unitymedia Hessen. In 1999-2002 he served in various Senior Management roles for NTL UK and NTL Europe with responsibilities for strategy and development, in particular the development of digital television, broadband internet services and content. Prior to that he served in different roles at public television in the US, and the TIME magazine in the US. Mr. McGowan holds a B.A. cum laude in History from Yale University.

The business address of all the Managing Directors named above is Aachener Str. 746-750, 50933 Cologne.

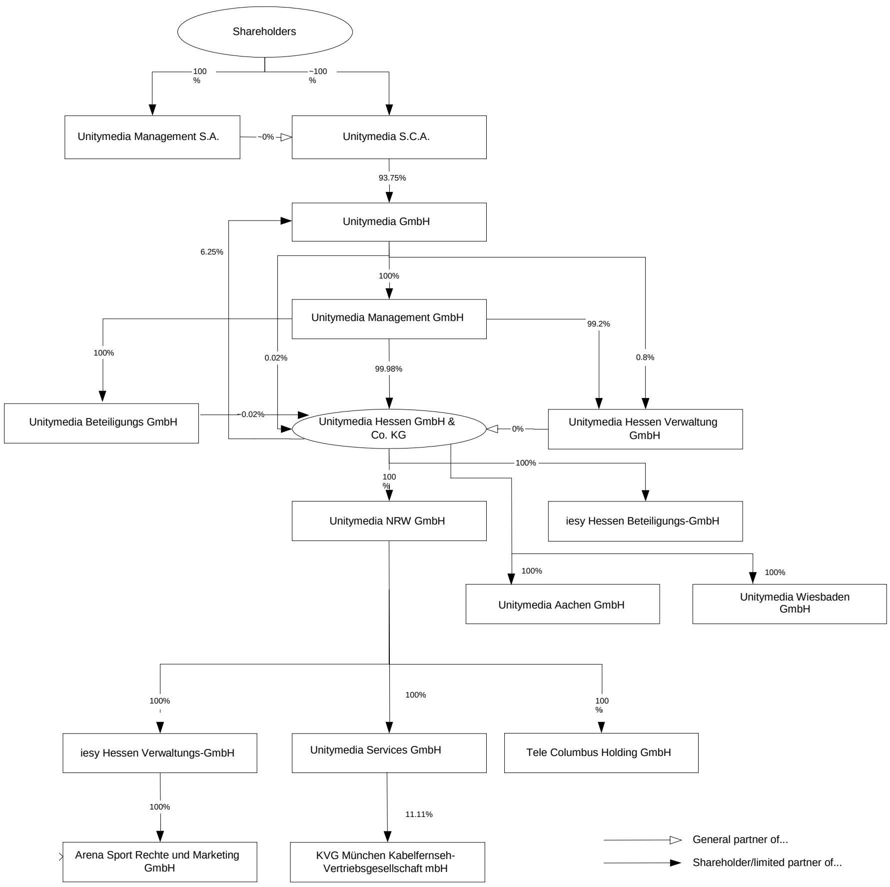
Shareholder

Our Group Structure

Following the closing of the Liberty Global Transaction on January 28, 2010 Unitymedia is an indirectly owned subsidiary of Liberty Global, Inc. Liberty Global is the leading international cable operator offering advanced video, voice and broadband internet services operating state-of-the-art networks across 14 countries principally located in Europe, Chile, and Australia. Liberty Global's operations also include significant programming businesses such as Chellomedia in Europe.

As of December 31, 2009, our sole shareholder was Unitymedia S.C.A., that was controlled by investment vehicles controlled by BC Partners (including Finakabel Holdings Limited) and Apollo (which includes AP Cable LLC and AP Participations, L.P.), which held approximately 35.2% and 29.0%, respectively, of the equity interest in Unitymedia S.C.A and 38.1% and 31.5%, respectively, of the equity in Unitymedia Management S.A.

The following diagram sets forth a simplified summary of our corporate structure as of December 31, 2009, before closing of the Liberty Global Transaction.



Notes:

(1) Apollo controlled 29.0% and BC Partners a 35.2% equity interest in Unitymedia S.C.A at December 31,2009.

(2) Unitymedia Management S.A. is a *société anonyme* organized under the laws of Luxembourg and serves as the general partner and manager of Unitymedia S.C.A.

(3) Unitymedia S.C.A. is a *société en commandite par actions* organized under the laws of Luxembourg and is managed by Unitymedia Management S.A.

(4) Unitymedia GmbH is a holding company that conducts no operating activities.

(5) Unitymedia Management GmbH is a holding company that conducts no material activities other than entering into employment agreements and other related arrangements.

(6) Unitymedia Hessen Verwaltung is the general partner of Unitymedia Hessen and has no equity ownership in Unitymedia Hessen.

(7) Unitymedia Hessen conducts substantially all of our Hesse operations and is the parent of Unitymedia NRW and iesy Hessen Beteiligungs-GmbH, Unitymedia Aachen and Unitymedia Wiesbaden, each 100% owned by Unitymedia Hessen.

(8) Unitymedia NRW conducts substantially all of our North Rhine-Westphalia operations and is the parent of iesy Hessen Verwaltungs-GmbH (the parent of arena), Unitymedia Services, and Telecolumbus Holding GmbH, each 100% owned by Unitymedia NRW.

(9) iesy Hessen Verwaltungs-GmbH is a holding company that conducts no material activities.

(10) Unitymedia Beteiligungs GmbH is a holding company that conducts no operating activities.

Description of Indebtedness

The description set forth below does not purport to be complete and is qualified entirely by reference to the agreements we have entered into and to which we refer below. Some of the terms used herein are defined in these agreements and we have not included all of such definitions herein.

Unitymedia 2010 Notes

Overview

On November 20, 2009, UPC Germany GmbH (UPC Germany) issued (i) €1,430.0 million principal amount of 8.125% senior secured notes at an original issue discount of 2.156%, resulting in cash proceeds of €1,399.2 million before transaction costs (the Euro Senior Secured Notes), (ii) $845.0 million principal amount of 8.125% senior secured notes (the Dollar Senior Secured Notes and, together with the Euro Senior Secured Notes the Unitymedia 2010 Senior Secured Notes) at an original issue discount of 2.156%, resulting in cash proceeds of $826.8 million before transaction costs and (iii) €665.0 million principal amount of 9.625% senior notes at an original issue discount of 2.348%, resulting in cash proceeds of €649.4 million before transaction costs (the Unitymedia 2010 Senior Notes and, together with the Unitymedia 2010 Senior Secured Notes, the Unitymedia 2010 Notes).

The net proceeds from the sale of the Unitymedia 2010 Notes were placed into two escrow accounts. On January 28, 2010, €849.2 million of cash was used from the escrow accounts to fund a portion of the acquisition by UPC Germany of the shares in Unitymedia GmbH (Unitymedia). On March 2, 2010, (i) the remaining balances in the escrow accounts were released in connection with the repayment of the Unitymedia group's existing indebtedness, (ii) the obligations under the Unitymedia 2010 Senior Secured Notes were assumed by Unitymedia Hessen GmbH & Co. KG (Unitymedia Hessen) and Unitymedia NRW GmbH (Unitymedia NRW) (together the Unitymedia 2010 Senior Secured Notes Co-Issuers) and (iii) the obligations under the Unitymedia 2010 Senior Notes were assumed by Unitymedia (the Unitymedia 2010 Senior Notes Issuer and, together with the Unitymedia 2010 Senior Secured Notes Co-Issuers, the Issuers and each an Issuer) (the assumption by the Issuers of such obligations, collectively, the Debt Pushdown).

The details of the Unitymedia 2010 Notes are summarized in the following table:

Unitymedia 2010 Notes	Nominal Value	Maturity	Interest Rate	Interest Payment	Issue Price
Euro Senior Secured Notes	€ 1,430 million	December 1, 2017	8.125%	Semiannually on June 1	97.844%
USD Senior Secured Notes	$ 845 million	December 1, 2017	8.125%	and December 1	97.844%
Senior Notes	€ 665 million	December 1, 2019	9.625%	commencing June 1, 2010	97.652%

Ranking and Guarantees

The Unitymedia 2010 Senior Secured Notes rank (i) pari passu in right of payment with any existing and future indebtedness of the Unitymedia 2010 Senior Secured Co-Issuers that is not subordinated to the Unitymedia 2010 Senior Secured Notes and (ii) senior in right of payment to any existing and future subordinated obligations of the Unitymedia 2010 Senior Secured Co-Issuers. The Unitymedia 2010 Senior Notes rank (i) pari passu in right of payment with any existing and future indebtedness of the Unitymedia 2010 Senior Notes Issuer that is not subordinated to the Unitymedia 2010 Senior Notes and (ii) senior in right of payment to any existing and future subordinated obligations of the Unitymedia 2010 Senior Notes Issuer.

The Unitymedia 2010 Senior Secured Notes are guaranteed on a senior basis by Unitymedia, Unitymedia Hessen Verwaltung GmbH (Unitymedia Hessen Verwaltung), Unitymedia Management GmbH (Unitymedia Management) and Unitymedia Beteiligungs GmbH (Unitymedia Beteiligung). The Unitymedia 2010 Senior Notes are guaranteed on a senior subordinated basis by Unitymedia Hessen, Unitymedia Hessen Verwaltung, Unitymedia NRW, Unitymedia Management and Unitymedia Beteiligung. In addition, the Unitymedia 2010 Notes will be guaranteed by each other subsidiary that guarantees the Unitymedia Revolving Credit Facility (described below).

Security

The Unitymedia 2010 Senior Secured Notes are secured by (i) first-priority share pledges over the shares of Unitymedia Management, Unitymedia Hessen Verwaltung, the Unitymedia 2010 Senior Secured Notes Co-Issuers and Unitymedia Beteiligung, (ii) security assignment over claims under certain domination and/or profit and loss absorption agreements; and (iii) with respect to each of the Unitymedia 2010 Senior Secured Notes Co-Issuers and, to the extent applicable, Unitymedia Management and Unitymedia Hessen Verwaltung, (a) a first-ranking account pledge covering certain cash accounts, (b) security assignments of receivables and insurance claims and (c) security transfers of substantially all of the other material assets of the Unitymedia 2010 Senior Secured Notes Co-Issuers and the Guarantors (other than the SLAs).

The Unitymedia 2010 Senior Notes are secured by a first-priority share pledge over Unitymedia, junior priority share pledges over the shares of Unitymedia Management, Unitymedia Hessen, Unitymedia Hessen Verwaltung and Unitymedia Beteiligung and security assignment over claims under certain domination and/or profit and loss absorption agreements.

Under the terms of the Intercreditor Agreement, the proceeds of any enforcement of the Security will be applied to repayment of the Unitymedia Revolving Credit Facility (as described below) and certain hedging obligations prior to being applied to repayment of the Unitymedia 2010 Notes. The Security is subject to contractual limitations due to German capital maintenance laws and may be released in certain circumstances.

Redemption

At any time prior to December 1, 2012 in the case of the Unitymedia 2010 Senior Secured Notes and December 1, 2014 in the case of the Unitymedia 2010 Senior Notes, the Issuer may redeem some or all of the Unitymedia 2010 Notes at a redemption price equal to the sum of (i) 100% of the principal amount thereof, (ii) the excess of (a) the present value at such redemption date of (1) the redemption price on December 1, 2012 and December 1, 2014, respectively, as set forth in the table below, plus (2) all required remaining scheduled interest payments due through December 1, 2012 and December 1, 2014, respectively, computed using the discount rate specified in the indentures, over (b) the principal amount of the applicable Unitymedia 2010 Notes on the redemption date and (iii) accrued but unpaid interest and additional amounts, if any, to the applicable redemption date.

The Issuer may redeem some or all of the Unitymedia 2010 Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts, if any, to the applicable redemption date, if redeemed during the twelve-month period commencing on December 1 of the years set out below:

Year	Redemption Price Senior Secured Notes	Senior Notes
2012	108.125%	N.A.
2013	104.063%	N.A.
2014	102.031%	104.813%
2015	100.000%	103.208%
2016	100.000%	101.604%
2017 and thereafter	100.000%	100.000%

In addition, at any time prior to December 1, 2012, the Issuer may redeem up to 35% of the Unitymedia 2010 Notes (at a redemption price of 108.125% of the principal amount in the case of the Unitymedia 2010 Senior Secured Notes and 109.625% of the principal amount in the case of the Unitymedia 2010 Senior Notes) with the net proceeds from one or more specified equity offerings.

At any time on or after November 20, 2010 but prior to November 20, 2012, the relevant Issuers have the option, following completion of a UPC Exchange Transaction (as defined below), to redeem all, but not less than all, of the Unitymedia 2010 Senior Secured Notes and/or all, but not less than all, of the Unitymedia 2010 Senior Notes, as applicable. The redemption price in such case (expressed as a percentage of the principal amount thereof) would be (i) 101% if such redemption is on or before November 20, 2011 or (ii) 102% if such redemption is after November 20, 2011, plus, in each case, accrued and unpaid interest and additional amounts, if any, to the applicable redemption date. A UPC Exchange Transaction means an exchange offer by UPC Broadband Holding or UPC Holding, as applicable, pursuant to which one or more series of senior notes issued by UPC Broadband Holding or UPC Holding, as applicable, are, subject to certain terms and conditions (including consent by holders of a majority in aggregate principal amount of Unitymedia 2010 Senior Secured Notes and/or Unitymedia 2010 Senior Notes, as applicable, to participate in the exchange offer), offered in exchange for Unitymedia 2010 Senior Secured Notes and/or Unitymedia 2010 Senior Notes, as applicable.

The relevant Issuers may redeem all of the Unitymedia 2010 Senior Secured Notes and/or all of the Unitymedia 2010 Senior 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 Issuer or certain of its subsidiaries sell certain assets or experience specified changes in control, the Issuer must offer to repurchase, to the extent required in the indentures, the Unitymedia 2010 Notes at a redemption price (expressed as a percentage of the principal amount thereof) of 100%, in the case of asset sales, and 101%, in the case of a change in control, plus, in each case, accrued and unpaid interest.

Certain Covenants

The indentures partially limit, among other things, the ability of the Unitymedia 2010 Senior Secured Notes Co-Issuers and their respective restricted subsidiaries and the Unitymedia 2010 Senior Notes Issuer and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;

- make certain other restricted payments;
- create or permit to exist certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- transfer, lease or sell certain assets including subsidiary stock;
- merge or consolidate with other entities; and
- enter into certain transactions with affiliates.

Certain Events of Default

In addition to other customary events of default, the Unitymedia 2010 Notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of €25.0 million or more in the aggregate of an Issuer or any of the Restricted Subsidiaries (as defined in the indentures) is an event of default under the Unitymedia 2010 Notes.

Unitymedia Revolving Credit Facility

On December 21, 2009, UPC Germany entered into an €80.0 million secured revolving credit facility agreement with certain lenders (the Unitymedia Revolving Credit Facility). Upon completion of the Debt Pushdown, the obligations of UPC Germany were assumed by Unitymedia Hessen and Unitymedia NRW. As of March 2, 2010, Unitymedia Hessen and Unitymedia NRW were the only entities permitted to draw on the Unitymedia Revolving Credit Facility. Wholly owned subsidiaries of Unitymedia Hessen may, in the future, on satisfaction of certain conditions contained in the Unitymedia Revolving Credit Facility Agreement, accede to the Unitymedia Revolving Credit Facility Agreement as additional borrowers.

The interest rate on each loan under the Unitymedia Credit Facility for each interest period is the percentage rate per annum, which is equal to the aggregate of the applicable (x) margin (see below), (y) EURIBOR and (z) any mandatory cost (which is the cost of compliance with reserve asset, liquidity, cash margin, special deposit or other like requirements). The applicable margin for the Unitymedia Revolving Credit Facility is 3.75% per annum. Unitymedia Hessen also pays an annual commitment fee of 1.25% on the unused portion of the Unitymedia Revolving Credit Facility.

Borrowings under the Unitymedia Revolving Credit Facility, which mature on December 31, 2014, may be used for general corporate and working capital purposes, including, but not limited to, the refinancing of any financial indebtedness. In addition to customary restrictive covenants and events of default, the Unitymedia Revolving Credit Facility requires compliance with a consolidated leverage ratio.

The Unitymedia Revolving Credit Facility is secured by the same security as the Unitymedia 2010 Senior Secured Notes. The Unitymedia Revolving Credit Facility is guaranteed by Unitymedia, Unitymedia Hessen, Unitymedia NRW, Unitymedia Management, Unitymedia Beteiligung, Unitymedia Hessen Verwaltung and each other subsidiary that becomes a significant subsidiary (as defined in the indenture for the Unitymedia 2010 Senior Secured Notes).

Definitions

Unless otherwise defined in this annual report, the terms listed below have the following meanings:

"2005 Financings" refers to (i) the issuance of the €215.0 million in principal amount of the Unitymedia Senior Notes, (ii) the repayment of €93.8 million of Unitymedia Hessen's previous senior credit facilities, (iii) the drawdown of €200.0 million under the Senior Credit Facilities, (iv) the purchase of all the outstanding shares of Kabelnetz (now Unitymedia NRW) for a total consideration of €1,540.3 million, including the repayment of the existing indebtedness of Kabelnetz and its subsidiaries, (v) the drawdown of €360.0 million under the Subordinated Bridge Facility, (vi) the drawdown of €850.0 million under the Senior Credit Facilities, (vii) the issuance of the equivalent of €360.1 million in principal amount of the Unitymedia New Senior Notes and the repayment of the Subordinated Bridge Facility, and (viii) the payment of fees and expenses related to the foregoing;

“2006 Refinancing” refers to the issuance by Unitymedia Hessen and Unitymedia NRW of the NRW/Hesse Notes that mature on April 15, 2013, and replacement of the undrawn €100.0 million revolving credit facility with the NRW/Hesse Revolving Credit Facility, available to Unitymedia Hessen, Unitymedia NRW and arena. The proceeds from the offering of the NRW/Hesse Notes were used to refinance our €1,050.0 million Senior Credit Facilities, to finance the payment by Unitymedia to Unitymedia S.C.A. of the deferred purchase price for the Tele Columbus shares and to cash collateralize a portion of the DFL Bank Guarantee;

“2010 Refinancing” refers to the issuance by Unitymedia Hessen and Unitymedia NRW of the Unitymedia 2010 Senior Secured Notes that mature on December 1, 2017, to the issuance by Unitymedia GmbH of the Unitymedia 2010 Senior Notes that mature on December 1, 2019, as well as the new Unitymedia 2010 Revolving Credit Facility. The proceeds from the offering of the Unitymedia 2010 Senior Secured Notes and Unitymedia 2010 Senior Notes were used to finance the Liberty Global Transaction, including the redemption of the Unitymedia Group Notes;

“arena” refers to arena Sport Rechte und Marketing GmbH, Cologne;

“arenaSAT” refers to the satellite operations of arena;

“ARPU” refers to the average monthly revenue per user for the referenced period;

“BRN” or “BRN agreements” refers to the BRN- Unitymedia Hessen agreement and the BRN-Unitymedia NRW agreement between Deutsche Telekom and Unitymedia Hessen GmbH & Co. KG and Unitymedia NRW GmbH, respectively, pursuant to which Deutsche Telekom is to install, make available and operate certain fixed-line broadband and broadcasting networks;

“*Bundesliga* Rights” refers to the rights to broadcast the matches of the 1st and 2nd German Football League (*Deutsche Fußball Liga*);

“CAS” refers to Conditional Access System;

“CMTS” refers to Cable Modem Termination System;

“Content Group“ refers to tmc Content Group AG, Baar (Switzerland);

“CPE” refers to Customer Premise Equipment;

“DFL” refers to DFL Deutsche Fussball Liga GmbH, Frankfurt am Main;

"DFL Bank Guarantee" refers to the bank guarantee, which was provided by Citigroup Global Markets Limited in connection with arena's obligations under its agreement with DFL regarding the *Bundesliga* programming rights;

“Deutsche Telekom” refers to Deutsche Telekom AG, Bonn;

“DVR” refers to digital video recorder;

“EBITDA” is defined as earnings before interest, tax, depreciation and amortization;

“EU” refers to the European Union;

“EU-IFRS” refers to International Financial Reporting Standards, as adopted by the European Union;

“Euro” refers to the Euro currency;

“Euribor” refers to the European Inter Bank Offered Rate;

“EWT” refers to the cable network business of the group of companies controlled by ewt multimedia GmbH & Co. KG, which was renamed TeleColumbus Multimedia GmbH & Co. KG;

“FCO” refers to the Federal Cartel Office, the German Bundeskartellamt;

“German GAAP” refers to Generally Accepted Accounting Principles in Germany (HGB);

“Group” refers to Unitymedia GmbH, Cologne, and its subsidiaries;

“GVL” refers to Gesellschaft zur Verwertung von Leistungsschutzrechten mbH, a German collecting society

“HD” refers to High Definition Television;

“HGB” refers to the German Commercial Code (Handelsgesetzbuch);

“homes passed” is calculated based on our estimate of the number of potential subscribers who are passed by our network and to whom we can offer our cable television services;

“housing associations” encompass public property investors, public property owners, property management firms and financial investors;

