Condensed Consolidated Interim Financial Statements
September 30, 2010

UNITYMEDIA GMBH
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Germany

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UNITYMEDIA GMBH
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UNITYMEDIA GMBH
(see note 1)
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30, 2010	December 31, 2009
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 81.7	€ —
Trade receivables, net	31.3	—
Derivative instruments (note 5)	2.1	—
Other current assets	9.9	—
Total current assets	125.0	—
Property and equipment, net (note 7)	2,011.6	—
Goodwill	1,497.7	—
Intangible assets subject to amortization, net	679.1	—
Derivative instruments (note 5)	46.4	—
Restricted cash (note 8)	1.8	2,560.7
Other assets	21.8	—
Total noncurrent assets	4,258.4	2,560.7
Total assets	€ 4,383.4	€ 2,560.7

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

UNITYMEDIA GMBH
(see note 1)
CONDENSED CONSOLIDATED BALANCE SHEETS - continued
(unaudited)

	September 30, 2010	December 31, 2009
	in millions	
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	€ 31.6	€ —
Accrued liabilities	165.3	—
Deferred revenue and advance payments from subscribers and others	78.6	—
Current tax liability	15.2	—
Current portion of debt and finance lease obligations (note 8)	78.2	26.0
Derivative instruments (note 5)	14.3	21.0
Other current liabilities	15.5	—
Total current liabilities	398.7	47.0
Long-term debt and finance lease obligations (note 8)	2,646.0	2,561.5
Notes payable – related party (note 11)	1,137.5	—
Deferred tax liabilities	382.8	—
Derivative instruments (note 5)	—	14.7
Other long-term liabilities	16.8	—
Total noncurrent liabilities	4,183.1	2,576.2
Total liabilities	4,581.8	2,623.2
Commitments and contingencies (note 9)		
Shareholder's equity (note 11):		
Share capital	—	—
Additional paid-in capital	—	—
Accumulated deficit	(198.4)	(62.5)
Total shareholder's equity	(198.4)	(62.5)
Total liabilities and shareholder's equity	€ 4,383.4	€ 2,560.7

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

UNITYMEDIA GMBH
(see note 1)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended September 30, 2010	Nine months ended September 30, 2010
	in millions	
Revenue	€ 234.9	€ 624.6
Operating costs and expenses:		
Operating (other than depreciation and amortization) (OpEx)	(66.1)	(182.8)
Selling, general and administrative (SG&A)	(33.0)	(92.2)
Related-party fees and allocations, net (note 11)	(5.8)	(17.4)
Restructuring and other operating charges, net	(0.9)	(24.8)
	(105.8)	(317.2)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	129.1	307.4
Depreciation and amortization	(75.7)	(233.8)
Earnings before interest and taxes (EBIT)	53.4	73.6
Interest income	0.1	1.2
Interest expense, third-party	(62.5)	(194.0)
Interest expense, related-party (note 11)	(23.0)	(62.2)
Foreign currency transaction gains (losses), net	70.2	(3.2)
Realized and unrealized gains (losses) on derivative instruments (note 5)	(67.9)	31.8
Net financial expense	(83.1)	(226.4)
Loss from continuing operations before income taxes	(29.7)	(152.8)
Income tax benefit (note 10)	27.0	17.5
Loss from continuing operations	(2.7)	(135.3)
Loss from discontinued operations (note 3)	(0.7)	(0.6)
Net loss	€ (3.4)	€ (135.9)

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

UNITYMEDIA GMBH
(see note 1)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	Three months ended September 30, 2010	Nine months ended September 30, 2010
	in millions	
Net loss	€ (3.4)	€ (135.9)
Other comprehensive income (loss), net of taxes	—	—
Comprehensive loss	€ (3.4)	€ (135.9)

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

UNITYMEDIA GMBH
(see note 1)

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

	Attributable to equity holders of Unitymedia GmbH			
	Subscribed capital	Capital reserve	Retained earnings	Total shareholder's equity
	in millions			
Balance at October 15, 2009	€ —	€ —	€ —	€ —
Net loss	—	—	(62.5)	(62.5)
Balance at December 31, 2009	—	—	(62.5)	(62.5)
Net loss	—	—	(135.9)	(135.9)
Balance at September 30, 2010	€ —	€ —	€ (198.4)	€ (198.4)