“IAS” refers to International Accounting Standards;

“iesy” refers to iesy Hessen GmbH & Co. KG, which was renamed Unitymedia Hessen GmbH & Co. KG;

“IFRS” refers to International Financial Reporting Standards;

“Indentures” refers to the indentures relating to the Unitymedia 2010 Senior and Senior Secured Notes;

“In-Region assets“ refer to assets and liabilities related to the regions North Rhine-Westphalia and Hesse within the previous Tele Columbus Group;

“ish” refers to the cable network business of Unitymedia NRW GmbH (formerly the group of companies controlled by Kabelnetz NRW HoldCo GmbH which was renamed ish NRW GmbH on September 2, 2005 and subsequently renamed Unitymedia NRW GmbH on May 22, 2007);

“ish Acquisition” refers to the acquisition of Unitymedia NRW (formerly ish NRW GmbH) by Unitymedia Hessen completed on June 24, 2005;

”Kabelnetz“ refers to Kabelnetz NRW HoldCo GmbH;

”Kabelnetz Ltd.” refers to Kabelnetz NRW Limited;

“Kabel Baden-Württemberg” refers to the cable network business of the group companies controlled by Kabel Baden-Württemberg GmbH & Co. KG, Heidelberg;

“KDG” refers to the cable network business of the group of companies controlled by Kabel Deutschland GmbH, Unterföhring;

“Liberty Global” or “Liberty Global, Inc.” refers to the Nasdaq listed international cable company Liberty Global, Inc., Englewood, Colorado (U.S.);

“Liberty Global Transaction” refers to the acquisition of 100% of the shares of Unitymedia GmbH by UPC Germany GmbH, an indirect subsidiary of Liberty Global, Inc. that was consummated on January 28, 2010;

“LTM” refers to Last Twelve Months used to calculate Adjusted EBITDA of the last four quarters;

“MEP” refers to Management Equity Participation programs;

“MPLS” refers to Multiprotocol Label Switching

“MSG” refers to Kabel Deutschland Breitband Services GmbH (formerly MSG Media Services GmbH), a subsidiary of KDG;

“MSA” refers to Master Service Agreement entered into with Deutsche Telekom;

“MTA” refers to Multi Media Terminal Adaptors;

“Nagravision” refers to Nagravision SA, Lausanne (Switzerland);

“New Services” include Unitymedia´s Internet, Telephony and Digital TV Pay business;

“NOC” refers to our Network Operations Center in Kerpen;

“NRW/Hesse Notes” (formerly ish/iesy notes) refers to the € 1,350 million senior secured floating rate notes due 2013 issued by Unitymedia Hessen and Unitymedia NRW during the 2006 Refinancing;

“NRW/Hesse Revolving Credit Facility” refers to the €130.0 million revolving credit facility issued during the 2006 Refinancing (formerly ish/iesy Revolving Credit Facility);

“Offering Memorandum” refers to the November 17, 2009 Offering Memorandum for the 2010 Refinancing;

“On Demand Deutschland” refers to ondemand!deutschland, Munich;

“Orion Cable” refers to Orion Cable GmbH, Hannover, the current parent company of Tele Columbus Group and majority shareholder of Primacom AG;

“Premiere” refers to Premiere Fernsehen GmbH & Co. KG, Unterföhring, which was renamed Sky Deutschland GmbH & Co. KG;

“Primacom” refers to Primacom AG, Mainz;

“Primacom networks” or “Primacom networks in Aachen and Wiesbaden” refers to the share acquisition of the former Primacom networks in Aachen and Wiesbaden. The entities were renamed into Unitymedia Aachen and Unitymedia Wiesbaden, respectively;

“Primacom Aachen and Wiesbaden” refers to Unitymedia Aachen and Primacom Wiesbaden;

“Primacom Aachen” refers to Unitymedia Aachen GmbH;

“Primacom Wiesbaden” refers to Unitymedia Wiesbaden GmbH;

“RGU” refer to Revenue Generating Unit;

“Refinancing” refers to the offering by Unitymedia of the Unitymedia Senior Notes and the entering into of the €230.0 million senior credit facilities consisting of a €200.0 million term loan facility and a €30.0 million revolving credit facility;

“Senior Credit Facilities” refers to the senior credit facilities entered into in connection with the Refinancing and Financing and described in “Description of Other Indebtedness” in the offering memorandum for the Unitymedia New Senior Notes;

“Sky Deutschland” refers to Sky Deutschland AG and its operating subsidiaries, formerly known as Premiere;

“STB” refers to Set-Top Box;

“TC Multimedia” refers to the cable network business of the group of companies controlled by TeleColumbus Multimedia GmbH & Co. KG (formerly ewt multimedia GmbH & Co. KG);

“TDS” refers to TDS Tele Columbus Daten und Service GmbH, Hannover;

"Tele Columbus" or "Tele Columbus Group" refers to the cable network business of the group of companies controlled by Tele Columbus GmbH, Hannover, indirectly controlled by Orion Cable GmbH, Hannover;

"Telefonica o2 Germany" refers to the DSL and mobile operator Telefónica O2 Germany GmbH & Co. OHG, Munich;

"Term Loan" refers to the €100 million Senior Secured Term Loan Facility maturing in October 2011 entered into by the Unitymedia Group companies Unitymedia Hessen, Unitymedia NRW and arena on October 20, 2006;

"Term Sheets" refers to various long-term agreements with Deutsche Telekom under which Deutsche Telekom provides network operations to us;

"The Company" refers to "Unitymedia";

"United Internet" refers to United Internet AG, Montabaur, and all its operating companies;

"United States" and the "U.S." refer to the United States of America;

"Unitymedia," "we," "us," "our," the "Company" and other similar terms refer to Unitymedia GmbH, Cologne, (formerly Unity Media GmbH or iesy Repository GmbH, respectively) and its consolidated subsidiaries, except where the context otherwise requires; was renamed Unitymedia GmbH January 5, 2009;

"Unitymedia Aachen" refers to Unitymedia Aachen GmbH, Cologne (formerly Primacom Aachen GmbH), which was renamed December 30, 2008;

"Unitymedia Beteiligung" refers to Unitymedia Beteiligungs GmbH, Cologne;

"Unitymedia Cable" refers to the cable business of Unitymedia, including primarily operations of Unitymedia Hessen, Unitymedia NRW, Unitymedia Services, Unitymedia Aachen and Unitymedia Wiebaden;

"Unitymedia 2010 Notes" refers to both the Unitymedia 2010 Senior Secured Notes and Unitymedia 2010 Senior Notes, both issued as part of the 2010 Refinancing;

"Unitymedia 2010 Revolving Credit Facility" refers to the €80 million revolving credit facility as part of the 2010 Refinancing;

"Unitymedia 2010 Senior Secured Notes" refers to the €1,430 million 8 1/8% senior secured notes due 2017 and $845 million 8 1/8% senior secured notes due 2017, both issued by Unitymedia Hessen and Unitymedia NRW as part of the 2010 Refinancing;

"Unitymedia 2010 Senior Notes" refers to the €665 million 9 5/8% senior notes due 2019 issued by Unitymedia GmbH as part of the 2010 Refinancing;

"Unitymedia Group" refers to Unitymedia GmbH, Cologne, and its subsidiaries;

"Unitymedia Group Notes" refers to the Unitymedia Senior Notes, the Unitymedia New Senior Notes and the NRW/Hesse Notes, issued in the 2005 and 2006 Refinancing, respectively;

“Unitymedia Hessen” refers to Unitymedia Hessen GmbH & Co. KG (formerly iesy Hessen GmbH & Co. KG), Cologne, which was renamed Unitymedia Hessen GmbH & Co. KG on May 14, 2007;

“Unitymedia Hessen Verwaltung” refers to Unitymedia Hessen Verwaltung GmbH (formerly iesy Hessen Finanz-Management GmbH), Cologne, which was renamed on May 22, 2007;

“Unitymedia Management” refers to Unitymedia Management GmbH (formerly Unity Management GmbH, respectively New iesy GmbH,), Cologne, which was renamed Unitymedia Management GmbH on September 10, 2008;

“Unitymedia Management S.A.” refers to Unity Media Management S.A., Luxembourg;

“Unitymedia New Senior Notes” refers to the €235 million 10 1/8% senior notes of the Company due 2015 and $151 million 10 3/8% senior notes of the Company due 2015;

“Unitymedia Notes” refers to the Unitymedia Senior Notes and the Unitymedia New Senior Notes, both issued in 2005;

“Unitymedia NRW” refers to Unitymedia NRW GmbH (formerly Unity Media NRW GmbH, respectively ish NRW GmbH), Cologne, which was renamed Unitymedia NRW GmbH on May 22, 2007;

“Unitymedia S.C.A.” refers to Unity Media S.C.A., Luxembourg;

“Unitymedia Senior Notes” refers to the €215 million 8 3/4% senior notes of the Company due 2015 that were offered by Unitymedia GmbH (formerly iesy Repository GmbH) as part of the Refinancing in February 2005;

“Unitymedia Services” refers to Unitymedia Services GmbH, Cologne (formerly Unitymedia Services Verwaltung GmbH, Bochum, respectively Tele Columbus West Beteiligungs GmbH, Bochum, which was renamed Unitymedia Services GmbH on August 22, 2008;

“Unitymedia Wiesbaden” refers to Unitymedia Wiesbaden GmbH, Cologne (formerly Primacom Region Wiesbaden GmbH), which was renamed January 6, 2009;

“UPC”, “UPC Broadband Holding” and “UPC Holding” refer to UPC Broadband Holding B.V. and its operating subsidiaries, all indirectly owned by Liberty Global, Inc.;

“UPC Germany” refers to UPC Germany GmbH, the holding company of Unitymedia GmbH, and indirectly owned by Liberty Global, Inc.;

“VAT” refers to value added tax;

“Versatel” refers to Versatel AG, Dusseldorf;

“Vodafone” refers to the DSL and mobile operator Vodafone D2 GmbH, Dusseldorf, including its former DSL subsidiary ARCOR AG & Co. KG.

Footnotes

(1) Revenue generating units, or "RGUs", relate to sources of revenue, which may not always be the same as subscriber numbers. For example, one person may subscribe to two different services, thereby accounting for only one subscriber but for two RGUs.

(2) Number of smartcards with one or more Digital TV Pay package and/or digital video recorder, including up until June 30, 2009, other additional smartcards with basic digital content only.

(3) Multimedia Anschluss (MMA) wholesale Internet product for landlords, excluding units that upgrade to Retail Broadband Internet.

(4) Calculated by dividing the relevant subscription revenues (excluding installation and carriage fees) for a period by the average number of relevant subscribers for that period and the number of months for that period.

(5) Calculated as the average ARPU of all analogue and digital BCS subscribers (excluding Digital TV Pay RGUs and revenues). Includes incremental Unitymedia Aachen and Wiesbaden revenue as of September 1, 2008.

(6) Sum of Retail Broadband Internet, wholesale MMA Internet, Telephony and Digital TV Pay revenue divided by the number of BCS RGUs in the same period.

(7) In Q2 2008 the Company changed the manner in which it allocates ARPU generated from Broadband 2Play and Unity3play products. Prior to Q2 2008, a fixed amount of ARPU was allocated to BCS digital (in Unity3play) and Telephony (together with telephone usage charges), with the remaining ARPU allocated to Retail Broadband Internet. Beginning in the second quarter of 2008, a fixed amount of ARPU was allocated to BCS digital (in Unity3play) and Retail Broadband Internet for customers acquired after the first quarter of 2008, with the remaining ARPU (together with telephone usage charges) allocated to Telephony.

(8) Sum of Retail Broadband Internet ARPU and Telephony ARPU.

(9) Sum of average Basic Cable ARPU and Broadband ARPU (excluding additional Digital TV Pay ARPU).

(10) EBITDA means earnings before interest, taxes, depreciation and amortization.

(11) Adjusted EBITDA means earnings before interest, taxes, depreciation and amortization adjusted by certain non-recurring items and non-cash share-based expense. EBITDA and Adjusted EBITDA are non-GAAP measures as contemplated by the U.S. Securities and Exchange Commission's Regulation G. For related information, definitions and reconciliations see Note 28 of the audited consolidated financial statements.

(12) Cable Capital expenditures consist of expenditures for property, plant and equipment and intangibles (except for customer lists), and do not include financial assets. Cable Capital expenditures in 2008 do not include €49.1 million share acquisition of the Primacom networks in Aachen and Wiesbaden. Cable Capital expenditures in 2009 include €8.1 million of third party network acquisitions. Capital expenditures for arena consist of expenditures for property and equipment and intangibles, and do not include financial assets or certain start-up expenditures for arena under EU-IFRS.

(13) Net debt is the value of bonds and bank liabilities as shown in the EU-IFRS financial statements less cash on hand. Bonds and bank liabilities exclude repurchased but not retired debt securities, foreign exchange valuation of USD bond and capitalized transaction costs and include accrued interest. Net debt is not a defined term under IFRS and may not therefore be comparable with other similarly titled measures reported by other companies.

(14) Net of intercompany eliminations.

(15) We define Adjusted EBITDA Margin to mean Adjusted EBITDA as a percentage of revenue.

(16) Includes installation revenues, revenues from air-time sales (in 2007), set-top box sales and other revenues.

(17) Calculated by dividing arenaSAT satellite subscription sales excluding public viewing revenues for a period by the average number of total arenaSAT RGU's for that period and the number of months for that period.

Unitymedia GmbH
Cologne

Audited Consolidated Financial Statements December 31, 2009

COURTESY TRANSLATION
This English language report is a courtesy translation of the original German report. For the interpretation of the report the German text shall prevail.

UNITYMEDIA GMBH, COLOGNE
CONSOLIDATED INCOME STATEMENT

(in €'000)	Notes	2009	2008	2007
Revenue	1	1,043,945	1,161,925	998,964
Own work capitalized	2	17,417	18,082	14,858
Other income	3	38,670	41,249	44,129
Cost of materials and services	4	(157,311)	(145,633)	(140,139)
Personnel expenses	5	(117,641)	(104,701)	(104,074)
Other expenses	6	(375,575)	(527,803)	(522,378)
EBITDA		**449,505**	**443,119**	**291,360**
Depreciation and amortization expenses	7	(290,640)	(255,645)	(230,660)
EBIT		**158,865**	**187,474**	**60,700**
Financial income	8	120,418	71,267	16,260
Financial expenses	9	(156,924)	(153,381)	(163,159)
EBT		**122,359**	**105,360**	**(86,199)**
Income taxes	10	(45,655)	(19,279)	37,432
Profit (loss) for the period		**76,704**	**86,081**	**(48,767)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in €'000)	2009	2008	2007
Profit (loss) for the period	**76,704**	**86,081**	**(48,767)**
Other comprehensive income (loss)			
Fair value gains (losses) from available for sale financial assets, net of tax	0	32,472	(32,472)
Cash flow hedges, net of tax	6,506	(12,462)	7,115
Other comprehensive income (loss) for the period, net of tax	**6,506**	**20,010**	**(25,357)**
Total comprehensive income (loss) for the period	**83,210**	**106,091**	**(74,124)**

The accompanying notes on pages F- 6 to F-69 are an integral part of these consolidated financial statements.

UNITYMEDIA GMBH, COLOGNE
CONSOLIDATED BALANCE SHEET

	Notes	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007
ASSETS				
Current assets				
Cash and cash equivalents	27	184,977	214,936	227,058
Available for sale securities	11	0	0	211,560
Trade accounts receivables	12	35,145	77,819	69,599
Other receivables	13	10,517	21,599	29,815
Current tax receivables		6,517	9,460	5,513
Inventories	14	7,868	10,972	8,245
Prepaid expenses		3,458	9,210	15,484
Total current assets		**248,482**	**343,996**	**567,274**
Non current assets				
Property, plant and equipment	15	925,451	905,461	862,488
Goodwill and other intangible assets	16	1,191,854	1,264,429	1,269,527
Derivative assets	21	39,341	929	15,747
Other assets	12, 13	6,573	3,651	1,849
Prepaid expenses		17,280	18,276	21,931
Deferred tax assets	10	33,897	24,480	35,438
Total non current assets		**2,214,396**	**2,217,226**	**2,206,980**
TOTAL ASSETS		**2,462,878**	**2,561,222**	**2,774,254**
LIABILITIES				
Current liabilities				
Bonds and bank liabilities	21	37,975	72,644	45,067
Trade accounts payable		152,496	179,125	151,981
Other liabilities	18	55,347	51,100	81,872
Current tax liabilities		28,407	31,563	36,694
Deferred income	19	68,997	127,836	184,998
Short term provisions	20	39,792	36,660	35,772
Total current liabilities		**383,014**	**498,928**	**536,384**
Non current liabilities				
Bonds and bank liabilities	21	1,652,450	1,649,756	1,887,444
Pensions and other long term employee benefits	17	8,589	8,543	8,482
Derivative liabilities	21	48,337	26,613	22,581
Other financial liabilities		3,400	10,577	5,561
Deferred income	19	0	0	51,333
Deferred tax liabilities	10	81,464	44,364	47,954
Total non current liabilities		**1,794,240**	**1,739,853**	**2,023,355**
Shareholder's equity				
Subscribed capital	22	12,682	12,682	12,682
Capital reserves	22	432,102	427,129	425,294
Other reserves	22	0	(6,506)	(26,516)
Retained earnings	22	(159,160)	(110,864)	(196,945)
Total shareholder's equity	22	**285,624**	**322,441**	**214,515**
TOTAL LIABILITIES AND EQUITY		**2,462,878**	**2,561,222**	**2,774,254**

The accompanying notes on pages F-6 to F-69 are an integral part of these consolidated financial statements.

UNITYMEDIA GMBH, COLOGNE
CONSOLIDATED STATEMENT OF CASH FLOWS

(in €'000)	Notes	2009	2008	2007
Cash flow from operating activities				
Profit before interest and taxes (EBIT)		**158,865**	**187,474**	**60,700**
Depreciation and amortization expenses	7	290,640	255,645	230,660
Other non-cash income	28	(69,587)	(108,186)	(104,489)
Losses from disposals of property, plant and equipment		5,253	1,770	148
Decrease of inventories, trade receivables and other assets not related to investing or financing activities		60,139	25,110	1,342
Increase (decrease) of accruals, trade payables and other liabilities not related to investing or financing activities		(6,092)	(20,048)	45,831
Income taxes paid		(20,671)	(24,812)	(5,731)
Financial income received		4,646	6,658	8,065
Financial expenses paid		(125,672)	(144,008)	(155,506)
Proceeds from disposal of available for sale securities	27	0	244,032	0
Cash flow provided by operating activities		**297,521**	**423,635**	**81,020**
Cash flow from investing activities				
Proceeds from disposal of property, plant and equipment		0	29	581
Proceeds from disposal of available for sale securities	27	0	42,052	0
Investments into available for sale securities	11	(45,619)	0	0
Investments in tangible fixed assets	15	(207,217)	(186,720)	(150,220)
Investments in intangible fixed assets	15	(44,992)	(39,688)	(17,306)
Reimbursement from / (investments in) the acquisiton of subsidiaries	B.2	980	(49,076)	0
Cash flow used by investing activities		**(296,848)**	**(233,403)**	**(166,945)**
Cash flow from financing activities				
Repayment of finance lease obligation		(632)	(1,194)	(1,557)
Cash paid into capital reserves	22	0	0	176
Revolver (Revolver repayment)	27	(30,000)	30,000	0
Cash repayments of loans or short or long term borrowings	21	0	(231,160)	(130,000)
Cash flow used by financing activities		**(30,632)**	**(202,354)**	**(131,381)**
Cash and cash equivalents at the end of the period				
Change in cash and cash equivalents from cash relevant transactions		(29,959)	(12,122)	(217,306)
Cash and cash equivalents at the beginning of the period		214,936	227,058	444,364
Cash and cash equivalents at the end of the period	25/27	**184,977**	**214,936**	**227,058**

The accompanying notes on pages F-6 to F-69 are an integral part of these consolidated financial statements.

UNITYMEDIA GMBH, COLOGNE
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Equity Holders of Unitymedia GmbH						
(in €'000)	Note	Subscribed Capital	Capital Reserves	Cash-flow Hedge Reserve	Available for sale assets Reserve	Retained Earnings	Equity attributable to equity holders	Total Equity
January 1, 2007		**12,682**	**423,188**	**(1,159)**	**0**	**(148,178)**	**286,533**	**286,533**
Comprehensive income (loss)								
Profit / (loss)		0	0	0	0	(48,767)	(48,767)	(48,767)
Other comprehensive income (loss)		0	0	7,115	(32,472)	0	(25,357)	(25,357)
Total comprehensive income (loss)		0	0	7,115	(32,472)	(48,767)	(74,124)	(74,124)
Transaction with owners	22	0	176	0	0	0	176	176
Additions relating to share-based-payments	24	0	1,930	0	0	0	1,930	1,930
Total Transactions with owners		0	2,106	0	0	0	2,106	2,106
December 31, 2007		**12,682**	**425,294**	**5,956**	**(32,472)**	**(196,945)**	**214,515**	**214,515**
Comprehensive income (loss)								
Profit / (loss)		0	0	0	0	86,081	86,081	86,081
Other comprehensive income (loss)		0	0	(12,462)	32,472	0	20,010	20,010
Total comprehensive income (loss)		0	0	(12,462)	32,472	86,081	106,091	106,091
Transaction with owners		0	0	0	0	0	0	0
Additions relating to share-based-payments	24	0	1,835	0	0	0	1,835	1,835
Total Transactions with owners		0	1,835	0	0	0	1,835	1,835
December 31, 2008		**12,682**	**427,129**	**(6,506)**	**0**	**(110,864)**	**322,441**	**322,441**
Comprehensive income (loss)								
Profit / (loss)		0	0	0	0	76,704	76,704	76,704
Other comprehensive income (loss)		0	0	6,506	0	0	6,506	6,506
Total comprehensive income (loss)		0	0	6,506	0	76,704	83,210	83,210
Transaction with owners	22	0	0	0	0	(125,000)	(125,000)	(125,000)
Additions relating to share-based-payments	24	0	4,973	0	0	0	4,973	4,973
Total Transactions with owners		0	4,973	0	0	(125,000)	(120,027)	(120,027)
December 31, 2009		**12,682**	**432,102**	**0**	**0**	**(159,160)**	**285,624**	**285,624**

The accompanying notes on pages F-6 to F-69 are an integral part of these consolidated financial statements.

UNITYMEDIA GMBH, COLOGNE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

LIST OF ABBREVIATIONS

2006 Refinancing	The issuance by Unitymedia Hessen and Unitymedia NRW of the NRW/Hesse Notes that mature on April 15, 2013, and replacement of the undrawn €100.0 million revolving credit facility with the NRW/Hesse Revolving Credit Facility, available to Unitymedia Hessen, Unitymedia NRW and Arena. The proceeds from the offering of the NRW/Hesse Notes were used to refinance our €1,050.0 million Senior Credit Facilities, to finance the payment by Unitymedia to Unitymedia S.C.A. of the deferred purchase price for the Tele Columbus shares and to cash collateralize a portion of the DFL Bank Guarantee.
2010 Refinancing	The issuance by Unitymedia Hessen and Unitymedia NRW of the Unitymedia 2010 Senior Secured Notes that mature on December 1, 2017, to the issuance by Unitymedia GmbH of the Unitymedia 2010 Senior Notes that mature on December 1, 2019, as well as the new Unitymedia 2010 Revolving Credit Facility. The proceeds from the offering of the Unitymedia 2010 Senior Secured Notes and Unitymedia 2010 Senior Notes were used to finance the Liberty Global Transaction, including the redemption of the Unitymedia Group Notes.
Apollo	Apollo Management V, L.P., New York, NY/USA
Arena	Arena Sport Rechte und Marketing GmbH, Cologne
arensaSAT	satellite operations of Arena
BC Partners	BC Partners Limited, London, United Kingdom
Bundesliga Rights	Rights to broadcast the matches of the 1st and 2nd German Football Leage (Deutsche Fußball Liga)
Company	See Unitymedia
CPE	Customer Premise Equipment
DFL	Deutsche Fußball Liga GmbH, Frankfurt am Main
DFL Bank Guarantee	Bank guarantee, which for the first and second Bundesliga season was provided by Citigroup Global Markets Limited in connection with Arena's obligations under its agreement with DFL regarding the Bundesliga programming rights.
DTAG	Deutsche Telekom AG, Bonn
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortization
EBT	Earnings before tax
EU	European Union
EUR	Euro currency
Euribor	European Inter Bank Offered Rate
Financing	Prior financing of our Group, consisting of a €360.0 million subordinated bridge facility entered into on June 21, 2005, as well as the Senior Credit Facilities consisting of a €225.0 million term loan A facility, a €250.0 million (incremental) term loan B facility, a €375.0 million term loan C facility, and a €70.0 million (incremental) revolving credit facility.
FCO	Federal Cartel Office, the German Bundeskartellamt
German GAAP	Generally Accepted Accounting Principles in Germany (HGB)
HGB	German Commercial Code (Handelsgesetzbuch)

Housing associations	Public property investors, public property owners, property management firms and financial investors
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
In-Region assets	Assets and liabilities related to the regions North Rhine Westphalia and Hesse within the previous Tele Columbus Group
Kabelnetz	Kabelnetz NRW HoldCo GmbH
Kabelnetz Ltd.	Kabelnetz NRW Limited
K€	Thousand EUR
KStG	Corporate income tax law
Liberty Global	Liberty Global, Inc., Englewood, CO / USA
Liberty Global Transaction	Acquisition of 100% of the shares of Unitymedia GmbH by UPC Germany GmbH, an indirect subsidiary of Liberty Global that was consummated on January 28, 2010.
M€	Million EUR
MEP	Management Equity Participation programs
NRW/Hesse Notes	€1,350,000,000 senior secured floating rate notes due 2013 issued by Unitymedia Hessen and Unitymedia NRW
NRW/Hesse Revolving Credit Facility	€130.0 million revolving credit facility issued during the 2006 Refinancing
Out-of-Region assets	Assets and liabilities related to the regions of Tele Columbus excluding North Rhine Westphalia and Hesse
Pictet	Pictet & Cie. Banquiers, Geneva, Switzerland
Premiere	Premiere AG, Unterföhring, which was renamed Sky Deutschland.
PrimaCom	PrimaCom AG, Mainz
Proceeds Loan	Transfer Loan Agreement between Unitymedia to Unitymedia Hesse of $151 million from the Unitymedia New Senior Notes
Refinancing	The offering by Unitymedia of the Notes and the entering into of the €230.0 million senior credit facilities consisting of a €200.0 million term loan facility and a €30.0 million revolving credit facility
Senior Credit Facilities	Senior credit facilities entered into in connection with the Refinancing and Financing
Sky Deutschland	Sky Deutschland AG and its subsidiaries, formerly known as Premiere
Tele Columbus	Tele Columbus Kabel Holding GmbH, Hannover and its subsidiaries
Term Loan	€100 million Senior Secured Term Loan Facility maturing in October 2011 entered into by the Unitymedia group companies Unitymedia Hessen, Unitymedia NRW and Arena on October 20, 2006
“Unitymedia,” “we,” “us,” “our,” the “Company”and	Unitymedia GmbH, Cologne (formerly Unity Media GmbH or iesy Repository GmbH, respectively) and its consolidated subsidiaries, except where the context otherwise requires.

other similar terms	
Unitymedia 2010 Notes	The Unitymedia 2010 Senior Secured Notes and the Unitymedia 2010 Senior Notes
Unitymedia 2010 Revolving Credit Facility	The €80 million revolving credit facility as part of the 2010 Refinancing
Unitymedia 2010 Senior Secured Notes	The €1,430 million 8 1/8% senior secured notes due 2017 and $845 million 8 1/8% senior secured notes due 2017, both issued by Unitymedia Hessen and Unitymedia NRW as part of the 2010 Refinancing
Unitymedia 2010 Senior Notes	The €665 million 9 5/8% senior notes due 2019 issued by Unitymedia GmbH as part of the 2010 Refinancing
Unitymedia Aachen	Unitymedia Aachen GmbH, Cologne, formerly PrimaCom Aachen GmbH, Mainz, which was renamed December 30, 2008
Unitymedia Cable	Cable business of Unitymedia, including primarily operations of Unitymedia Hessen, Unitymedia NRW and Unitymedia Services, excluding Tele Columbus Out of Region assets and Arena
Unitymedia GmbH	Unitymedia GmbH, Cologne (formerly Unity Media GmbH)
Unitymedia Group	Unitymedia GmbH, Cologne and its subsidiaries
Unitymedia Group Notes	The Unitymedia Senior Notes, the Unitymedia New Senior Notes and the NRW/Hesse Notes
Unitymedia Hessen	Unitymedia Hessen GmbH & Co. KG (formerly iesy Hessen GmbH & Co. KG), Cologne, which was renamed Unitymedia Hessen GmbH & Co. KG on May 14, 2007
Unitymedia Hessen Verwaltung	Unitymedia Hessen Verwaltung GmbH (fomerly iesy Hessen Finany-Management GmbH), Cologne, which was renamed on May 22, 2007
Unitymedia Management	Unitymedia Management GmbH (formerly Unity Media Management GmbH), Cologne, was renamed Unitymedia Management GmbH on September 10, 2008.
Unitymedia New Senior Notes	€235 million 10 1/8% senior notes of the Company due 2015 and $151 million 10 3/8% senior notes of the Company due 2015
Unitymedia Notes	The Unitymedia Senior Notes and Unitymedia New Senior Notes
Unitymedia NRW	Unitymedia NRW GmbH, Cologne (formerly: ish NRW GmbH, Cologne)
Unitymedia S.A.	Unity Media Management S.A., Luxembourg
Unitymedia S.C.A.	Unity Media S.C.A., Luxembourg
Unitymedia Senior Notes	€215 million 8 3/4% senior notes of the Company due 2015 that were offered by Unitymedia as part of the Refinancing in February 2005
Unitymedia Services	Unitymedia Services GmbH, Cologne (formerly: Unitymedia Services Verwaltungs GmbH or: Tele Columbus West Beteiligungs GmbH, which was renamed on August 22, 2008 and October 5, 2007 respectively; as well its underlying operating business Unitymedia Services GmbH & Co. KG or Tele Columbus West GmbH & Co. KG, which was renamed on August 6, 2007, respectively)
Unitymedia Wiesbaden	Unitymedia Wiesbaden GmbH, Cologne, (formerly PrimaCom Region Wiesbaden GmbH), Mainz, which was renamed January 6, 2009
UPC Germany GmbH	UPC Germany GmbH, Hamburg, the holding company of Unitymedia GmbH, and indirectly owned by Liberty Global.
$	United States Dollar

A General

The Unitymedia Group is the second largest cable operator in Germany operating in the German states of Hesse and North Rhine-Westphalia. The Group provides basic and premium cable television services, as well as internet access and telephony services to its customers. The Group's subsidiary arena operates a digital pay TV satellite platform, arenaSAT. Arena acquired certain Bundesliga programming rights for three seasons starting with the 2006/07 season. These rights were sublicensed in 2007 to Premiere (now Sky Deutschland) for the seasons in 2007/08 and 2008/09. Until June 30, 2009, arenaSAT also offered Bundesliga programming via a wholesale agreement with Premiere (now Sky Deutschland) that expired at such time.

Unitymedia's headoffice is located in Cologne, Germany. The address is Aachener Straße 746-750, Cologne. The Company changed its legal name from Unity Media GmbH to Unitymedia GmbH on January 5, 2009.

The Company has issued the Unitymedia Notes on the official market and the NRW/Hesse Notes on the alternative securities market of the Irish Stock Exchange. The 2010 Notes are listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market, which is not a regulated market.

The consolidated financial statements were released for publication by the managing directors on March 10, 2010.

B Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

B.1 Basis of presentation

The consolidated financial statements of Unitymedia for the three years ended December 31, 2009, 2008 and 2007 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), London, and adopted by the European Union ("EU") and applicable to the Company and the additional requirements of German Commercial Law pursuant to Sec. 315 a (3) German Commercial Code.

The consolidated financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes. The notes include the segment reporting. The presentation currency of the group financial statements is Euro. All amounts are presented in K€ unless otherwise stated. Minor differences in figures throughout this document are due to rounding.

The reporting date of the consolidated financial statements is December 31, 2009, which is in line with the reporting date of all group entities.

The Company`s consolidated income statement has been prepared using the nature of expenses method under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale securities, financial assets and liabilities (including financial instruments) and expenses related to the MEP.

The Company's consolidated financial statements generally do not include any effects of the Liberty Global Transaction or the 2010 Refinancing unless otherwise noted. Unitymedia refinanced its existing indebtedness under the Unitymedia Group Notes and the previous Term Loan with the Unitymedia 2010 Senior Secured and Unitymedia 2010 Senior Notes on March 2, 2010. For further details refer to note C.21.1.

Operating performance is measured based on EBITDA and Adjusted EBITDA. We define EBITDA as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA excludes certain non recurring items and non-cash share based expenses. EBITDA and Adjusted EBITDA are not recognized measures in accordance with EU-IFRS and should not be viewed as a substitute for net earnings. Our income statement also shows the performance figures EBIT (Earnings before Interest and tax) as well as EBT (Earnings before tax) for information purposes. However Adjusted EBITDA is the key performance figure used by management to measure the Company's operating performance.

<u>(a) New standards, amendments to standards or interpretations adopted by the Group, which are mandatory for the first time for the financial year beginning January 1, 2009:</u>

- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with emloyees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption in 2009 did not have a material impact on the Group's position.
- IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy resulted in additional disclosures in the notes.
- IAS 1 (revised) 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on the Group's position.
- IAS 23 (revised) 'Borrowing costs' – In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognised all borrowing costs as an expense immediately. The change in accounting policy had no impact on the Group's position in 2009, but may result in capitalized borrowing costs for qualifying assets in the future.
- IFRS 1 (amendment), 'First time adoption of IFRS' and IAS 27 (amendment), 'Consolidated and separate financial statements' allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. In addition, the definition of the cost method was removed from IAS 27 and replaced with a requirement to present dividends as income in the separate financial statements of the investor. The amendments do not have a material impact on the Group or Company's financial statements.
- IAS 32 (amendment) 'Financial Instruments: Presentation' and IAS 1 (amendment) **'**Presentation of Financial Statements' **—** The amendments primarily relate to questions on the classification of financial instruments. The amendments classify certain types of financial instruments as equity provided they have particular features and meet specific conditions, such as for example, some shares issued by partnerships and co-operative entities.

- IFRIC 9 (amendment) 'Reclassification of embedded derivatives' and IAS 39 (amendment) 'Financial instruments: recognition and measurement' – The amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. IAS 39 is also amended to state that, if the fair value of an embedded derivative cannot be reliably measured, the entire hybrid financial instrument must remain classified as at fair value through profit or loss. The amendment clarifies that an assessment of embedded derivatives is required on reclassification of a financial asset.
- IFRIC 13 (new) 'Customer Loyalty Programmes' – IFRIC 13 is based on a view that customers are implicitly paying for customers loyalty award credits (often called 'points') they receive when they buy other goods or services, and hence that some revenue should be allocated to the points. The standard requires companies to estimate the value of the points to the customer and defer this amount of revenue as a liability until they have fulfilled their obligations to supply awards. The clarification provided by this new standard did not have a material impact on the Group or Company's financial statements.
- IFRIC 14 (new), IAS 19 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' – IFRIC 14 provides general guidance how entities should determine the limit placed by IAS 19 Employee Benefits on the amount of a surplus in a pension plan they can recognize as an asset. The interpretation also addresses when a minimum funding requirement creates an onerous obligation that should be recognized as a liability in addition to that otherwise recognized under IAS 19.
- In addition, the IASB issued in May 2008 'Improvements to IFRSs - a collection of amendments to International Financial Reporting Standards (IFRSs)'. These amendments are the result of conclusions the Board reached on proposals made in its annual improvements project and include the following:

Standard/ Interpretation	Title	Effective for Periods Beginning
IFRS 7	Financial Instruments: Disclosures	01.01.2009
IAS 1	Presentation of Financial Statements	01.01.2009
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	01.01.2009
IAS 10	Events after the Balance Sheet Date	01.01.2009
IAS 16	Property, Plant and Equipment	01.01.2009
IAS 18	Revenue	01.01.2009
IAS 19	Employee Benefits	01.01.2009
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	01.01.2009
IAS 23	Borrowing Costs	01.01.2009
IAS 27	Consolidated and Separate Financial Statements	01.01.2009
IAS 28	Investments in Associates	01.01.2009
IAS 29	Financial Reporting in Hyperinflationary Economies	01.01.2009
IAS 34	Interim Financial Reporting	01.01.2009
IAS 36	Impairment of Assets	01.01.2009
IAS 38	Intangible Assets	01.01.2009
IAS 39	Financial Instruments: Recognition and Measurement	01.01.2009
IAS 40	Investment Property	01.01.2009
IAS 41	Agriculture	01.01.2009

Unless where noted otherwise, the new standards and amendments do not have a material impact on the Group or Company's financial statements.

(b) Standards and amendments previously adopted by the group

IFRS 8, ‘Operating segments’, was previously adopted in 2006. IFRS 8 replaces IAS 14, ‘Segment reporting’, and aligns segment reporting with the requirements of the US standard SFAS 131, ‘Disclosures about segments of an enterprise and related information’. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes.

(c) Standards, amendments and interpretations to existing standards that have been adopted by the EU but are not yet mandatory

The following standards and amendments to existing standards have been published and have been adopted by the EU (as of December 31, 2009), but are mandatory for later periods only. They have not been early adopted by the Group. The dates within brackets refer to the date a fiscal year begins.

- IFRS 1 (revised) **‘**First-time Adoption of International Financial Reporting Standards’ (effective from 1 January 2009). The revised version has an improved structure but does not contain any technical changes. IFRS 1 was restructured to make it easier for the reader to understand and to allow it to accommodate more easily any future changes that might be necessary.
- IFRS 3 (revised), ‘Business combinations’ (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.
- IFRS 5 (amendment), ‘Measurement of non-current assets (or disposal groups) classified as held-for-sale’. The amendment is part of the IASB’s annual improvements project effective from 1 July 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group and Company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group or Company’s financial statements.
- IAS 27 (revised), ‘Consolidated and separate financial statements’ (effective from 1 July 2009). The revised standard requires the effects of all transactions with non controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IAS 32 (amendment effective after February 1, 2010) ‘Financial Instruments: Presentation’: For rights issues offered for a fixed amount of foreign currency, current practice requires such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.
- IAS 38 (amendment), ‘Intangible Assets’. The amendment is part of the IASB’s annual improvements project published in April 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group or Company’s financial statements.
- IAS 39 (amendment effective after July 1, 2009) ‘Financial Instruments: Recognition and Measurement’. The amendment clarifies hedge accounting issues around inflation in a financial

hedged item and a one-sided risk in a hedged item. The amendment allows the designation of inflation as a hedged risk, only if the inflation portion is identifiable and separately measurable, such as when payments are linked to an inflation index.

- IFRIC 12 (new, effective after April 1, 2009) 'Service concession arrangements'. The interpretation addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements.
- IFRIC 15 (new, effective on or after January 1, 2010) 'Agreements for the Construction of Real Estate'. The interpretation provides guidance on when a real estate sale falls within the scope of IAS 11 (construction contracts) and IAS 18 (revenue).
- IFRIC 16 (new, effective on or after July 1, 2009) 'Hedges of a Net Investment in a Foreign Operation'. The interpretation identifies the foreign currency risks that qualify for hedge accounting in the hedge of a net investment and where within the group the hedging instrument(s) can be held in the hedge of a net investment.
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 November 2009). This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.
- IFRIC 18 (new, effective on or after November 1, 2009) 'Transfers of Assets from Customers'. The interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is particularly relevant for the utility sector.

It is not expected that these new standards, amendments and interpretations to existing standards will have a material impact on the Group or Company's financial statements.

<u>(d) Standards, amendments and interpretations to existing standards that have not been adopted by the EU and are not yet mandatory</u>

The following standards and amendments to existing standards have been published but have not yet been adopted by the EU (as of December 31, 2009) and are mandatory for later periods only.

- IFRS 1 (amendment) 'First-time Adoption of International Financial Reporting Standards' (effective on or after 1 January 2010). This amendment adds additional exemptions from the requirement to present comparative disclosures in the first year of application.
- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'(effective on or after 1 January 2010). The amendment provides guidance on determining the classification of share based payment awards in both consolidated and separate financial statements. An entity that receives goods or services as a share-based payment transaction shall measure the goods or services received as either an equity-settled or cash-settled share-based payment transaction, whether or not the entity or another entity in the same group has the obligation to settle the share-based payment transaction. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.
- IFRS 9 (new, effective January 1, 2013) 'Financial instruments'. This new standard substantially revises the current standard on the classification and measurement of financial instruments. IFRS 9 is currently limited to financial assets, however, the IASB plans to issue further exposure drafts in 2010 on the classification and measurement of financial liabilities and on accounting for financial instruments (covering classification and measurement, impairment and hedge accounting for hedged

financial instruments). IFRS 9 is expected to be finalized by the end of 2010 and replace IAS 39 *Financial Instruments: Recognition and Measurement.*

- IAS 24 (revised, effective January 1, 2011) 'Related party disclosures'. The amendment clarifies and simplifies the definition of a related party and relaxes certain disclosure requirements.
- IFRIC 14 (amendment, effective January 1, 2011) 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. The amendment only applies to companies that have a defined benefit plan that is subject to a minimum funding requirement and have elected to prepay their pension contributions. In contrast to the previous version of IFRIC 14 an asset is recognized in these circumstances for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service.
- IFRIC 19 (new, effective July 1, 2010) 'Extinguishing financial liabilities with equity instruments'. This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor.
- In 2009, the IASB issued again a collection of amendments to International Financial Reporting Standards (IFRSs) with the primary objective to reduce inconsistencies and clarify terminology. The results of the 2009 improvements project, which have not yet been adopted by the EU, include amendments to the following standards:

Standard/ Interpretation	Title	Effective for Periods Beginning
IFRS 2	Share-based Payment	01.07.2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	01.01.2010
IFRS 8	Operating Segments	01.01.2010
IAS 1	Presentation of Financial Statements	01.01.2010
IAS 7	Statement of Cash Flows	01.01.2010
IAS 17	Leases	01.01.2010
IAS 18	Revenue	01.01.2010
IAS 36	Impairment of Assets	01.01.2010
IAS 38	Intangible Assets	01.07.2009
IAS 39	Financial Instruments: Recognition and Measurement	01.01.2010
IFRIC 9	Reassessment of Embedded Derivatives	01.07.2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	01.07.2009

It is not expected that these new standards, amendments and interpretations to existing standards will have a material impact on the Group or Company's financial statements.