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

UNITYMEDIA GMBH
(see note 1)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine months ended September 30, 2010
Cash flows from operating activities:	
Loss from continuing operations	€ (135.3)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities:	
Related-party fees and allocations, net	17.4
Restructuring and other operating charges, net	24.8
Depreciation and amortization	233.8
Amortization of deferred financing costs and non-cash interest accretion	8.1
Non-cash related-party interest expense (note 11)	62.2
Foreign currency transaction losses, net	3.2
Realized and unrealized gains on derivative instruments, net	(31.8)
Deferred tax benefit	(28.3)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	62.3
Net cash provided by operating activities from continuing operations	216.4
Net cash used by discontinued operations	(6.0)
Net cash provided by operating activities	210.4
Cash flows from investing activities:	
Cash paid in connection with acquisitions, net of cash acquired	(1,880.1)
Capital expended for tangible and intangible assets	(167.8)
Net cash used by investing activities	(2,047.9)
Cash flows from financing activities:	
Decrease in cash collateral	2,593.6
Repayments and repurchases of third-party debt and finance lease obligations	(1,712.5)
Revolver borrowings, net	50.0
Related-party borrowings (note 11)	1,050.9
Net cash paid related to derivative instruments	(66.7)
Other financing activities	3.9
Net cash provided by financing activities	1,919.2
Net increase in cash and cash equivalents	81.7
Cash and cash equivalents:	
Beginning of period	—
End of period	€ 81.7
Cash paid for interest (excluding payments related to derivative instruments)	€ (148.9)
Net cash paid for taxes	€ (8.5)

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

UNITYMEDIA GMBH
(see note 1)
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2010
(unaudited)

(1) <u>General and Basis of Presentation</u>

Unitymedia GmbH (Unitymedia), formerly UPC Germany GmbH, is an indirect subsidiary of Liberty Global, Inc. (Liberty Global). Unitymedia was formed by Liberty Global on October 15, 2009 in contemplation of the issuance of debt financing in connection with Unitymedia's then potential acquisition of the entity (Old Unitymedia) that owned the second largest cable operator in Germany. Unitymedia, which operates in the German states of Hesse and North Rhine-Westphalia, provides analog and digital cable television, as well as internet and telephony services to its customers. In addition to this core business, Unitymedia's arena segment operated a direct-to-home satellite (DTH) digital pay TV platform, that, as further described below, we closed down effective September 30, 2010. In the following text, the terms "Unitymedia," "we," "our," "our company," and "us" may refer, as the context requires, to Unitymedia or collectively to Unitymedia and its subsidiaries.

On September 16, 2010, Old Unitymedia merged with Unitymedia and Unitymedia became the surviving entity (the Unitymedia Merger). The Unitymedia Merger, along with the new basis of accounting that resulted from Unitymedia's January 28, 2010 acquisition from Unity Media S.C.A. of 100% of Old Unitymedia (the Liberty Global Transaction), has been given effect as of January 28, 2010 in the accompanying condensed consolidated financial statements. As further described in note 3, the new basis of accounting was allocated to the identifiable assets and liabilities of Old Unitymedia based on preliminary assessments of their respective fair values, and the excess of the purchase price over the adjusted fair values of such identifiable net assets was allocated to goodwill. As further discussed in note 4, the consolidated financial information of Old Unitymedia for the first and second quarters of 2010 has been restated to give effect to the Unitymedia Merger and the new basis of accounting as of January 28, 2010. Pro forma information for Unitymedia reflecting the combination of Unitymedia and Old Unitymedia from January 1, 2009 forward is also presented in note 4.

Our annual financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS). Our condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with Old Unitymedia's consolidated financial statements and notes thereto included in Old Unitymedia's 2009 annual financial statements, which are included in the Unitymedia 2009 Annual Report published on the investor relations section of the website: www.unitymedia.de.

In November 2009, Unitymedia issued the UM Senior Secured Notes and UM Senior Notes, each as defined in note 8. The UM Senior Secured Notes and UM Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and trade on the Euro MTF Market, which is not a regulated market (as defined by Article 1(13) of Directive 93/22/EEC). As further described in note 8, the UM Senior Secured Notes and UM Senior Notes were pushed down from Unitymedia to Old Unitymedia and certain of Old Unitymedia's operating subsidiaries on March 2, 2010.