B.2 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the day on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. In addition to Unitymedia GmbH, the parent company, the following subsidiaries are included in the consolidated financial statements according to the principles of full consolidation.

Name of company	Headquarter	Country	Share of equity %[1)]
Unitymedia Management GmbH	Cologne	Germany	100.0
Unitymedia Beteiligungs GmbH	Cologne	Germany	100.0
Unitymedia Hessen Verwaltung GmbH	Cologne	Germany	100.0
Unitymedia Hessen GmbH & Co. KG	Cologne	Germany	100.0
Unitymedia NRW GmbH	Cologne	Germany	100.0
iesy Hessen Beteiligungs-GmbH	Cologne	Germany	100.0
Tele Columbus Holding GmbH	Hannover	Germany	100.0
Unitymedia Services GmbH	Cologne	Germany	100.0
Unitymedia Wiesbaden GmbH	Cologne	Germany	100.0
Unitymedia Aachen GmbH	Cologne	Germany	100.0
iesy Hessen Verwaltungs-GmbH	Cologne	Germany	100.0
Arena Sport Rechte und Marketing GmbH	Cologne	Germany	100.0

[1)] % in 2009 and 2008 except for Unitymedia Beteiligungs GmbH which has been founded in 2009.

Changes in scope of consolidation in 2009 and 2008

Formation of Unitymedia Beteiligungs GmbH

Unitymedia Beteiligungs GmbH was formed in December 2009.

Acquisition of PrimaCom entities

On August 31, 2008, following Bundeskartellamt (FCO) review, Unitymedia Hessen GmbH & Co. KG acquired 100% of the voting rights of the entities Unitymedia Aachen GmbH and Unitymedia Wiesbaden GmbH, which contain PrimaCom’s networks in Aachen (North Rhine Westphalia) and Wiesbaden (Hesse) serving a total of approximately 100,000 cable television subscribers.

In 2009 there has been a purchase price reduction in the amount of K€980.

The acquisition costs for acquiring the shares are as following:

	K€
Cash	47,526
Transfer of intercompany liability to Unitymedia Hessen	11,190
Directly attributable costs	621
	59,337

The following table reflects the amounts recognized at the acquisition date for each class of the acquiree’s assets and liabilities and the carrying amounts of each of those classes determined in accordance with IFRS, immediately before the combination.

Class of assets/liabilities of PrimaCom	Amount in PPA[1]	Carrying value before PPA[1]	Reserves
	K€	K€	K€
Tangible assets	4,519	2,561	1,958
Goodwill	24,309	0	24,309
Other Intangible assets	32,473	2,090	30,383
Other assets	14,358	14,358	0
Cash	0	0	0
Assets	75,659	19,009	56,650
Bank liabilities	0	0	0
Deferred tax liabilities	(9,578)	0	(9,578)
Other liabilities	(6,744)	(5,075)	(1,669)
Liabilities	(16,322)	(5,075)	(11,247)
Purchase Price / Net equity	59,337	13,934	45,403

[1] PPA = Purchase Price Allocation

Goodwill contains synergy effects and intangible assets which do not fulfill the requirements for being recognized as an identifiable intangible asset apart from goodwill. Recognized intangible assets mainly comprise the customer base of PrimaCom in Aachen and Wiesbaden.

B.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources to and assessing performance of the operating segment, has been identified as the Group's management board that makes strategic decisions.

B.4 Accounting and valuation methods

B.4.1 Special accounting and valuation methods

Property, plant and equipment

Property, plant and equipment are measured at initial cost after deducting any accumulated depreciation or accumulated impairment losses. Impairment losses are reversed if the reasons for the impairment loss no longer exist or the impairment loss has decreased.

The initial cost comprises its purchase price, borrowing costs and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is generally amortized on a straight line basis over a period of 3 to 23 years. The cable network has an estimated useful life ranging from 15 to 25 years. The cable network infrastructure comprises technical equipment with estimated useful life ranging from 8 to 15 years.

The estimated useful lives are reviewed on an annual basis. Adjustments are recognized at the new basis going forward.

Property, plant and equipment is impaired when there is a corresponding indication for the impairment. Impairment exists when the carrying value exceeds the recoverable amount. The recoverable amount is the higher amount between fair value less costs to sell and value in use. The impairment test is generally based on a single asset.

Subsequent costs are included in the assets` carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will be achieved and when the cost can be measured reliably. The carrying amount of the replaced item is derecognized. All other expenditures for repairs and maintenance are expensed as incurred.

Profits and losses due to disposals are recognized within other income or expenses, respectively.

Intangible assets

Intangible assets acquired in a separate acquisition are measured at initial cost. Intangible assets acquired within a business combination are measured at fair value. Internally developed software is capitalized and measured at initial costs, if certain requirements are fulfilled.

The amortization of intangible assets with definite useful lives is based on the straight line method over the asset's estimated useful life (1 to 15 years). Amortization begins when the asset is ready for use.

The estimated useful life of customer contracts is based on the remaining contract terms, expected renewals and average churn of contracts. The remaining contract terms include contracts with the suppliers who have the contractual relationship with the subscriber units ("Gestattungsverträge"). Customer contracts acquired within a business combination are amortized generally over 10 to 20 years.

Unitymedia recognizes subscriber acquisition costs incurred to obtain new subscribers as an intangible asset if the costs directly attributable to obtaining specific contracts are incremental, payable to a third party, can be measured reliably and meet the definition and recognition criteria of an intangible asset in accordance with IAS 38. Unitymedia amortizes these costs over the initial contract period, which lasts from 1 to 2 years.

Goodwill and other intangible assets with an indefinite life are not amortized on a straight line basis but tested for impairment on an annual basis.

Straight line amortization and impairment losses are presented within depreciation and amortization expenses in the income statement.

The estimated useful lives are reviewed on an annual basis. Adjustments are recognized prospectively at the new basis going forward.

The impairment test of goodwill is done based on the respective cash generating units. The cash generating units are determined by the operating segments "Unitymedia Cable" and "Arena Satellite and Broadcasting".

Profits and losses due to disposals are recognized within other income or expenses, respectively.

Leasing

Lease contracts according to IAS 17 can be divided into operating lease contracts and finance lease contracts.

In the case of finance leases, the main risks and rewards are allocated to the lessee and therefore the leased asset has to be capitalized in the financial statements of the lessee. Assets leased under finance leases are recorded at the lower of fair value at the inception of the lease or the present value of the lease payments. The assets are depreciated using the straight line method over the shorter of the estimated useful life or over the lease period. The obligations related to future lease payments are recognized as liabilities. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A lease is accounted for as an operating lease if the main risks and rewards incidental to ownership of the leased item remain with the lessor. Operating lease payments are therefore recognized as incurred on a straight-line basis.

In order to receive digital TV and broadband services, Unitymedia leases the necessary CPE to customers. These leases for which the Company is the lessor, are classified as an operating lease. Therefore, Unitymedia capitalizes the CPE as fixed assets based on the acquisition cost. The CPE is depreciated over the estimated useful life of 3-5 years with the customer, using the straight line method.

Inventories

Inventories are measured at the lower of cost or net realizable value. Cost of inventories is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the income statement within ‘financial income/expenses’ in the period in which they arise.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in note 25. Movements on the hedging reserve in shareholders’ equity are shown in the Consolidated Statement of Changes in Equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognized immediately in the income statement within ‘financial income/ expenses’.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging currency risks on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within ‘finance expenses’. The gain or loss relating to the ineffective portion is recognised in the income statement within ‘financial income/expenses’. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within ‘finance expenses’.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within ‘financial income / expenses’.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within ‘finance expenses’. The gain or loss relating to the ineffective portion is recognised in the income statement within ‘financial income / expenses’. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within ‘financial income / expenses’.

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. If permitted, trade accounts receivables are tested for bad debt expense on a portfolio basis. The portfolios comprise receivables with similar risk factors. Bad debt expense ratios are determined based on aging of the receivables and past experience of losses of receivables at certain aging levels. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within ‘other expenses’. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against ‘other income’ in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, cash in transit, checks and cash pledged as collateral.

Bonds and bank liabilities

Bonds and bank liabilities are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Trade payables

Trade payables and other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions.

Defined contributions exist for former employees of Deutsche Telekom AG, Bonn, ("DTAG") who qualify as civil servants and are currently employed at Unitymedia NRW and Unitymedia Hesse. A monthly consideration is paid without any further obligation for the respective entities. Such contributions are recognized in personnel expenses. As of December 31, 2009 184 (2008: 192) employees participated in this defined contribution plan.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined benefit plans exist for certain employees within the Unitymedia Group, who were with DTAG prior to the sale of cable networks to Unitymedia NRW and Unitymedia Hesse, but are not civil servants.

The valuation of the defined benefit plans is based on the projected unit credit method including several assumptions and expectations regarding increase of salary, increase of pension payments, fluctuation and mortality rate. The rate of mortality is based on the schedules of mortality of Mr. Heubeck (Heubeck Richttafeln 2005). The accrual of the defined benefit liability is presented completely within personnel expenses. As of December 31, 2009 161 (2008: 180) employees participated in this defined benefit plan.

The defined benefit liability does not include the actuarial gains or losses within a 10% corridor based on the defined benefit obligation according to IAS 19. Only when the actuarial gains or losses exceed the 10% corridor, the exceeding amount is amortized over the remaining service period. According to IFRS 1 no actuarial gains or losses were recognized at the transition date as of January 1, 2005 (fresh start method). Beginning with this point in time the 10% corridor has been applied.

Early retirement agreements

Employees of certain entities are, in certain cases, offered early retirement agreements. The valuation of the provision is based on the total of claims received from employees requesting termination payments or payments due to services performed. If the employees have the opportunity to enter an early retirement agreement without having concluded a contract at the reporting date, the valuation of the provision is based on assumptions regarding the likelihood of an agreement in future.

Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Provisions

Provisions are liabilities of uncertain timing and/or amount. A provision is recognized when an enterprise has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating intercompany sales within the Group.

We derive revenue from six main business activities: our analogue and digital basic cable television business, Pay TV business, Internet business, Telephony (including subscription and usage fees), carriage fees and arenaSAT.

Revenue generated by the delivery of analogue and digital access products, Internet and Telephone services, digital TV Pay subscriber fees, as well as carriage fees paid by television broadcasters, is recognized when services have been provided, the costs incurred can be measured reliably and the Company is not obliged to provide any future services. Prepayments are accounted for by deferring the received payments and amortizing them straight-line over the service period.

When free months are offered to customers in relation to a subscription, the Company recognizes the total amount of billable revenue in equal monthly instalments over the term of the contract provided that the Company has the enforceable and contractual right to deliver products to the customer after the promotional free month period. If free months are given without a contract at the beginning of a subscription period, the Company does not recognize revenue during the free months as the customer's continuance is not assured.

Installation fees are recognized as incurred.

Sublicensing fees are realized for the sublicensing of the Bundesliga Rights to Premiere by Arena until the expiration of the underlying contracts on June 30, 2009. The revenue (as well as the expenses to DFL) is realized on a proportional basis based on the number of games within the respective season.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, Unitymedia reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income on impaired loans using the original effective interest rate.

Licensing fees

Income from licensing agreements is recognized on an accrual basis in accordance with the substance of the relevant agreements.

Income taxes

Current taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities at undiscounted value. The tax rates and tax laws used to compute the amounts are those that are (substantively) enacted as of the balance sheet date.

Deferred taxes

Generally deferred taxes are recognized for any temporary differences between the tax base and the IFRS base, except on goodwill which is not recognized for tax purposes.

Deferred tax assets are recognized for deductible temporary differences and tax loss carry forwards, if it is probable that future taxable profits will be available against which the unused tax losses or temporary differences can be utilized. However deferred tax assets are not recognized if the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit.

The recoverability of the carrying value of deferred taxes is determined by future taxable profits and assessed on an annual basis. If it is no longer probable that enough future taxable profits will be available against which the unused tax losses or temporary differences can be used, an impairment in a corresponding amount is recognized on the deferred tax assets.

Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been (substantively) enacted by the balance sheet date. Deferred taxes must not be discounted.

Deferred taxes are presented within long term assets and liabilities.

If the changes in the value of assets or liabilities are recognized in a separate component of equity, the change of value of the corresponding deferred tax assets and liabilities are also recognized in this separate component of equity (instead of income taxes).

B.4.2 Critical judgments in applying the Group’s accounting policies and critical accounting estimates and judgements

The following critical judgments have been made by management regarding the Group’s accounting policies:

- The Company is obliged to remove network equipment and infrastructure after the expiration of rental contracts. However no asset retirement obligation has been included as a provision, because the probability of paying this asset retirement cost has been assessed as remote.
- Customer contracts acquired through the purchase of the shares of Unitymedia Hessen, Unitymedia NRW, Unitymedia Aachen and Wiesbaden and Tele Columbus In-Region assets are depreciated on a basis of 10 to 20 years. The estimated useful life is based on the estimated contractual period with the customers. At the balance sheet date customer contracts amount to €561 million (2008: €635 million).
- The Company has entered into various long-term service level agreements (SLAs) with DTAG and certain of its affiliates that are significant to its business, in particular for the lease of cable duct space.

The various services offered by DTAG are defined under so-called 'Term Sheets' that are part of the SLAs. Generally, the term of the SLAs is unlimited, but the Term Sheets are subject to certain termination rights and, according to German law, lease agreements are subject to a termination right of either party after a term of 30 years. The company does not capitalize these cable ducts as finance leases as a result of management assumptions made regarding the expected usage of the cable ducts at inception of the contracts.

- The Company offers products that contain signal delivery and the right to use hardware devices (CPE). The hardware devices are essential for the signal delivery to the customer. Since the fulfillment of these arrangements is dependent on the use of a specific asset and the arrangements convey a right to use the asset, the contracts qualify as a lease with Unitymedia qualifying as a lessor.
- Management and members of the board of Unitymedia S.C.A. have received options on the shares of Unitymedia and Unitymedia S.C.A respectively, which have effectively been exchanged for Class B shares of Unitymedia S.C.A. The vesting of the shares depends on time vesting and/or the achievement of certain performance criteria. The options have been valued using the Black Scholes Model for the time vesting options and the Binomial Model for the Performance vesting options. The main parameters of these models are the expected volatility, the estimated term of the options and the risk free interest rate on the grant date. We refer to our explanations in note 24 (“D.2 Related parties”).
- Arena has sublicensed the Bundesliga Rights for Season 2 (2007/08) and Season 3 (2008/09) of DFL to Premiere in exchange for 16.4 million shares of Premiere in February 2007 and additional cash payments. The revenue (as well as the expenses for the Bundesliga Rights to the DFL) for the respective seasons is realised on a proportional basis based on the number of games in the respective season. The shares of Premiere have been classified as available for sale securities. These were measured with their fair market value at the balance sheet date 2007 by including the difference between the fair market value and the purchase price within a separate component of equity (“Unrealised earnings”). In 2008 all shares of Premiere hold by the Company have been disposed of. As a result of the sale cash inflow of €286.1 million was realized. In the cash flow statement for 2008 the €244.0 million book value of the shares is recognized in cash flow from operating activities as the shares were originated from operating activities. The €42.1 million gain in 2008 from the increase in the fair value of the shares during the holding period is recognized in cash flow from investing activities as the gain is not incurred by operating activities.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Assumptions are made based on management’s current understanding of facts and circumstances and management’s evaluation of the economic environment, which are subject to change. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- Goodwill is tested for impairment on an annual basis by using discounted cash flow approaches which discount expected future cash flows. The estimate of future cash flows, discount rates and growth rates is based on assumptions with a relatively high uncertainty. Goodwill recognized at balance sheet date is €580.5 million (2008: €581.5 million). If actual cash flows in future years were to differ by 10% from management’s estimates, the Group would not need to adjust goodwill. We refer to our explanations in note 16 “Goodwill and other intangible assets”.
- The Group is subject to income taxes. Significant judgement is required in determining the provision for income taxes as well as the amount of loss carry forwards available. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group adjusts the available loss carry forwards and recognises liabilities for anticipated tax audit issues when they become likely. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The Group recognizes deferred tax assets net of any existing tax loss carry forwards based on certain assumptions about the Group’s future performance and events as well as the Group’s forecast of taxable income from the operating business. Were the actual final outcome (on the judgement areas) or actual cash flows in future years to differ from management’s estimates, the Group

might need to adjust the capitalized deferred taxes. Due to the change of control on January 28, 2010 and in accordance with § 8c, section 1, sentences 6-8 KStG, as effective as of January 1, 2010, tax loss carry forwards will not be lost in case of a shareholder change as stated in § 8c section 1 sentence 1 KStG but will still be available to the amount of existing hidden reserves of the respective entity. As a result, net operating losses of €453 million and deferred tax assets in the amount of €71.5 million have been considered as lost. Since § 8c as effective as of January 1, 2010, has only been adopted recently and further rules or interpretations from tax authorities are not yet available, the computation of hidden reserves is not final. Uncertainties exist and adjustments might be necessary in future years. The book value of capitalized tax assets on tax loss carry forwards is €115.0 million as of December 31, 2009 (2008: €160.9 million).

C Explanations of the Income Statement and the Balance Sheet

C.1 Revenue (note 1)

	2009	2008	2007
	M€	M€	M€
Basic Cable Services	554.5	553.6	535.8
Digital TV Pay	55.5	60.0	54.5
Internet [1]	95.9	55.1	25.9
Telephony [1]	72.9	51.4	26.8
Installation [2]	7.5	8.2	9.0
Carriage fees	83.3	81.2	54.4
Arena	174.3	352.4	292.6
	1,043.9	1,161.9	999.0

1) Bundling discounts are allocated to telephony since the second quarter of 2008 whereas until and including first quarter 2008 the full effect of bundling discounts was reflected in internet.
2) Fees primarily from installations of basic cable services

We derive revenue from six main business activities: our analogue and digital basic cable television business, Pay TV business, internet business, telephony business (including subscription and usage fees), carriage fees and the arenaSAT business.

Basic cable services

Basic cable services revenue primarily consists of monthly subscription fees for the delivery of analogue and digital television access signals to both our direct and indirect subscribers. Unitymedia provides basic cable services to three market segments: residential customers, small to medium enterprises (“SME”) and Key Accounts. Housing associations (in SME and Key Accounts) and Level 4 operators pass through or re-sell our basic cable signal to the end customer. We also generate revenue from the installation of cable connections and generally have end-user access for digital and broadband services described below.

Digital TV Pay

Digital TV pay revenue is primarily made up of monthly subscription fees paid for our Pay TV programming as well as rented set-top boxes and, from December 2008 also digital video recorders. Our Digital TV Pay products include programming that we assemble into packages as well as digital pay content of other content providers, including international and domestic German broadcasters.

Internet

Unitymedia’s broadband Internet business generates sales primarily through subscription fees both on a retail and wholesale basis. Unitymedia’s current retail broadband Internet access service portfolio consists of services with download speeds ranging from 2Mbit/s to 32MBit/s without any time or data volume restrictions, with a 120 Mbit/s service available for subscription in selected cities since November 2009. Broadband Internet service is available in product bundles with telephony and basic cable services, including Unitymedia’s core triple play product, Unity3play. In addition, Unitymedia offers the Multimedia-Anschluss (“MMA”), a service tailored for housing associations to purchase internet access at 128 kbit/s on a bulk basis and to enable their properties for the full triple play services.

Telephony

Telephony revenue is primarily made up of monthly subscription fees and usage fees. Unitymedia currently markets its telephony services both in product bundles and, from April 2008, on a standalone basis. Unitymedia provides telephony for a monthly fee without any time or volume restrictions to fixed line numbers in Germany. Unitymedia also generates usage fees for calls to mobile phones and international numbers and additional subscription fees for certain phone service packages.

Carriage fees

In addition to subscription and activation fees, we receive carriage fees from broadcasters for the delivery of television and audio signals in analogue and digital mode via our network. Private as well as public broadcasters pay carriage fees. The underlying contracts typically have an average of one to four year terms with automatic renewal clauses for successive one-year terms. We generally collect the carriage fees directly from our broadcasters under regime-specific feed-in contracts on a regional basis. In general, carriage fees for analogue and digital channels are charged on a monthly basis, depending on the number of subscribers. Within a collective agreement with all public broadcasters we have flat-fee arrangements with each of the public broadcasters in connection with the transmissions of their analogue and digital programming.

Arena

Arena generates revenue from installation and subscription fees for Arena satellite packages as well as wholesale revenue, sales generated from set top boxes sold and airtime sales earned, and, until June 30, 2009, the Premiere share revenue recognition and sublicense fee payments by Premiere. The cash and share-based sublicensing revenue (as well as the expenses for the Bundesliga Rights to DFL) for the respective seasons are realised on a proportional basis based on the number of games in the respective season.

C.2 Own work capitalized (note 2)

Own capitalized costs decreased by 3.7 % from €18.1 million in the year ended December 31, 2008 to €17.4 million in the year ended December 31, 2009 and increased by 21.7% from €14.9 million in the year ended December 31, 2007 to €18.1 million in the year ended December 31, 2008. Own work capitalized represents network projects staffed by in-house employees resulting from upgrade activity of the cable footprint. A corresponding amount of expenditure is reflected in personnel expenses.

C.3 Other income (note 3)

	2009	2008	2007
	K€	K€	K€
Non recurring settlement gain related to the disposal of the Tele Columbus Out-of-region assets	0	0	16,106
Release of prior period accruals	23,256	17,295	7,759
Dunning Fees	3,889	6,154	5,791
Prior Period Income	1,489	4,610	6,254
Income from written-off receivables	3,958	3,052	1,497
Other	6,078	10,138	6,722
	38,670	41,249	44,129
thereof non-recurring:			
Settlement gain	0	0	16,106
Release of prior period accruals	18,493	6,118	2,913
Other	0	2,667	0
	18,493	8,785	19,019

C.4 Cost of materials and services (note 4)

	2009	2008	2007
	K€	K€	K€
Cost of materials	10,155	9,824	10,134
Purchased services	147,156	135,809	130,005
	157,311	145,633	140,139

Cost of materials consists of raw materials and consumables. Raw materials and consumables primarily include the cost of wireless LAN routers and refurbishment of cable modems.

Purchased services primarily consists of network infrastructure services, which include costs under long term agreements with DTAG, costs for Arena's satellite platform, cost of repair and maintenance as well as other agreements. Our most significant costs include payments under long term agreements with DTAG for the use of assets which are shared between our network and that of DTAG and for services provided by DTAG.

C.5 Personnel expenses (note 5)

	2009	2008	2007
	K€	K€	K€
Salaries and wages	93,787	86,502	81,182
Social security, pension, terminations and other benefits	16,186	16,364	15,037
Non cash charges (share based payments)	4,973	1,835	1,930
Non recurring items (restructuring payments, benefits)	2,695	0	5,925
	117,641	104,701	104,074

Personnel expenses include salaries and wages, social security, pension, and other benefits of our permanent staff including share based payments. They also include other forms of compensation such as overtime and stand-by pay, but do not include outsourced or temporary staff expenses, which are included in other expenses.

Regarding pension benefits we refer to our explanations in note 17 "Pensions and other long-term employee benefits".

C.6 Other expenses (note 6)

Other expenses include copyright license fees, rental and leasing fees, sales and marketing expenses, sales commissions related to acquisitions of new analogue basic cable subscribers (which do not qualify for capitalization), legal, consulting, bad debt allowance and miscellaneous other expenses including costs for our customer care, billing and network systems, management fees as well as payments for the Bundesliga Rights to DFL until June 30, 2009. We also pay license fees for our digital television programming.

Included in other expenses 2009 are €210.9 (2008: €360.5; 2007: €354.6) million for content rights, programming costs, license and copyright fees, €56.7 (2008: €60.7; 2007: €60.6) million for marketing costs, €15.0 (2008: €22.8; 2007: €22.7) million for impairment of trade receivables as well as €14.2 (2008: €17.3; 2007: €15.8) million for sales distribution costs.

Furthermore the following non recurring fees are included in other expenses:

	2009 K€	2008 K€	2007 K€
Restructuring expenses Arena	0	0	21,211
Transaction related accruals for set top box distribution and inventory	0	0	5,000
Non recurring expenses Arena	10,507	0	0
Cancelled IPO	1,657	0	0
Cancelled debt consent, other transactions and M&A	1,070	0	0
Other non recurring expenses Cable	11,362	0	2,154
	24,596	0	28,365

C.7 Depreciation and amortization expenses (note 7)

Regarding the depreciation of the tangible assets in 2007, 2008 and 2009 respectively we refer to the schedule of fixed assets in (note 15) “Property, plant and equipment”.

The following schedule discloses the amortization expenses of the intangible assets for the periods 2009, 2008 and 2007 respectively.

	2009 K€	2008 K€	2007 K€
Customer Contracts	82,128	80,793	78,946
Software and Concessions	8,986	9,195	9,734
Subscriber Acquisition Costs	26,301	11,924	4,565
Brand name Arena	167	333	333
	117,582	102,245	93,578

Depreciation and amortization expenses relate to property, plant and equipment and intangible assets, which are depreciated or amortized over the useful asset life. This includes the cost of set-top boxes and cable modems rented to the customer as well as third party subscriber acquisition costs, which are capitalized and depreciated over the useful asset life or contract period. The goodwill resulting from the acquisitions of Unitymedia NRW, Unitymedia Services, Unitymedia Wiesbaden and Unitymedia Aachen are not amortized on a straight line basis but tested for impairment annually.

C.8 Financial income (note 8)

	2009 K€	2008 K€	2007 K€
Gain from the sale of available for sale securities	79,381	42,052	1,160
Cancelled or repurchased NRW/Hesse Notes	0	15,480	1,673
Gain due to fair value adjustments of derivatives	38,411	0	2,862
Interest and similar income	2,626	13,735	10,565
	120,418	71,267	16,260

The gain from the sale of available for sale securities relates to the share swap exchanging shares in Unitymedia S.C.A. purchased during 2009 into shares of Unitymedia GmbH in 2009 as further described in Note 11, the sale of Premiere shares to News Corporation in 2008, and the Premiere rights offering in 2007.

The gain due to fair value adjustments results from the fair value adjustments of derivative instruments.

Financial income increased from €71.3 million in the year ended December 31, 2008 to €120.4 million in the year ended December 31, 2009. The increase is primarily due to the €79.4 million share swap gain and the €38.4 non-cash gain on the valuation of prepayment options of the Unitymedia Group Notes.

C.9 Financial expenses (note 9)

	2009	2008	2007
	K€	K€	K€
Interest expenses			
Interest expense to third parties	122,998	143,030	155,174
Interest expense relating to release of deferred transaction costs	5,873	5,601	7,985
Other Financial expenses			
Release of hedge reserve due to refinancing	28,053	0	0
Loss due to fair value adjustments of derivatives	0	4,750	0
	156,924	153,381	163,159

Interest expenses relating to transaction costs comprise the release of the deferred transaction costs for the 2006 Refinancing.

Financial expenses increased from €153.4 million in the year ended December 31, 2008 to €156.9 million in the year ended December 31, 2009. This increase year on year was primarily due to the release of the previously recognized interest hedge reserve in the amount of €28.1 million resulting from the fact that the requirements for hedge accounting according to IAS 39.88 were no longer fulfilled as of December 31, 2009 given the 2010 Refinancing. This was partially offset by lower outstanding debt principal from the nominal €251 million NRW/Hesse Notes repurchased in 2008.

The loss due to fair value adjustments in 2008 stems from the valuation of prepayment options included in the fixed interest rate bonds. In 2009 the valuation of prepayment options resulted in earnings referenced in note 8.

C.10 Income taxes (note 10)

	2009	2008	2007
	K€	K€	K€
Current tax expenses / (benefit)	16,583	17,906	12,927
Prior year tax expenses / (benefit)	4,392	(2,169)	(122)
Deferred tax expenses / (benefit)	24,680	3,542	(50,237)
	45,655	19,279	(37,432)

We incurred income tax expenses of €45.7 million in the year ended December 31, 2009, including accrued trade tax and corporate income tax expenses of €16.6 million for the current year. The decrease of taxable income of arena has mostly been compensated by higher taxable income of the cable segment.

The portion of the gain or loss on the cash flow hedge that was no longer classified as an effective hedge is recognized in the income statement for the first time in 2009. Hence the associated deferred taxes regarding the cash flow hedges are also recognized in the income statement in the amount of K€8,857. In prior years the income tax charged/credited directly to equity amounted to 2008: K€-3,002; 2007: K€2,748.

The following table discloses the reconciliation between the tax expenses (benefit) and the product of accounting profit multiplied by the applicable tax rate:

	2009	2008	2007
	K€	K€	K€
Earnings before taxes before continuing operations (EBT)	122,359	105,360	(86,199)
Applicable tax rate of Unitymedia GmbH	31.58%	31.58%	39.90%
Calculated tax expenses / (benefit)	38,641	33,273	(34,393)
Adjustments due to changes in tax rates	0	0	(29,954)
Reassessment of deferred taxes on temporary differences	0	170	4,155
Reassessment of deferred taxes on loss carry forwards	19,898	(7,789)	10,199
Additions and reductions for trade tax purposes	4,809	8,889	11,612
Operating expenses not deductible for tax purposes	1,570	155	0
Earnings not taxable	(23,815)	(12,570)	0
Taxes related to prior years	4,392	(2,169)	(122)
Other differences	160	(680)	1,071
	45,655	19,279	(37,432)

Deferred tax expenses in the amount of €19.9 million in 2009 relating to the reassessment of deferred taxes on loss carry forwards was primarily due to the following two events:

- A tax audit was conducted in 2009 covering corporate income tax and trade tax with respect to financial years 2000-2004 for Unitymedia Hessen and Unitymedia NRW. The outcome of the tax audit was determined to be additional loss carry forwards in the amount of €312.6 million for local income taxes, resulting in a deferred tax asset of €49.2 million, reflected as a deferred tax benefit of €49.2 million.
- Due to the change of control on January 28, 2010, and in accordance with § 8c KStG, deferred tax assets were limited to the amount of existing hidden reserves within Unitymedia Hessen. As a result, deferred tax assets in the amount of €71.5 million have been impaired, reflected as deferred tax expense of €71.5 million.

Earnings not taxable in the amount of €23.8 million in 2009 relate to the fact that 95% of the gain of about K€79,381 resulting from the share swap is treated as non-taxable in accordance with § 8b KStG.

The applicable tax rate is the tax rate of Unitymedia GmbH in 2009. In 2007 the German Business Tax Reform was approved by the Federal Cabinet (Bundesrat). The tax rate was reduced from approximately 40% to approximately 31% depending on the trade tax the Company is liable to pay. The new tax rate was applied from January 1, 2008 for the computation of actual income taxes and applied for the assessment of deferred taxes as of December 31, 2007.

Deferred taxes have been recognized for the following kinds of temporary differences and unused tax losses:

	Deferred tax assets (DTA)			Deferred tax liabilities (DTL)		
	31/12/2009	31/12/2008	31/12/2007	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€	K€	K€	K€
Property, plant and equipment	921			11,032	13,253	20,397
Intangible assets	34,250	37,381	41,529	167,159	191,273	201,784
Financial assets without derivatives	0	213	219	2,889	718	370
Derivative instruments	8,248	8,403	7,130	12,422	0	4,567
Liabilities and provisions	8,548	3,180	4,719	21,007	24,699	20,443
Loss carry forwards	114,975	160,882	181,448			
Netting DTA/DTL within the same tax jurisdiction	(133,045)	(185,579)	(199,607)	(133,045)	(185,579)	(199,607)
	33,897	24,480	35,438	81,464	44,364	47,954

Deferred tax assets for property, plant and equipment, and intangible assets have been recognized mainly for taxable increases of the value of those assets (“Ergänzungsbilanzwerte”), caused by business combinations on the level of the separate entity. Deferred tax liabilities have been recognized mainly for differences between IFRS base and tax base due to the purchase price allocation.

Deferred tax assets include long term deferred tax assets of K€33,475 (2008: K€23,031; 2007: K€29,639) for assets which are expected to be recovered or settled after one year. Deferred tax liabilities include long term deferred tax liabilities of K€81,888 (2008: K€43,123; 2007: K€45,589) which have been netted with short term deferred tax assets of K€424 (2008: K€1,241; 2007: K€1,721).

No deferred tax assets have been recognized for the following kinds of tax loss carry forwards:

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Trade tax loss carry forward	0	50,615	55,324
Corporate income tax loss carry forward	0	149,743	184,446

Due to the shareholder change in 2010 and in accordance with §8c KStG loss carry forwards were considered as lost as far as no hidden reserves in the respective entities exist. The amount of lost carryforwards at December 31, 2009 is K€270,470 for trade tax losses and K€395,100 for corporate income taxes.

The tax loss carry forwards do not expire under current law.

Deferred tax assets on those tax loss carry forwards of K€0 (2008: K€31,669; 2007: K€37,902) have not been recognized due to the following reasons:

- The respective entities have agreed to a profit and loss agreement with the parent company. Due to this agreement they are not permitted to use tax loss carry forwards as long as the profit and loss agreement is active (“vororganschaftliche Verlustvorträge”), or
- It is uncertain whether the respective entities are able to realize enough taxable profits in future to offset these profits with the existing tax loss carry forwards.

C.11 Available for sale securities (note 11)

During 2009 Unitymedia acquired 8,580 shares of Unitymedia S.C.A. in amount of K€45,619. In December 2009 Unitymedia exchanged all of the acquired shares into Unitymedia GmbH shares based on fair market value in amount of K€125,000. The gain of about K€79,381 is shown in the financial income. According to IAS 32.33 the amount of K€125,000 has been deducted from equity.

In 2007 Arena has acquired the economic interest to 16.4 million shares of Premiere in exchange for sublicensing the Bundesliga Rights of DFL to Premiere. The shares have been acquired as of February 8, 2007 with a share price of €15.14. The economic rights to these shares have been classified as available for sale securities and subsequently transferred to Unitymedia NRW. As of December 31, 2007 the share price of Premiere was €12.90. The unrealized loss from the December 31, 2007 revaluation (K€32,472) was charged directly against equity. In January 2008 the shares of Premiere were sold by Pictet & Cie, Geneva, on behalf of Unitymedia NRW GmbH, to an affiliate of News Corporation, Inc. As a result of the sale, a gain of K€74,524 was realized which has been reflected with K€42,052 in financial income and K€32,472 credited directly to equity.

C.12 Trade accounts receivables (note 12)

	31/12/2009 K€	31/12/2008 K€	31/12/2007 K€
Trade receivables - gross amount	56,851	98,914	91,170
Less: provisions for impairment of trade receivables	(21,211)	(20,478)	(20,640)
Trade receivables - net amount	35,640	78,436	70,530
Thereof long term trade accounts receivables	(495)	(617)	(931)
Short term trade accounts receivables	35,145	77,819	69,599
Trade receivables neither impaired nor past due	12,306	8,107	39,832

Regarding trade receivables neither impaired or past due we have no indication that creditors will not fulfill their commitments.

Impairment losses have been included within other expenses. We refer to our explanations in note 25 “Carrying amounts, fair values and net result of financial instruments”.

Regarding the carrying amounts of trade accounts receivables pledged as collateral for liabilities we refer to our explanations in note 21 “C.21.2 Covenants”

The decrease in receivables from 2009 to 2008 is primarily due to the fact that in 2008 receivables included €33.7 million of cash ‘in-transit’ where direct debits were made but cash was not received until after the balance sheet date, whereas in 2009 a material amount of cash ‘in-transit’ did not exist.

Movements on the Group's provision for impairment of trade receivables are as follows:

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
As of January 1,	20,478	20,640	18,883
Additional provisions for receivables impairment on a collective basis	2,438	598	3,216
Additional provisions for receivables impairment on a individual basis	11,147	12,852	10,009
Reduction of receivables written off during the year as uncollectible	(12,852)	(13,612)	(11,468)
As of December 31,	21,211	20,478	20,640

The creation and release of provision for impaired trade receivables have been included in 'other expenses' in the income statement.

Generally receivables are impaired with 60% if they are overdue by 90 days and with 100% if they are overdue by 120 days. Additionally we include impairments on an individual basis if certain reasons for an impairment exist. Also in some cases, we include impairments on younger receivables if a customer has not paid its outstanding invoices for other overdue receivables which have already been impaired. Receivables are de-recognized and corresponding impairments are reversed when the customer becomes insolvent, or the account is handed over to a collection agency.

The following trade receivables are past due but have not been impaired: These receivables relate to a number of customers for whom there is no history of default:

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
0 - 30 days	13,022	11,535	18,167
31 - 60 days	3,992	3,928	4,620
60 - 90 days	2,094	2,865	2,905
	19,108	18,328	25,692

C.13 Other receivables (note 13)

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Other receivables - gross amount	16,595	24,633	30,733
Less: provisions for impairment	0	0	0
Other receivables - net amount	16,595	24,633	30,733
Thereof long term other receivables	6,078	3,034	918
Short term other receivables	10,517	21,599	29,815

Other short term receivables include:

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Prepayments	2,183	11,506	10,055
Deposits	243	916	937
Loans and receivables to related parties (see note 24)	5,985	4,102	3,680
Other	2,106	5,075	15,143
	10,517	21,599	29,815

Loans and receivables included in other receivables are neither impaired nor past due. We have no indication that the debtors will not fulfil their commitments.

C.14 Inventories (note 14)

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Set top boxes	5,779	7,799	6,362
Network equipment included cable modems	3,038	6,132	7,303
Inventories - gross amount	8,817	13,931	13,665
Impairment losses set top boxes	(219)	(1,269)	(2,705)
Impairment losses network equipment	(730)	(1,690)	(2,715)
Impairment losses	(949)	(2,959)	(5,420)
Inventories - net amount	7,868	10,972	8,245

Inventories comprise set-top boxes, cable modems, network materials and spare parts for repair purposes.

Impairment losses of set top boxes are calculated on a basis of assumed commercialization, primarily at Arena. Impairment losses of network equipment are due to slow moving items and technical age, primarily for the Cable segment.

In 2009 impairment losses of K€2,010 (2008: K€2,461; 2007: K€2,006) have been reversed. The reversals of the impairment losses have been included within costs of materials and services.

C.15 Property, plant and equipment (note 15)

Our capital expenditure relates primarily to expanding or upgrading our network, the upgrade of the Level 4 or in-house network and CPE. Capital expenditure also includes intangible assets (except our customer list) and does not include financial assets. Incremental capital expenditure such as the upgrade of the Level 4 or in-house network or the introduction of a new product is designed to ensure that our return on investment thresholds are met. In addition, we incur expenditures required to sustain our current network, which we account for as repair and maintenance expenditure within cost of materials and services on our income statement.

The following table represents the reconciliation of carrying amounts of property, plant and equipment and intangible assets at the beginning and end of the period from January 1, 2009 until December 31, 2009 and the two preceding periods 2008 and 2007.