Effective September 30, 2010, we closed down the DTH operations of Unitymedia's arena segment as further described in note 3. As a result, we begin reporting Unitymedia's arena segment as a discontinued operation in these financial statements.

The functional currency of Unitymedia's financial statements is the euro. Unless otherwise indicated, convenience translations into euros are calculated as of September 30, 2010. Amounts may not total due to rounding.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

These condensed consolidated interim financial statements were approved for publication by the managing directors on November 23, 2010.

(2) Summary of Significant Accounting Policies

Estimates

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

Principles of consolidation

The accompanying consolidated financial statements include our accounts and the accounts of all voting interest entities where we exercise a controlling financial interest through the ownership of a direct or indirect controlling voting interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and cash equivalents and restricted cash

Cash and cash equivalents comprise cash at banks, cash in transit, checks, and investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition.

Restricted cash includes cash held in escrow and cash pledged as collateral. Restricted cash amounts that are required to be used to purchase long-term assets or repay long-term debt are classified as long-term assets. All other cash that is restricted to a specific use is classified as current or long-term based on the expected timing of the disbursement.

Trade receivables

Our trade receivables are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers and their dispersion across many different countries worldwide. We also manage this risk by disconnecting services to customers whose accounts are delinquent.

Property, plant and equipment

Property, plant and equipment are measured at initial cost less accumulated depreciation and any accumulated impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The initial cost comprises its purchase price, borrowing costs, 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, and the costs of dismantling and removing the items and restoring the site on which they are located.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The distribution systems have estimated useful lives ranging from 3 to 25 years. Support equipment and buildings (including leasehold improvements) have estimated useful lives ranging from 3 – 20 years. Depreciation methods, useful lives, and residual values are reviewed at each reporting date.

Property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of 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. For purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating units”). The Company has determined that its property, plant, and equipment as a whole constitute a single cash generating unit for purpose of impairment testing. Impairment losses are reversed if the reasons for the impairment loss no longer exist or the impairment loss has decreased.

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 restructuring and other operating charges, net.

Intangible assets

Our primary intangible assets are goodwill, customer relationships, tradename, subscriber acquisition costs, and software. Goodwill and intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with definite lives are amortized over their respective estimated useful lives and reviewed for impairment.

Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in the Liberty Global Transaction. Customer relationships and tradename were originally recognized at their fair values in connection with the Liberty Global Transaction and are amortized over lives of approximately 7 years and 5 years, respectively. Subscriber acquisition costs are recognized when such costs are directly attributable to obtaining new subscribers, paid to a third party, can be measured reliably and meet the definition of an intangible asset and are amortized over the contractual life of approximately 1 – 2 years.

Capitalized internal-use software costs include only external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote time to the project. Capitalization of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. Internally-generated intangible assets are amortised on a straight-line basis over their useful lives which approximates 3 years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Leasing

Lease contracts 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.

We lease the certain customer premise equipment (CPE) to customers. These leases for which we are the lessor, are classified as an operating lease based on the life of the contract. Therefore, we capitalize the CPE as a portion of our distribution system and recognize customer revenue in the period earned.

Derivative financial instruments

All derivatives are recorded on the balance sheet at fair value. Although we acquire derivative instruments to manage interest rate and foreign exchange risk, we do not apply hedge accounting to any of our derivative instruments. Changes to the fair value of our derivative instruments are recognized in in the line item Realized and Unrealized Gains(Losses) on Derivative Instruments of our Statement of Operations.

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 Hessen GmbH & Co. KG (Unitymedia Hessen) and Unitymedia NRW GmbH (Unitymedia NRW). A monthly consideration is paid without any further obligation for the respective entities. Such contributions are recognized in personnel expenses.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined benefit plans exist for certain employees, who were with DTAG prior to the sale of cable networks to Unitymedia, 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.

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.

Provisions

Provisions are liabilities of uncertain timing and/or amount. A provision is recognized when a present legal or constructive obligation as a result of a past event exists 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 services in the ordinary course of our 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 analog and digital basic cable television business, pay TV business, internet business, telephony (including subscription and usage fees) and carriage fees.