Development of Fixed Assets as of December 31, 2009

	Acquisition costs					Depreciation and Amortization						Net book value	
	01/01/2009	Additions	Disposals	Transfers	31/12/2009	01/01/2009	Additions	Impairment	Disposals	Transfers	31/12/2009	31/12/2009	31/12/2008
	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€
Fixed assets													
I. Property, plant and equipment													
1. Tenant improvements and cable duct assets	181,916	356	0	2,051	184,323	33,722	10,121	0	0	0	43,843	140,479	148,194
2. Broadband cable network	1,299,974	155,239	(30,310)	34,345	1,459,248	600,546	157,381	720	(17,862)	0	740,785	718,464	699,427
3. Other plant, furniture and office equipment	34,730	2,576	(378)	1,335	38,263	21,441	4,837	0	(336)	0	25,942	12,321	13,288
4. Advanced payments and construction in progress	44,646	49,047	0	(39,413)	54,280	94	0	0	0	0	94	54,187	44,552
	1,561,264	207,217	(30,688)	(1,683)	1,736,113	655,803	172,339	720	(18,199)	0	810,664	925,451	905,461
II. Goodwill and other intangible assets													
1. Customer contracts, software, concessions and subscriber acquisition costs	1,249,459	44,160	(840)	6,424	1,299,203	579,573	117,582	0	(150)	0	697,004	602,200	669,885
2. Goodwill	581,512	0	(980)	0	580,532	0	0	0	0	0	0	580,532	581,512
3. Advanced payments	13,064	832	0	(4,741)	9,155	33	0	0	0	0	33	9,122	13,031
	1,844,035	44,992	(1,820)	1,683	1,888,890	579,606	117,582	0	(150)	0	697,037	1,191,854	1,264,429
	3,405,299	**252,209**	**(32,508)**	**0**	**3,625,003**	**1,235,409**	**289,920**	**720**	**(18,349)**	**0**	**1,507,699**	**2,117,305**	**2,169,890**

Development of Fixed Assets as of December 31, 2008

	Acquisition costs						Depreciation and Amortization						Net book value	
	01/01/2008	Additions	Additions Primacom	Disposals	Transfers	12/31/2008	01/01/2008	Additions	Impairment	Disposals	Transfers	12/31/2008	12/31/2008	31/12/2007
	KE	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€
Fixed assets														
I. Property, plant and equipment														
1. Tenant improvements and cable duct assets	180,477	1,437	0	0	2	181,916	23,824	9,898	0	0	0	33,722	148,194	156,653
2. Broadband cable network	1,102,191	157,953	4,384	(5,596)	41,042	1,299,974	465,899	138,503	0	(3,855)	0	600,546	699,427	636,292
3. Other plant, furniture and office equipment	30,212	3,985	101	(70)	502	34,730	16,495	5,000	0	(54)	0	21,441	13,288	13,717
4. Advanced payments and construction in progress	55,920	29,974	34	(29)	(41,254)	44,645	94	0	0	0	0	94	44,552	55,826
	1,368,800	193,349	4,519	(5,696)	291	1,561,264	506,312	153,401	0	(3,909)	0	655,803	905,461	862,488
II. Goodwill and other intangible assets														
1. Customer contracts, software, concessions and subscriber acquisition costs	1,185,493	27,447	32,473	(1,039)	5,085	1,249,459	478,387	101,949	263	(1,026)	0	579,573	669,885	707,106
2. Goodwill	556,222	0	25,290	0	0	581,512	0	0	0	0	0	0	581,512	556,222
3. Advanced payments	6,198	12,241	0	0	(5,375)	13,064	0	33	0	0	0	33	13,031	6,198
	1,747,913	39,688	57,763	(1,039)	(291)	1,844,035	478,387	101,982	263	(1,026)	0	579,606	1,264,429	1,269,527
	3,116,713	**233,037**	**62,282**	**(6,733)**	**0**	**3,405,299**	**984,699**	**255,383**	**263**	**(4,935)**	**0**	**1,235,409**	**2,169,890**	**2,132,014**

Development of Fixed Assets as of December 31, 2007

	Acquisition costs					Depreciation and Amortization						Net book value	
	01/01/2007	Additions	Disposals	Transfers	31.12.2007	01/01/2007	Additions	Impairment	Disposals	Transfers	31.12.2007	31.12.2007	31/12/2006
	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€	K€
Fixed assets													
I. Property, plant and equipment													
1. Tenant improvements and cable duct assets	178,300	1,028	(89)	1,238	180,477	14,058	9,855	0	(89)	0	23,824	156,653	164,242
2. Broadband cable network	981,838	101,996	(1,328)	19,685	1,102,191	344,051	122,553	0	(705)	0	465,899	636,292	637,787
3. Other plant, furniture and office equipment	22,952	8,730	(855)	(615)	30,212	12,432	4,633	41	(611)	0	16,495	13,717	10,520
4. Advanced payments and construction in progress	31,856	44,501	(345)	(20,092)	55,920	98	0	0	(4)	0	94	55,826	31,758
	1,214,946	156,255	(2,617)	216	1,368,800	370,639	137,041	41	(1,409)	0	506,312	862,488	844,307
II. Goodwill and other intangible assets													
1. Concessions, industrial property rights and similar rights	1,173,737	11,996	(524)	284	1,185,493	385,312	92,583	995	(503)	0	478,387	707,106	788,425
2. Goodwill	556,222	0	0	0	556,222	0	0	0	0	0	0	556,222	556,222
3. Advanced payments	1,387	5,310	0	(499)	6,198	0	0	0	0	0	0	6,198	1,387
	1,731,346	17,306	(524)	(215)	1,747,913	385,312	92,583	995	(503)	0	478,387	1,269,527	1,346,033
	2,946,292	**173,561**	**(3,141)**	**1**	**3,116,713**	**755,951**	**229,624**	**1,036**	**(1,912)**	**0**	**984,699**	**2,132,014**	**2,190,340**

Regarding the carrying amounts of property, plant and equipment and intangible assets pledged as collateral for liabilities we refer to our explanations in note 21 “Bonds, facilities and derivative financial instruments”.

Regarding finance lease assets and obligations we refer to our explanations in note 23 “Contingent assets, liabilities and other financial obligations”.

Regarding operating lease obligations we refer to our explanations in note 23 “Contingent assets, liabilities” and “Other financial obligations”.

Regarding goodwill we refer to our explanations in note 16 “Goodwill and other intangible assets”.

Regarding purchase obligations for property, plant and equipment and intangible assets due to existing contracts not recognized in the balance sheet we refer to our explanations in note 23 “Contingent assets, liabilities” and “other financial obligations”.

The impairments in 2007 relate to shutting down the broadcast operations in restructuring Arena following the agreements with Premiere. The impairments in 2009 relate to the write-down of CPE acquired prior to February 1, 2004 due to a reassessment of the estimated useful life from 8 to 5 years as well as to other equipment (segment cable).

C.16 Goodwill and other intangible assets (note 16)

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Goodwill	580,532	581,512	556,222
Customer contracts	561,186	634,945	685,357
Software and concessions	23,014	21,065	16,256
Subscriber Aquisition Costs	18,000	13,709	4,994
Advance Payments	9,122	13,031	6,198
Brand name Arena	0	167	500
	1,191,854	1,264,429	1,269,527

The impairment test of goodwill is done based on the respective cash generating units. The cash generating units are determined by the business segments “Unitymedia Cable” and “Arena Satellite and Broadcasting”. For Unitymedia Cable the impairment test is performed by comparing the carrying amount with the recoverable amount. For Arena Satellite and Broadcasting, no goodwill is recognized. At the balance sheet date the goodwill in the cable business amounts to K€580,532. The decrease of K€980 compared to the prior year is due to a purchase price adjustment from the acquisition of the PrimaCom companies (see note B.2).

The recoverable amount is determined based on the fair value less costs to sell using a discounted cash flow approach.

The determination of the recoverable amount is based on the following estimates:

	31/12/2009	31/12/2008	31/12/2007
Length of projection period	10 years	10 years	9 years
Weighted average cost of capital	11.2 %	12.5 %	11.8 %
Growth rate beyond projection period for terminal value	1.5 %	1.5 %	2.5 %

The determination of the recoverable amount has been determined by using cash flow projections based on financial budgets approved by senior management covering a planning period of 10 years. The relatively long projection period for estimating future cash flows is justified by the long contractual relationship with the customers. The projections of subscribers, revenue, costs, and capital expenditures are based on reasonable and supportable assumptions that represent management's best estimates. Key assumptions are the estimated number of subscribers and the level of upgraded network infrastructure. The projections are based on both past experience and expected future market penetration with the various products.

Unitymedia has capitalized the following customer contracts as intangible assets:

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Customer contracts on the level of Unitymedia NRW............................	415,137	467,135	519,133
Customer contracts on the level of Unitymedia Services.......................	59,604	77,990	97,919
Customer contracts on the level of Unitymedia Hessen........................	60,114	60,454	68,305
Customer contracts on the level of Unitymedia Wiesbaden..................	10,349	11,541	-------
Customer contracts on the level of Unitymedia Aachen........................	15,982	17,825	-------
	561,186	634,945	685,357

The following schedule discloses the average remaining useful life of the customers:

	31/12/2009	31/12/2008	31/12/2007
Customer contracts on the level of Unitymedia NRW............................	8.0	9.0	10.0
Customer contracts on the level of Unitymedia Services.......................	3.7	4.7	5.7
Customer contracts on the level of Unitymedia Hessen........................	6.8	7.8	8.8
Customer contracts on the level of Unitymedia Wiesbaden..................	8.8	9.8	-------
Customer contracts on the level of Unitymedia Aachen........................	8.8	9.8	-------

In 2008 impairments relate to the write off of software no longer used (segment Arena).

C.17 Pensions and other long-term employee benefits (note 17)

The liabilities for long-term employee benefits comprise provisions for pensions and for early retirement agreements.

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Pension obligations..	7,856	7,718	7,679
Early retirement obligations..	733	825	803
	8,589	8,543	8,482

Pension accruals and early retirement obligations which are expected to be settled within the subsequent financial period amount to K€109 (2008: K€26).

The following table shows the reconciliation between the defined benefit obligation and the defined benefit liability:

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Defined benefit obligation...	7,185	6,185	6,678
Unrecognised actuarial losses (gain)...	671	1,533	1,001
Defined benefit liability...	7,856	7,718	7,679

The following table summarizes the development of defined benefit obligation:

	2009	2008	2007
	K€	K€	K€
Defined benefit obligation as of January 1	6,185	6,678	7,539
Current service cost	235	246	424
Interest cost	370	367	337
Actuarial losses (gains)	787	(579)	(1,604)
Curtailment/Settlement	(373)	(509)	0
Benefits paid	(19)	(18)	(18)
Defined obligation as of December 31	7,185	6,185	6,678

Expenses for pensions are included as follows:

	2009	2008	2007
	K€	K€	K€
Current service cost	235	248	424
Interest cost	370	367	337
Actuarial losses (gains)	(75)	(47)	7
Curtailment/Settlement	0	(2)	0
	530	566	768

The expenses for pensions are presented completely within the personnel expenses. The experience adjustments (difference between actuarial assumptions and plan experience) amounts to a positive K€170 on December 31, 2009 (2008: negative K€63).

The calculation of the different kinds of liabilities for future employee benefits is based on the following assumptions:

	31/12/2009	31/12/2008	31/12/2007
	%	%	%
Discount rate pensions	5.0	6.0	5.5
Expected rate of salary increases per annum	2.5 - 2.75	2.5 - 2.75	2.5 - 2.75
Expected rate of pension increases per annum	1.5 - 1.7	1.5 - 1.7	1.5 - 1.7
Expected rate of fluctuations per annum	7.00	7.00	7.00

The Group has defined contribution plans regarding former employees of the DTAG. The expenses in the financial year 2009 are K€1,337 (2008: K€1,298; 2007: K€1,400).

Unitymedia has offered their employees early retirement programs in the past. The provision for early retirement programs comprises early retirement programs due to existing contracts at the balance sheet date.

C.18 Other liabilities (note 18)

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Payroll related accruals	15,262	14,509	17,469
Tax liabilities	9,252	6,567	28,676
Amounts due to related parties (see note 24)	0	0	176
Other	30,833	30,024	35,551
	55,347	51,100	81,872

Other liabilities also include €5.6 million (2008: €6.0 million; 2007: €5.2 million) accrued expenses for buildings and €9.0 million (2008: €8.0 million; 2007: €8.1 million) debtors with credit balances.

C.19 Deferred income (note 19)

Revenue has been deferred to the subsequent financial periods for the following items:

	2009	2008	2007
	K€	K€	K€
Sublicensing Bundesliga rights	0	51,304	153,911
Other items	68,997	76,532	82,420
Total deferred income	68,997	127,836	236,331
Thereof long term deferred income	0	0	51,333
Thereof short term deferred income	68,997	127,836	184,998

C.20 Provisions (note 20)

The following table shows the reconciliation of the other provisions for the year 2009:

	01/01/2009	Additions	Usage	Release	31/12/2009
	K€	K€	K€	K€	K€
Disposal of discontinued operations	8,698	0	1,761	0	6,937
Repurchase and exchange agreements	10,440	413	5,000	4,505	1,348
Termination/Adjustment of contracts	6,430	3,000	1,124	4,106	4,200
Litigation provision	50	10,514	0	0	10,564
Onerous contracts Arena	0	4,178	0	0	4,178
Other provisions	11,042	6,517	3,309	1,685	12,565
	36,660	24,622	11,194	10,296	39,792

The provisions related to the disposal of discontinued operations consist mainly of potential tax liabilities related to the sale of Tele Columbus in 2006.

All provisions are estimates very probable to occur within one year and probable regarding the amount.

C.21 Bonds, facilities and derivative financial instruments (note 21)

C.21.1 Bonds and bank liabilities

Subsequent to the Liberty Global Transaction, the Company redeemed its below mentioned indebtedness on March 2, 2010 and became issuer, together with its operating subsidiaries Unitymedia Hessen and Unitymedia NRW, of the Unitymedia 2010 Notes as further described below. The following presentation describes the conditions of the bonds before the redemption:

	31/12/2009 K€	31/12/2008 K€	31/12/2007 K€
Bond and bank liabilities - Nominal value	1,699,145	1,699,145	1,950,145
Transaction costs and FX revaluation of MUSD 151	(46,695)	(49,389)	(62,701)
Long-term liabilities	1,652,450	1,649,756	1,887,444
Bank liabilities	0	30,000	0
Accrued interest	37,975	42,644	45,067
Short-term liabilities	37,975	72,644	45,067
	1,690,425	1,722,400	1,932,511

The amount of bonds and bank liabilities due after five years is K€575,145 (31/12/2008: K€575,145).

In October 2007 a nominal amount of €75 million of the NRW/Hesse Notes were repurchased and subsequently cancelled. Through the year 2008 Unitymedia Hessen repurchased NRW/Hesse Notes of nominal €251 million. The acquisition price was €231.2 million without accrued interest. The repurchased NRW/Hesse Notes have not been formally retired, however they have been classified as extinguishment of debt in accordance with the application guidance of IAS 39.

On January 28, 2009 Unitymedia NRW repaid a drawing of €30 million of the NRW/Hesse Revolving Credit Facility out of its existing liquidity. The nominal interest rate of the NRW/Hesse Revolving Credit Facility is Euribor + 2% on drawn amounts. The calculated effective interest rate is 5.82%.

The long-term liabilities to third parties have the following terms and conditions:

	Bonds		
	Senior note M€ 215	Senior note M€ 235	Senior note M$ 151
Term	02/2005-02/2015	07/2005-02/2015	07/2005-02/2015
Nominal interest rate	8.75%	10.125%	10.375%
Effective interest rate	9.44%	10.79%	11.074%
Hedging	no	no	FX Swap
Beginning redemption price for prepayment option	108.75% [1)]	110.125% [1)]	110.375% [1)]

	Bonds (Cont'd)	Loans
	NRW/Hesse Note M€ 1.275	Term loan M€ 100
Term	04/2006-04/2013	10/2006-10/2011
Nominal interest rate	Euribor + 2.875%	3.125%+Euribor
Effective interest rate	5.34%	7.01%
Hedging	Interest rate Swap	no
Beginning redemption price for prepayment option	102% [1)]	102% [1)]

[1)] At issuance - The respective redemption price for prepayment decreases over the term of the bonds and the loan. The prepayment options for the bonds with a fixed interest rate are valued based on financial mathematics models. We refer to our explanations under derivative financial instruments.

The NRW/Hesse Revolving Credit Facility was drawn as of the balance sheet dates with the following amounts:

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Revolving credit facility...	130,000	130,000	130,000
Drawn portion of the facility..	0	(30,000)	0
Outstanding amount available on the revolving credit facility......	130,000	100,000	130,000

Unitymedia´s outstanding nominal value indebtedness after repayment of the existing notes and assumption of the new notes on March 2, 2010 consisted of the following:

- €1,430 million under the Unitymedia 2010 Senior Secured Notes co-issued by Unitymedia NRW and Unitymedia Hessen;
- $845 million under the Unitymedia 2010 Senior Secured Notes co-issued by Unitymedia NRW and Unitymedia Hessen;
- €665 million Unitymedia 2010 Senior Notes issued by Unitymedia GmbH;
- €80 million Unitymedia 2010 Revolving Credit Facility, undrawn on March 2, 2010 and €35 million drawn as of March 10, 2010.

The details of the Unitymedia 2010 Notes are summarized in the following table:

Unitymedia 2010 Notes	Nominal Value	Maturity	Interest Rate	Interest Payment	Issue Price
Euro Senior Secured Notes	€ 1,430 million	December 1, 2017	8.125%	Semiannually on June 1	97.844%
USD Senior Secured Notes	$ 845 million	December 1, 2017	8.125%	and December 1	97.844%
Senior Notes	€ 665 million	December 1, 2019	9.625%	commencing June 1, 2010	97.652%

C.21.2 Covenants

The indenture for the Unitymedia Notes and NRW/Hesse Notes include certain covenants which, among other things, restrict the ability of Unitymedia, Unitymedia Hessen, Unitymedia NRW and certain of their subsidiaries to:

- make certain payments, including dividends or make other distributions;
- incur or guarantee debt and issue preferred stock;
- make certain investments or acquisitions, including participating in joint ventures;
- prepay or redeem subordinated debt or equity;
- engage in certain transactions with affiliates and other related parties;
- sell assets, consolidate, merge with or into other companies;
- issue or sell share capital of certain subsidiaries; and
- create certain liens.

Substantially all of the following assets with the respective amounts have been provided as securities for liabilities by (guarantor) companies Unitymedia GmbH, Unitymedia Management, Unitymedia Hessen, Unitymedia Hessen Verwaltung, Unitymedia NRW, iesy Hessen Verwaltungs GmbH, and Arena:

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Security transfer of property, plant and equipment...........................	720,079	663,467	588,825
Pledge of Cash..	184,977	214,936	227,058
Assignment of trade accounts receivables..	35,634	78,436	70,530
	940,690	956,839	886,413

C.21.3 Derivative financial instruments

The derivative financial instruments have the following values at the respective balance sheet date:

	31/12/2009		31/12/2008		31/12/2007	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	K€	K€	K€	K€	K€	K€
Interest rate swap......................		22,214		13,768	10,058	
Foreign currency swap..............		26,123		12,845		22,581
Prepayment options...................	39,341		929		5,689	
	39,341	48,337	929	26,613	15,747	22,581

In 2008 Unitymedia Hesse entered into a new 2-year €800.0 million three-month Euribor forward interest rate swap of 3.35% relating to the NRW/Hesse Notes. The new swap became effective on April 30, 2009 and replaced the existing swap of 3.66% for the same notional amount which expired on the same date.

Gains and losses on the latter interest rate swap contract that were reflected in the cash flow hedge reserve in equity in 2008 was continuously released to the income statement over the contract term until April 30, 2009.

The valuation of the interest rate swap and the foreign currency swap is based on market data provided by an international bank. The valuation of the prepayment options is based on models using financial mathematics procedures.

The interest rate swap and the foreign currency swap have the following terms and conditions:

	Receiver side		Payer side	
Swap / Term	nominal amount K€ exept where noted	Interest	nominal amount K€	Interest
Interest rate swap				
07/2006 - 04/2009...	800,000	3-M-Euribor	800,000	3.66%
Interest rate swap				
05/2009 - 04/2011...	800,000	3-M-Euribor	800,000	3.35%
Foreign currency swap				
07/2005 - 02/2015...	K $ 151,000	10.375%	125,145	9.625%

The interest rate swap and the foreign currency swap qualified for hedge accounting until the period ending December 31, 2008. Changes in the value of the respective swaps were included in unrealized earnings within a separate line item within equity. Due to the Liberty Global Transaction, changes in the value of the respective swaps are included in the income statement in the amount of K€ 28,053 ending December 31, 2009, resulting from the fact that the requirements for hedge accounting according to IAS 39.88 were no longer fulfilled as of December 31, 2009 given the Liberty Global Transaction and 2010 Refinancing.

C.22 Shareholder’s equity (note 22)

Regarding a reconciliation of equity we refer to the Consolidated Statement of Changes in Equity.

Distributions to the shareholders are only possible based on the profits according to German GAAP (HGB) regarding the separate entities.

During 2009 Unitymedia Hessen acquired 8,580 shares of Unitymedia S.C.A. in amount of K€45,619. In December 2009 Unitymedia Hessen exchanged all of the acquired shares in Unitymedia GmbH shares based on fair market value in amount of K€125,000. According to IAS 32.33 this amount was deducted from equity (retained earnings).

Subscribed capital comprises the capital to be paid by the shareholder according to the statutory agreement. At the balance sheet date the subscribed capital is fully paid-in by the shareholders.

The capital reserves comprise reserves of the shareholders, which exceed the statutory subscribed capital and reserves related to share based payments to certain members of management.

The contribution to capital reserves in 2007 relates to a cash payment of the shareholder.

D Other explanations

D.1 Contingent assets, liabilities and financial obligations (note 23)

D.1.1 Contingent assets and liabilities

At the reporting date no contingent assets existed. The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business and the following income tax treatment.

The gain of about K€79,381 resulting from the share swap is treated as 95% non-taxable in accordance with § 8b KStG. A possibility of less than 50% exists that the gain would be treated as fully taxable. This would cause additional taxes in an amount of K€ 9,526.

It is not anticipated that any other material liabilities will arise from the contingent liabilities.

D.1.2 Other financial obligations

Other financial obligations comprise obligations which are not presented in the balance sheet and which are not contingent liabilities.

The following other financial obligations existed at the balance sheet date for capital expenditures in property, plant and equipment and other intangibles:

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Property, plant and equipment	4,145	808	2,695
Other intangibles	794	1,107	1,191
	4,939	1,915	3,886

D.1.3 Finance leases

The following table shows the reconciliation between the future minimum payments and the present value of the leasing liabilities for long term network leases and car leases.

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Future minimum lease payments	3,538	18,571	5,201
Finance cost	(298)	(8,185)	(722)
	3,240	10,386	4,479

Several contracted long term network agreements in 2008 had been classified as finance lease at the time, but were later reclassified as operating leases due to a reassessment of the estimated useful life.

The net carrying amounts of the assets amounts in 2009 K€3,682 (2008: K€11,064); thereof K€0 (2008: K€6,448) network leases (broadband cable network) and K€3,682 (2008: K€3,938) car leases (other plant, furniture and office equipment.

The future minimum lease payments for finance leases are as follows:

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Not later than one year	829	1,631	826
Later than one year and not later than five years	2,709	6,718	4,375
Later than five years	0	10,222	0
	3,538	18,571	5,201

The liabilities for finance leases are as follows:

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Not later than one year	668	779	596
Later than one year and not later than five years	2,572	3,962	3,883
Later than five years	0	5,645	0
	3,240	10,386	4,479

D.1.4 Operating leases and other financial commitments

The following operating lease contracts with the respective significant leasing arrangements exist within the Group:

Lease	Terms	Terms of renewal	Purchase options	Contingent rent
Building	10 years	no	no	no
Dark fiber	1-20 years	3 months - 1 year	no	no
Colocation area	1-14 years	1 month - 1 year	no	no
Cable ducts	2-30 years	1 - 5 years	no	no

The future minimum lease payments for operating leases are as follows:

		31/12/2009	31/12/2008	31/12/2007
		K€	K€	K€
Less than one year		89,330	91,626	91,436
thereof	*DTAG*	*74,911*	*70,996*	*70,682*
	other	*14,419*	*20,630*	*20,754*
More than one year and less than five years		127,645	113,709	124,004
thereof	*DTAG*	*83,300*	*73,534*	*71,802*
	other	*44,345*	*40,175*	*52,202*
More than five years		70,070	59,459	53,901
thereof	*DTAG*	*12,362*	*12,362*	*12,282*
	other	*57,708*	*47,097*	*41,619*
		287,045	**264,794**	**269,341**

We expect that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

The lease payments for cable ducts are K€51,151 for the fiscal years ending December 31, 2009, 2008 and 2007. While the Company has the legal right to cancel the agreements for the lease of the cable ducts with a notice period of 24 months, the technological requirements to replace leased capacity represent economic penalties which would result in the reasonably assured renewal of the leases for a certain period of time. The lease term is expected to include all renewal periods under the agreement, resulting in a non-cancellable lease term of 30 years through December 31, 2029, after which time the lease can be cancelled at the option of DTAG. As of December 31, 2009, 2008 and 2007 the total financial obligation for cable ducts amounted to K€1,023,020, K€1,074,171 and K€1,125,322, respectively.

In 2009 the expenses for operating leases amount to K€96,241 (2008: K€97,159; 2007: K€101,096).

Furthermore the Company has entered into the following other contractual financial obligations:

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Less than one year	4,485	154,813	329,973
More than one year and less than five years	4,028	0	136,650
More than five years	0	0	0
	8,513	154,813	466,623

Other contractual financial obligations for 2009 comprise copyright fees. For 2008 and 2007 they comprised also license costs for the DFL rights and other purchase obligations.

The future minimum obligations are determined based on contractual obligations to make cash payments in the future and for which no obligations have been included in the balance sheet. Contractually agreed adjustments (like inflation) are included within the figures mentioned above.

D.2 Related parties (note 24)

Shareholder

On December 31, 2009, our sole shareholder, Unitymedia S.C.A., had 99 shareholders (including Management holders of Class B Shares) and was controlled by investment vehicles controlled by BC Partners (including Finakabel Holdings Limited) and Apollo (which includes AP Cable LLC and AP Participations, L.P.), which hold approximately 35.2% and 29.0%, respectively, of the equity interest in Unitymedia S.C.A. and 38.1% and 31.5%, respectively, of the equity in Unitymedia S.A., in each case assuming no conversion of the outstanding options discussed below.

Receivables and liabilities

The following receivables and liabilities were outstanding:

	31/12/2009	31/12/2008	31/12/2007
	K€	K€	K€
Loan to Finakabel Holdings Limited	2,615	2,317	1,915
Loan to Unitymedia S.C.A.	3,370	1,785	1,765
Payable to Unitymedia S.C.A.	0	0	176

The loan to Unitymedia S.C.A. was provided for funding parent company expenses, bears interest of 10% p.a. and is due (including interest) on December 31, 2010. The loan to Finakabel Holdings Limited amounts to K€2,615 bears interest of 12% p.a. and was due on December 31, 2009. Both loans were repaid in January 2010 in the course of the Liberty Global Transaction.

Related party transactions

During 2009, a member of Unitymedia S.A.'s Board of Directors provided services relating to acquisition strategy and consulting services and received fees in the amount of K€432.

During 2009 Unitymedia Hessen acquired 8,580 shares of Unitymedia S.C.A. in the amount of K€45,619. In December 2009, Unitymedia Hessen exchanged all of the acquired shares into Unitymedia GmbH shares as referenced in note 11 and 22.

Board of Directors

The following table sets out the name and position for each of the members of Unitymedia S.A.'s Board of Directors as of December 31, 2009:

Name	Position
Eric Zinterhofer	Chairman, Compensation Committee
Raymond Svider	Member, Compensation Committee
Michael Block	Member, Audit Committee
Michael Wunderlich	Member, Audit Committee
Jean Luc Allavena	Member
Moritz von Hauenschild	Member
Lucien Farell	Member, Audit Committee
Michael Kramer	Member
Serge Bijnens	Member

Unitymedia currently has the following managing directors:

Name	Position
Parm Sandhu (until January 28, 2010)	Managing Director
Dr. Herbert Leifker	Managing Director
Christopher Winfrey	Managing Director
Joachim Grendel	Managing Director
W. Gene Musselman (from January 28, 2010)	Managing Director

On July 31, 2008, Christoph Bellmer stepped down from his duties as COO for private reasons. Dr. Herbert Leifker, Chief Commercial Officer, assumed responsibility for customer service in the interim period and Joachim Grendel, previously a partner at the Boston Consulting Group, assumed the COO role in March 2009.

On January 28, 2010, Parm Sandhu, former Chief Executive Officer of Unitymedia, left the Company to pursue other opportunities. Gene Musselman, President and Chief Operating Officer of UPC Broadband, has been appointed acting Managing Director of Unitymedia in addition to his European role at UPC Broadband.

Key management personnel including Managing Directors, Vice Presidents and other executives engaged on the level of Unitymedia Management have received the following salaries and benefits:

	2009	2008	2007
	K€	K€	K€
Salaries and wages	7,067	6,516	7,829
Social security	295	212	247
Pension expenses	38	76	28
Termination benefits	1,587	632	32
Share based payments	4,973	1,835	1,931
	13,960	9,271	10,067

Share based payments

As of December 31, 2009, certain members of our management and the board of directors of Unitymedia S.A. or their affiliated companies, respectively, held Class B ordinary shares (Class B Shares) in Unitymedia S.C.A., which in the aggregate represent approximately 7.5 percent of Unitymedia S.C.A.'s outstanding share capital, including options held by the Company's management board over securities of Unitymedia S.C.A. (as discussed below). Subject to time vesting and performance restrictions, the Class B Shares participate in the equity value of Unitymedia S.C.A. above certain thresholds.

Vesting of Class B Shares will be accelerated upon certain events, including a change of control of Unitymedia S.C.A. The shareholders of Unitymedia S.C.A. have authorized the issuance of additional Class B Shares to other members of our management, which would, including the currently outstanding Class B Shares, represent up to approximately 8.2 percent of Unitymedia S.C.A.'s outstanding capital on a fully diluted basis.

Certain members of the Company's management board continue to hold options over securities of Unitymedia S.C.A. and Unitymedia S.A., the economics of which have been capped at the point at which Class B Shares received in relation to such cap would begin to participate in the equity value of Unitymedia S.C.A. These economically capped options are subject to the same time and performance vesting restrictions as the associated Class B Shares and represent approximately 2.3 percent, 2.4 percent and 0.8 percent of the respective outstanding capital of Unitymedia S.C.A., Unitymedia S.A. and Unitymedia GmbH on a fully diluted basis.

The following schedule discloses the information about the respective plans:

	Date	MEP I 2003	MEP II 2005	MEP III 2006	MEP IV 2007	MEP V 2009	Total
Number of SCA options, or equivalent							
Outstanding	1/1/2007	1,051	3,425	5,661	0	0	10,137
Granted	2007	0	0	0	900	0	900
Cancelled	2007	0	0	0	0	0	0
Outstanding	31/12/2007	1,051	3,425	5,661	900	0	11,037
Granted	2008	0	0	510	0	0	510
(thereof granted to managing directors)........................				*(108)*			*(108)*
Cancelled	2008	0	0	(532)	0	0	(532)
Outstanding	31/12/2008	1,051	3,425	5,639	900	0	11,015
Granted	2009	0	0	0	0	500	500
(thereof granted to managing directors)........................						*(500)*	*(500)*
Cancelled	2009	0	0	0	0	0	0
Outstanding	31/12/2009	1,051	3,425	5,639	900	500	11,515
Vested/Exercisable	31/12/2009	1,051	1,712	2,841	900	47	6,551
Features of option plans							
Share price at grant date...		1,200 €	4,850 €	5,720 € [1)] 6,706 € [2)]	6,415 €	6,779 €	
Exercise price..		700 €	4,600 €	5,720 €	6,415 €	5,720 €	
Life of Option/B-share		max 10	max 10	max 10	max 10	max 10	
Expected dividends		no	no	no	no	no	
Time Vesting options/B-shares as of January 1, 2009		1,051	856	1,421	900	250	4,478
Reclassification from performance shares to time vesting options due to change of option plan in August 2009.........................		0	856	1,409	0	0	2,265
Time Vesting options/B-shares as December 31, 2009......................		1,051	1,712	2,830	900	250	6,743
Vesting periods in years		4	4	4	3	4	
Performance vesting options/B-share as of January 1, 2009..............		0	2,569	4,218	0	250	7,037
Reclassification from performance shares to time vesting options due to change of option plan in August 2009.........................		0	(856)	(1,409)	0	0	(2,265)
Performance vesting options/B-shares as December 31, 2009........... [5)]		0	1,713	2,809	0	250	4,772
Determination of Fair value							
Average fair value per option/B-share		284	385	928	1,464	2,773	
Models used		BSM [3)]	BSM/BIM [3)]	BSM/BIM [3)]	BSM [3)]	BSM/BIM [3)]	
Expected volatility..		25% [4)]	25% [4)]	27.5% [4)]	30% [4)]	53.52% [4)]	
Expected term of option/B-share		4	4	3	3	4	
Expected turnover of management		0.00%	0.00%	10.00%	10.00%	0.00%	
Risk free interest rate		2.40%	2.20%	3.2%-3.75%	4.10%	2.13%	

[1)] 2007 [2)] 2008

[3)] BSM = Black Scholes Model used for time vesting options / BIM = Binomial Model used for performance vesting options

[4)] The assumptions about the expected volatility stem from historical data of share prices of comparable companies and from implied volatility data of call options on shares of comparable companies within the telecommunications sector. The expected volatility reflects the assumptions of the respective grant dates.

[5)] Originally options only vested if certain performance and super performance measures were to be achieved in future; performance and super performance measures contained an absolute return threshold and a time-based return threshold which both had to be met to exercise the options. The threshold for the performance measures was the greater of 1.5x of the original valuation at the formation of Unitymedia in 2005 and the sum of original valuation and 20% internal rate of return and the greater of 2.0x and 30% respectively for the super performance measures. Regarding the changes in 2009 we refer to the following disclosures.

In August 2009, performance hurdles for performance and super-performance shares were changed. For the performance shares the previous time IRR hurdle from 2005 was removed and changed to a time vesting criteria. For the super-performance shares the original threshold was changed to a fixed equity valuation hurdle. These changes were made to reflect the unintended consequences of a compounding IRR hurdle from 2005 and to ensure ongoing shareholder alignment. The fair value effect resulting from these changes were zero in both cases. Performance shares were subsequently treated as time vesting shares.

In December 2009 for certain shareholders the fixed equity valuation vesting criteria for the super-performance shares was removed for a fixed percentage of the super-performance shares. In two cases, the super performance shares vested immediately on the closing of the sale of Unitymedia GmbH in 2010. In all other cases the super-performance shares which were subject to the deemed vesting would vest during a 4 to 12 month period following the sale. The changes for certain shareholders were made to recognize efforts leading up to and following completion of the sale of Unitymedia GmbH. The fair value of the super-performance share before change of the option plan was €0. The incremental fair value for each super-performance share deemed vested is estimated to €9,086.6 based on the full purchase price for the group, and the number of deemed vested shares is 2,589.1.

Expenses for share based payments amount to K€4,973 (2008: K€1,835; 2007: K€1,930) and are included in personnel expenses.

D.3 Financial instruments and risk management (note 25)

D.3.1 Carrying amounts, fair values and net result of financial instruments

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily FTSE 100 equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As of December 31, 2009 Unitymedia has no financial assets that are measured at fair value and included in level 1 or level 3. The derivative financial instruments are measured at fair value as the present value of the estimated future cash flows based on observable yield curves and are included in level 2.

31/12/2009	Note	Loans and receivables	Assets/liabi-lities at fair value through profit & loss	Total	Fair value
Assets		K€	K€	K€	K€
Cash and equivalents	27	184,977		184,977	184,977
Receivables/Trade receivables	12	35,634		35,634	35,634
Receivables from related parties and other receivables [1)]	13	12,579		12,579	12,579
Derivative financial instruments	21		39,341	39,341	39,341

[1)] Prepayments are excluded from the receivables balance as this analysis is only required for financial instruments.

31/12/2009	Note	Other financial liabilities	Assets/liabi-lities at fair value through profit & loss	Total	Fair value
Liabilities		K€	K€	K€	K€
Financial liabilities measured at amortised cost /Financing	21	1,690,425		1,690,425	1,702,965
Financial liabilities measured at cost (excluding finance lease liabilities) [2)]		207,843		207,843	207,843
Derivative financial instruments	21		48,337	48,337	48,337
Finance lease liabilities [2)]	23	3,240		3,240	3,240

[2)] The categories in this disclosure are determined by IAS 39. Finance lease are mostly outside the scope of IAS 39, but they remain within the the scope of IFRS 7. Therefore, finance lease liabilities have been shown separately.

Trade receivables, cash and cash equivalents and other receivables are short term and the carrying amount are a reasonable approximation of fair value. Trade payables, bank overdraft and other payables are short term, and the carrying values are a reasonable approximation of fair value. The fair value of the listed bonds and the long term bank loan is the nominal value multiplied with the market price at balance sheet date. The finance lease is valued using the actual interest rate, and the carrying amount is a reasonable approximation of fair value.

31/12/2008	Note	Loans and receivables	Assets at fair value through profit & loss	Total	Fair value
Assets		K€	K€	K€	K€
Cash and equivalents	27	214,936		214,936	214,936
Receivables/Trade receivables	12	78,436		78,436	78,436
Receivables from related parties and other receivables [1)]	13	13,123		13,123	13,123
Derivative financial instruments	21		929	929	929

[1)] Prepayments are excluded from the receivables balance as this analysis is only required for financial instruments.

31/12/2008	Note	Other financial liabilities	Derivatives used for hedging	Total	Fair value
Liabilities		K€	K€	K€	K€
Financial liabilities measured at amortised cost /Financing	21	1,722,400		1,722,400	1,415,218
Financial liabilities measured at cost (excluding finance lease liabilities) [2)]		230,416		230,416	230,416
Derivative financial instruments	21		26,613	26,613	26,613
Finance lease liabilities [2)]	23	10,386		10,386	10,386

[2)] The categories in this disclosure are determined by IAS 39. Finance lease are mostly outside the scope of IAS 39, but they remain within the the scope of IFRS 7. Therefore, finance lease liabilities have been shown separately.

31/12/2007	Note	Loans and receivables	Assets/ liabilities at fair value through profit & loss	Derivati-ves used for hedging	Available for sale	Total	Fair value
Assets		K€	K€	K€	K€	K€	K€
Cash and equivalents........................	27	227,058				227,058	227,058
Receivables/Trade receivables.........	12	70,530				70,530	70,530
Available for sale securities..............					211,560	211,560	211,560
Receivables from related parties and other receivables.................... [3]	13	20,674				20,674	20,674
Derivative financial instruments........	21		5,689	10,058		15,747	15,747

[3] Prepayments are excluded from the receivables balance as this analysis is only required for financial instruments.

31/12/2007	Note	Other financial liabilities	Derivati-ves used for hedging	Total	Fair value
Liabilities		K€	K€	K€	K€
Financial liabilities measured at amortised cost /Financing...	21	1,932,511		1,932,511	1,909,942
Financial liabilities measured at cost (excluding finance lease liabilities)...................................... [4]		234,934		234,934	234,934
Derivative financial instruments...	21		22,581	22,581	22,581
Finance lease liabilities.. [4]	23	4,479		4,479	4,479

4) The categories in this disclosure are determined by IAS 39. Finance lease are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore, finance lease liabilities have been shown separately.

The following tables disclose the net result for each class of financial instruments:

	Gains and losses with Profit or Loss impact					
Financial period 2009	Interest	Disposal/ Repurchase	Impair-ment	Gains & Losses from Hedging	Fair value	Net result
	K€	K€	K€	K€	K€	K€
Financial assets/liabilities at fair value through profit or loss................					38,411	38,411
Loans and receivables..........................	2,626		(9,764)		n.a.	(7,138)
Financial liabilities in foreign currency..				4,195		4,195
FX Swap and interest swap..................				(32,248)		(32,248)
Available for sale securities..................		79,381				79,381
Financial liabilities measured at amortised cost..................................	(128,871)					(128,871)
Total...	(126,245)	79,381	(9,764)	(28,053)	38,411	(46,270)

Impairments relating to the category loans and receivables include write-offs of K€13,722 (2008: K€22,750; 2007: K€23,222) and income from written-off receivables of K€3,958 (2008: K€3,052; 2007: K€1,497) which are shown in other expenses and other income, respectively. For all other categories, the net result is shown in financial income or financial expenses.

Financial period 2008	Interest	Disposal/ Repurchase	Impair-ment	Gains & Losses from Hedging	Fair value	Net result
	Gains and losses with Profit or Loss impact					
	K€	K€	K€	K€	K€	K€
Financial assets/liabilities at fair value through profit or loss					(4,750)	(4,750)
Loans and receivables	13,735		(19,698)		n.a.	(5,963)
Financial liabilities in foreign currency				(7,594)		(7,594)
FX Swap				7,594		7,594
Available for sale securities		42,052				42,052
Financial liabilities measured at amortised cost	(148,631)	15,480				0 (133,151)
Total	(134,896)	57,532	(19,698)	0	(4,750)	(101,812)

Financial period 2007	Interest	Disposal/ Repurchase	Impair-ment	Gains & Losses from Hedging	Fair value	Net result
	Gains and losses with Profit or Loss impact					
	K€	K€	K€	K€	K€	K€
Financial assets/liabilities at fair value through profit or loss					2,862	2,862
Loans and receivables	10,565		(21,725)			(11,160)
Financial liabilities in foreign currency				5,583		5,583
FX Swap				(5,583)		(5,583)
Available for sale securities		1,160				1,160
Financial liabilities measured at amortised cost	(163,159)	1,673				(161,486)
Total	(152,594)	2,833	(21,725)	0	2,862	(168,624)

D.3.2 Risk management of financial instruments

Unitymedia’s activities expose it to a variety of financial risks: liquidity risk, currency risk, interest rate risk, price risk and credit risk. Unitymedia’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. Unitymedia uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the treasury department under policies according to a delegation of authority and control limits. The treasury department identifies, evaluates and hedges financial risks in close cooperation with the Group’s operating departments. The management board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non derivative financial instruments, and investment of excess liquidity.

Within the Group Unitymedia recognizes original and derivative financial instruments.

Non-derivative financial instruments exist in connection with operating activities, investing activities and financing activities. The respective activities induce the following non-derivative financial instruments:

Activity	Main financial instruments
Operating	Trade receivables and trade liabilities
Investing	Long-term receivables
Financing	- Cash and bank
	- Bonds and loans

Stand-alone derivative instruments exist only for hedging cash flow and fair value risks due to exposure to fluctuations in interest rates and/or foreign exchange rates. In addition to stand-alone derivatives, embedded derivatives exist in the bonds due to prepayment options.

D.3.3 Liquidity risk

Liquidity risks can emerge, if cash out flows are generated from the operating and investing activities. Furthermore liquidity risks can exist within the financing activities, if short-term cash outflows are necessary for the repayment of liabilities and the cash inflows from the operating activities and cash on hand are not sufficient for the future repayment, or no possibility of a payment extension exists.

In the operating activities no liquidity risk exists, because the operating business generates cash inflows.

The financing activities are based on long-term contracts. As of December 31, 2009, the repayment dates of the long-term liabilities were scheduled in 2011, 2013 and 2015 respectively. Furthermore, the undrawn portion of NRW/Hesse Revolving Credit facility remained available through 2013. Subsequent to the Liberty Global Transaction, the Company redeemed its existing indebtedness on March 2, 2010 and became issuer, together with its operating subsidiaries Unitymedia Hessen and Unitymedia NRW, of the Unitymedia 2010 Notes. As of March 2, 2010, the repayment dates of the long-term liabilities are scheduled in 2017 and 2019 respectively. The details of the Unitymedia 2010 Notes are summarized in note C.21.1 “Bond and bank liabilities”.

Liquidity risks on a short-term or medium-term basis can only occur if the covenants of the bonds or the loan will not be fulfilled. Compliance with the covenants is supervised on a regular basis based on budget planning and active monitoring of the respective key financial figures.

The following schedules contain an analysis of the forecasted cash payments prior to the 2010 Refinancing based on the contractual maturities of our financial obligations from financial instruments:

as of December 31, 2009		2010	2011 - 2014	After 2014	Total
		M€	M€	M€	M€
Senior Notes		0.0	0.0	575.1	575.1
NRW/Hesse Notes		0.0	1,024.0	0.0	1,024.0
Term loan and Revolver		0.0	100.0	0.0	100.0
Interest payments	1)	118.4	438.0	34.2	590.6
Other liabilities measured at amortised cost		215.0	3.3	0.0	218.3
		333.4	1,565.3	609.3	2,508.0

as of December 31, 2008		2009	2010 - 2013	After 2013	Total
		M€	M€	M€	M€
Senior Notes		0.0	0.0	575.1	575.1
NRW/Hesse Notes		0.0	1,024.0	0.0	1,024.0
Term loan and Revolver		30.0	100.0	0.0	130.0
Interest payments	1)	131.5	509.8	93.6	734.9
Other liabilities measured at amortised cost		230.9	8.2	5.6	244.7
		392.4	1,642.0	674.3	2,708.7

as of December 31, 2007		2008	2009 - 2012	After 2012	Total
		M€	M€	M€	M€
Senior Notes		0.0	0.0	575.1	575.1
NRW/Hesse Notes		0.0	0.0	1,275.0	1,275.0
Term loan		0.0	100.0	0.0	100.0
Interest payments	1)	196.7	572.4	207.7	976.8
Other liabilities measured at amortised cost		233.6	5.6	0.0	239.2
		430.3	678.0	2,057.8	3,166.1

1) calculated based on the interest rate as of December 31, 2009, 2008 and 2007, respectively. Fluctuations in interest rate could change actual interest payments in future years.

Forecasted interest cash payments include €27.3 million (2008: €27.3 million) which have already been included within the balance sheet accruals. If future cash flow payments were hedged, the hedged amounts have been included within the schedules.

For further information about our contractual liabilities for lease contracts affecting our cash flow planning we refer to our explanations in note 23 “Contingent assets, liabilities” and “Other financial obligations”.

Subsequent to the Liberty Global Transaction, the Company redeemed its above mentioned indebtedness on March 2, 2010 and became issuer, together with its operating subsiduaries Unitymedia Hessen and Unitymedia NRW, of the Unitymedia 2010 Notes as described in the November 17, 2009 Offering Memorandum.

D.3.4 Currency risk

Our reporting currency is the Euro. We have no revenue, and few expenses or liabilities that are denominated in currencies other than the euro, except for the Dollar portion of the Unitymedia Senior Notes. As the proceeds from the Unitymedia Senior Notes were provided to Unitymedia Hessen through the Proceeds Loan, Unitymedia Hessen has hedged the entire amount of the Dollar-denominated Proceeds Loans into euros for the lifetime of the Notes so that interest payments can be made in Euro and Unitymedia is not subject to foreign currency exchange risk.

D.3.5 Interest rate risk

Our exposure to market risk for changes in interest rates relates primarily to our floating rate debt obligations. We have interest rate risk on the NRW/Hesse Notes, the Term loan and the NRW/Hesse Revolving Credit Facilities.

In 2006 we entered into a 3-year €800.0 million interest rate swap at Unitymedia Hessen relating to the NRW/Hesse Notes. In 2008 we entered into a new 2-year €800.0 million three-month Euribor forward interest rate swap relating to the NRW/Hesse Notes. The new swap became effective on April 30, 2009 and replaced the existing swap for the same notional amount which expired on the same date. We did not enter into any interest rate hedging for the NRW/Hesse Revolving Credit Facility in connection with the 2006 Refinancing, or the Term loan.

For our remaining fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument but not our earnings or cash flows. We do not currently have any obligation to prepay fixed rate debt prior to maturity and accordingly, interest rate risk and changes in fair market value should not have a significant effect on the fixed rate debt until we would be required to refinance such debt.

Long-term financial instruments are exposed to a cash flow risk if the interest rate payments are variable (for example if the interest rate is based on a market rate such as Euribor) or they are exposed to a fair value risk if the interest rate payments are fixed. The explanations within our note 21 show our fixed rate and variable rate liabilities as well as the corresponding hedging instruments.

The interest rate for the NRW/Hesse Notes is fixed every quarter based at Euribor + 2.875%. For a nominal amount of €800.0 million the variable interest rate was swapped into a fixed interest rate of 6.535% (3.66% + 2.875%) until April 2009 and from April 2009 until April 2011 into a fixed interest rate of 6.225 (3.35% + 2.875%) (see note 21 “Bonds, facilities and derivative financial instruments”).

The following schedule discloses the impact of changes in the Euribor on equity and profit and loss:

		2009		2008	
Type of Risk	Factor	Equity Impact	P&L Impact	Equity Impact	P&L Impact
		K€	K€	K€	K€
Increase Euribor..	+0.25%	2,665	(810)	4,559	(977)
Decrease Euribor..	-0.25%	(2,665)	810	(5,221)	977

Regarding the effective interest rates of the respective liabilities see (note 21) “ Bonds, facilities and derivative financial instruments”.

D.3.6 Risks of change in prices

A portion of our costs are affected by inflation. We attempt to restrict increases in our costs below the rate of inflation through productivity improvements and capital expenditure. However, general inflation affects costs for our competitors and us.

D.3.7 Credit risks

Credit risks exist regarding trade receivables, derivative financial assets, other receivables and cash positions. The trade receivables exist against companies and retail customers.

Activities to mitigate credit risks regarding trade receivables include preventive actions, collection agencies and other procedures.

Preventive actions are performed by examining beforehand whether the creditworthiness of the customer is assured before the contractual relationship with the customer begins taking into account its financial position (insolvency, statutory declaration, detention order), past experience out of existing or former contract relationships and other factors.

Other procedures comprise demand notes which are sent to the customers based on a scheduled timeline. Generally demand notes are sent automatically to the respective customers. However for wholesale customers demand notes proposal lists are prepared based on a scheduled timeline. The respective departments decide at which point the wholesale customer should get the demand notes according to specific contract. If the customer still does not pay the outstanding amounts, collection agencies, or lawyers in the case of commercial clients are involved in demanding the respective amounts, and/or the customer is disconnected from the service. Collection agencies are generally involved into the collection process after the third demand note did not lead to a payment from the customer.

The credit risks of receivables have not been transferred to third parties unless fully written off. Hence the maximum credit risk is determined by the carrying value recognized in the balance sheet.

The Company does not have financial assets for which the credit risk has been transferred to other parties. Therefore the maximum risk of default is equal to the complete carrying value of the respective kinds of financial assets.

The counterparty of the swaps and major cash positions are banks with a first quality rating as defined of at least A- (Standard & Poor) or A3 (Moodys). Hence the credit risk regarding these instruments is considered to be very low. However the maximum credit risk of these financial instruments is also the carrying value.

D.3.8 Fair market value

Usually the carrying value of the financial instruments recognized in the balance sheet is comparable to their fair market value.

The carrying value less impairment provision of trade receivables are believed to approximate their fair values.

However the long-term liabilities which have fixed interest rates are measured at amortized cost. The fair market value of fixed rate liabilities can differ significantly from the carrying value, because the fair market value of fixed rate liabilities fluctuate with the development of interest rates and capital markets generally. Furthermore the fair market value of all long-term liabilities can differ from the nominal value due to changes in the credit rating. The following table shows the fair market value in percent of the fixed rate interest bonds and the NRW/Hesse Notes based on their traded market prices at the balance sheet date:

	2009	2008	2007
	%	%	%
Unitymedia Senior Note M€ 215	104.01	77.33	98.33
Unitymedia New Senior Note M€ 235	105.25	81.06	104.59
Unitymedia New Senior Note M$ 151	101.50	95.13	103.00
Unitymedia NRW/Hesse Notes M€ 1,350	99.14	81.00	97.53

D.3.9 Capital Risk Management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. We are focused on actively managing our balance sheet by retaining a sufficient level of financial leverage to maximise the returns to our shareholders.

Therefore we maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in euros. Historically, we have relied primarily upon the proceeds of offerings of debt securities, bank borrowings and cash flow from operations to provide funds required for acquisitions and operations.

Our principal source of liquidity on an on-going basis will be our operating cash flows and drawings under the Company's Revolving Credit Facility. Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. Our high number of subscribers to basic cable services who pre-pay their annual bill in the months between November and February leads to higher cash inflows in these months as compared to the rest of the year. We believe that the cash flow from operations will be sufficient to fund our currently anticipated working capital needs, capital expenditures, and debt service requirements. To the extent that we are not able to fund any principal payment at maturity with respect to any of our indebtedness, we will be required to refinance this indebtedness with additional credit facilities or the issue of new debt or equity securities in the capital markets.

D.4 Events after the balance sheet date (note 26)

Closing of Liberty Global´s Acquisition of Unitymedia

On January 28, 2010, Unitymedia announced the closing of the acquisition of 100% of the shares of Unitymedia GmbH by Liberty Global Inc. ("the Liberty Global Transaction") that was previously announced on November 13, 2009. The closing followed the approval by the European Cartel Office on January 25, 2010. Unitymedia is now an indirectly owned subsidiary of Liberty Global Inc.

Unitymedia appoints W. Gene Musselman as new Managing Director

On January 28, 2010, W. Gene Musselman, President and Chief Operating Officer of UPC Broadband, was appointed Managing Director of Unitymedia in addition to his European role at UPC Broadband. Gene Musselman has over twenty five years of experience in the cable industry, primarily in Europe. Parm Sandhu, former Chief Executive Officer of Unitymedia, has decided to leave the company to pursue other opportunities.

2010 Refinancing

Following the closing of the Liberty Global Transaction and subsequent to the redemption notices sent out on January 28, 2010, Unitymedia refinanced its existing indebtedness under the Unitymedia Group Notes and the previous Term Loan with the Unitymedia 2010 Senior Secured and Unitymedia 2010 Senior Notes on March 2, 2010. In addition, the previous NRW/Hesse Revolving Credit Facility has been cancelled and replaced with the Unitymedia 2010 Revolving Credit Facility.

D.5 Explanations regarding the cash flow statement (note 27)

Cash and cash equivalents comprise cash on hand and demand deposits. Bank overdrafts which are repayable on demand are also included in cash and cash equivalents.

Cash flow from operating activities in the financial year ended December 31, 2009 include €33.7 million cash collection in the first week of January 2009 from a year-end 2008 billing run.

The cash inflow from operating activities in the financial year ended December 31, 2008 included the book value of the proceeds from the sale of the Premiere shares in January 2008 of €244.0 million as the shares were originated from operating activities. The €42.1 million gain from the increase in the fair value of the shares during the holding period is recognized in cash flow from investing activities as the gain is not incurred by operating activities.

Our cash flow from financing activities was an outflow of €30.6 million in the financial year ended December 31, 2009, primarily due to the repayment of the NRW/Hesse Revolving Credit Facility in the first quarter of 2009. In the financial year ended December 31, 2008 our cash outflow from financing activities was €202.4 million which primarily reflects open market repurchases of €251 million par value NRW/Hesse Notes, offset by the drawing of the NRW/Hesse Revolving Credit Facility in the fourth quarter of 2008. The acquisition price of €231.2 million excluding accrued interest for these repurchases has been classified as a repayment of debt under the application guidance of IAS 39, although the repurchased securities have not been formally retired. An addition at €75 million par value of NRW/Hesse Notes was purchased in 2007 and retired.

Regarding undrawn lines of the NRW/Hesse Revolving Credit Facility see note 21 “Bonds, facilities and derivative financial instruments.

Cash which was restricted primarily for the DFL Bank Guarantee amounts to €0 (2008: €102.5 million; 2007: €106.6 million).

During 2009, we incurred K€0 (2008: K€ 6,631; 2007: K€ 4,480) of additions to fixed assets (capital leases) without cash payments.

D.6 Segment reporting (note 28)

For the year 2007, 2008 and 2009 the segment reporting is based on the management approach according to IFRS 8. The standard requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. The segments reported are the Unitymedia Cable and Arena Broadcast and Satellite business lines.

This segmentation is consistent with our current internal reporting system, which is used for allocating resources to the segments and assessing their performance. Our legal organization supports this view as the Broadcast and Satellite Business is organized within the legal entity Arena, whereas the Unitymedia Cable Business is organized within separate legal entities for the Unitymedia Cable businesses.

The Unitymedia Cable business derives its revenue from basic and premium cable services, carriage fees, our internet business and our telephony business. Furthermore, revenue is included in other income due to shared services agreements between Unitymedia Cable and the Arena Satellite segment.

The Arena Broadcast and Satellite business generates revenue from installation and subscription fees for Arena satellite packages as well as wholesale revenue, sales generated from set top boxes sold and airtime sales earned, the Premiere share revenue recognition and sublicense fee payments by Premiere. The cash and share-based sublicensing revenue (as well as the expenses for the Bundesliga Rights to DFL) for the respective seasons are realised on a proportional basis based on the number of games in the respective season.

Adjusted EBITDA presented within the segment reporting represents earnings before interest, tax and depreciation and amortization (EBITDA) excluding non recurring items and non-cash share based payments. Unitymedia believes that its presentation of EBITDA and Adjusted EBITDA provides useful information to investors, as these metrics provide a transparent view of Unitymedia’s recurring operations and are key measures used by Unitymedia’s chief operating decision makers to evaluate operating performance and to decide how to allocate resources.

Intersegment transfers or transactions are entered into under normal commercial terms and conditions that would also be available to an unrelated third party.

The following schedule discloses the major non-cash transactions related to the respective segments in 2009:

	Cable	Arena	Total
	K€	K€	K€
Release of deferred income for Premiere shares received as partial payment for sublicensing the Bundesliga rights	0	51,304	51,304
Release of provisions	22,562	694	23,256
Share based payments	(4,973)	0	(4,973)
Other	0	0	0
Non cash income presented within the Cash flow statement	17,589	51,998	69,587
Fair value adjustment of derivative instruments	38,410	0	38,410
Reversal/Capitalization of deferred taxes	28,876	(1,193)	27,683
	84,875	50,805	135,680

The following schedule discloses the major non-cash transactions related to the respective segments in 2008:

	Cable	Arena	Total
	K€	K€	K€
Release of deferred income for Premiere shares received as partial payment for sublicensing the Bundesliga rights	0	102,607	102,607
Release of provisions	1,526	0	1,526
Share based payments	(1,835)	0	(1,835)
Other	5,888	0	5,888
Non cash income presented within the Cash flow statement	5,579	102,607	108,186
Fair value adjustment of derivative instruments	(4,750)	0	(4,750)
Reversal/Capitalization of deferred taxes	1,646	(5,188)	(3,542)
	2,475	97,419	99,894

The following schedule discloses the major non-cash transactions related to the respective segments in 2007:

	Cable	Arena	Total
	K€	K€	K€
Release of deferred income for Premiere shares received as partial payment for sublicensing the Bundesliga rights	0	94,057	94,057
Settlement regarding disposal of Out of region operations	9,500	0	9,500
Share based payments	(1,930)	0	(1,930)
Non cash income presented within the Cash flow statement	7,570	94,057	101,627
Fair value adjustment of derivative instruments	2,862	0	2,862
Reversal/Capitalization of deferred taxes	42,013	8,224	50,237
	52,445	102,281	154,726

In 2009 Arena realized revenue with a single customer of K€142,111 (2008: K€275,414; 2007: K€176,415).

Consolidated segment reporting for the period January 1, 2009 until December 31, 2009

Period from January 1 until December 31, 2009	Cable	Arena	Subtotal	Cons.	Total
	K€	K€	K€	K€	K€
Revenues from external customers	869,616	174,329	1,043,945	0	1,043,945
Intersegment revenues	0	0	0	0	0
Reportable segment EBITDA	442,738	6,767	449,505	0	449,505
Financial income	119,407	1,011	120,418	0	120,418
Financial expense	(156,924)	0	(156,924)	0	(156,924)
Depreciation and amortization expenses	(288,565)	(2,075)	(290,640)	0	(290,640)
Income taxes	(42,335)	(3,320)	(45,655)	0	(45,655)
Reportable segment profit (loss)	74,321	2,383	76,704	0	76,704
Reportable segment assets	2,374,982	87,896	2,462,878	0	2,462,878
Reportable segment liabilities	2,148,074	29,180	2,177,254	0	2,177,254
Expenditures for non current assets	251,742	467	252,209	0	252,209
Reportable segment EBITDA	442,738	6,767	449,505	0	449,505
Non-recurring items:					
Release of prior period accruals	(18,493)	0	(18,493)	0	(18,493)
Expenses for cancelled IPO	1,657	0	1,657	0	1,657
Expenses for cancelled debt consent, other transactions and M&A	1,070	0	1,070	0	1,070
Other	11,362	10,507	21,869	0	21,869
Restructuring personnel payments, benefits	2,695	0	2,695	0	2,695
Share based payments (non-cash)	4,973	0	4,973	0	4,973
Reportable segment Adjusted EBITDA	446,002	17,274	463,276	0	463,276

Consolidated segment reporting for the period January 1, 2008 until December 31, 2008

Period from January 1 until December 31, 2008	Cable	Arena	Subtotal	Cons.	Total
	K€	K€	K€	K€	K€
Revenues from external customers	809,516	352,409	1,161,925	0	1,161,925
Intersegment revenues	0	0	0	0	0
Reportable segment EBITDA	395,740	47,379	443,119	0	443,119
Financial income	70,005	5,854	75,859	(4,592)	71,267
Financial expense	(153,369)	(12)	(153,381)	0	(153,381)
Depreciation and amortization expenses	(250,505)	(5,140)	(255,645)	0	(255,645)
Income taxes	(7,983)	(11,296)	(19,279)	0	(19,279)
Reportable segment profit (loss)	53,888	36,785	90,673	(4,592)	86,081
Reportable segment assets	2,430,633	130,589	2,561,222	0	2,561,222
Reportable segment liabilities	2,161,490	77,291	2,238,781	0	2,238,781
Expenditures for non current assets	231,456	1,581	233,037	0	233,037
Reportable segment EBITDA	395,740	47,379	443,119	0	443,119
Non-recurring items:					
Release of prior period accruals	0	(6,118)	(6,118)	0	(6,118)
Other	(2,667)	0	(2,667)	0	(2,667)
Share based payments (non-cash)	1,835	0	1,835	0	1,835
Reportable segment Adjusted EBITDA	394,908	41,261	436,169	0	436,169

Consolidated segment reporting for the period January 1, 2007 until December 31, 2007

Period from January 1 until December 31, 2007	Cable	Arena	Subtotal	Cons.	Total
	K€	K€	K€	K€	K€
Revenues from external customers	706,395	292,569	998,964	0	998,964
Intersegment revenues	0	16,054	16,054	(16,054)	0
Reportable segment EBITDA	338,797	(47,437)	291,360	0	291,360
Financial income	10,515	6,906	17,421	(1,161)	16,260
Financial expense	(162,463)	(1,857)	(164,320)	1,161	(163,159)
Depreciation and amortisation expenses	(223,241)	(7,419)	(230,660)	0	(230,660)
Income taxes	29,208	8,224	37,432	0	37,432
Reportable segment profit/loss	(7,184)	(41,583)	(48,767)	0	(48,767)
Reportable segment assets	2,549,759	224,495	2,774,254	0	2,774,254
Reportable segment liabilities	2,354,817	204,922	2,559,739	0	2,559,739
Expenditures for non current assets	171,715	1,847	173,562	0	173,562
Reportable segment EBITDA	338,797	(47,437)	291,360	0	291,360
Non-recurring items:					
Settlement gain related to the disposal of the Tele Columbus Out-of-region assets	(16,106)	0	(16,106)	0	(16,106)
Release of prior period accruals	(1,309)	(1,604)	(2,913)	0	(2,913)
Transaction related accruals for set top box distribution and inventory	5,000	0	5,000	0	5,000
Restructuring expenses	0	21,211	21,211	0	21,211
Other	2,154	0	2,154	0	2,154
Restructuring personnel payments, benefits	2,346	3,579	5,925	0	5,925
Share based payments (non-cash)	1,930	0	1,930	0	1,930
Reportable segment Adjusted EBITDA	332,812	(24,251)	308,561	0	308,561

D.7 Disclosures according to German GAAP (note 29)

The average number of employees in 2009 was 1,613 (2008: 1,557 employees).

Our auditor has received the following remuneration for the respective services:

	2009	2008
	K€	K€
Audit of financial statements	533	480
Other confirmation and valuation services	254	288
Tax advisory	433	0
Other services	0	158
	1,220	926

The following table discloses the remuneration of management:

	2009	2008
	K€	K€
Salaries, bonuses, benefits and non-cash share based payments	9,567	4,927
Pension expenses	38	76
	9,605	5,003

Cologne, March 10, 2010

Unitymedia GmbH, Cologne

W. Gene Musselmann
Managing Director

Dr. Herbert Leifker
Managing Director
- Chief Commercial Officer -

Christopher Winfrey
Managing Director
- Chief Financial Officer -

Joachim Grendel
Managing Director
- Chief Operating Officer -