Revenue generated by the delivery of analog and digital access products, internet and telephony services, digital pay TV 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 at the completion of the installation process.

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 enacted or substantially enacted as of the balance sheet date.

Deferred taxes

Generally deferred taxes are recognized for any temporary differences between the tax base and the EU-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. 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).

Segments

An operating segment is a distinguishable component of an entity that (i) engages in business activities for which is may earn revenues and incur expenses, and (ii) whose operating results are regularly reviewed by the entity's chief operating decision maker. Following the shutdown of the arena segment, as discussed in note 1, Unitymedia is comprised of one business segment that provides analog and digital television, internet and telephony services to residential and business customers over an integrated broadband communications network.

Unitymedia operates in one geographical area, being Germany.

(3) Acquisitions and Discontinued Operations

On January 28, 2010, Unitymedia completed the Liberty Global Transaction, whereby it paid cash of €2,006.0 million (the Old Unitymedia Purchase Price), to acquire from Unity Media S.C.A. all of the issued and outstanding capital stock of Old Unitymedia. The €2,006.0 million Old Unitymedia Purchase Price, together with Old Unitymedia's net debt (aggregate principal amount of debt and capital lease obligations outstanding less cash and cash equivalents) of €1,586.3 million at January 28, 2010, results in total consideration of €3,592.3 million before direct acquisition costs of €37.0 million (including €23.3 million incurred by Unitymedia). The portion of these direct acquisition costs that were incurred by Unitymedia, which were recorded during the first quarter of 2010, are included in impairment, restructuring and other operating charges in our condensed consolidated statements of operations. Liberty Global acquired Old Unitymedia in order to achieve certain financial, operational and strategic benefits through the integration of Old Unitymedia with its existing European operations.

The Old Unitymedia Purchase Price was funded with (i) €849.2 million of cash from certain escrow accounts associated with the Unitymedia Senior Notes (as defined in note 8) and (ii) the note payable to our immediate parent as further described in note 11.

We have accounted for the Liberty Global Transaction using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. The purchase price allocation as reflected in these condensed consolidated financial statements is preliminary and subject to adjustment based on our final assessment of the fair values of the acquired identifiable assets and liabilities. Although certain items in the valuation process remain open, we expect that any further adjustments to the preliminary allocation will not be material to our financial position or results of operations.

The summarized financial position of Unitymedia (after giving retrospective effect to the Unitymedia Merger) as of January 28, 2010 is presented in the following table (in millions):

Cash	€	125.9
Other current assets		228.4
Property and equipment, net		2,031.6
Goodwill (a)		1,497.7
Intangible assets subject to amortization (b)		731.9
Other assets, net		31.1
Current portion of long-term debt and capital lease obligations		(0.7)
Other current liabilities		(464.7)
Long-term debt and capital lease obligations		(1,711.5)
Other long-term liabilities		(463.7)
Total purchase price	€	2,006.0

(a) The goodwill recognized in connection with the Liberty Global Transaction is primarily attributable to (i) the ability to exploit Old Unitymedia's existing advanced broadband communications network to gain immediate access to potential customers and (ii) substantial synergies that are expected to be achieved through the integration of Old Unitymedia with Liberty Global's other operations in Europe.

(b) Amount primarily includes intangible assets related to customer relationships. At January 28, 2010, the weighted average useful life of Old Unitymedia's intangible assets was approximately seven years.

The following unaudited pro forma condensed consolidated operating results for the nine months ended September 30, 2010 give effect to (i) the Unitymedia Merger and (ii) the Liberty Global Transaction as if such transactions had been completed as of January 1, 2010. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on such dates. The pro forma adjustments are based on currently available information and certain assumptions that we believe are reasonable.

		Nine months ended September 30, 2010 Pro Forma
		in millions
Revenue:		
Continuing operations	€	692.9
Discontinued operations		8.9
Total	€	701.8
Net loss	€	(138.9)

Discontinued Operations

Effective September 30, 2010, we closed down the DTH operations of Unitymedia's arena segment. The operating results of Unitymedia's arena segment from January 28, 2010 to September 30, 2010 are classified as discontinued operations in our condensed consolidated statement of operations and are summarized in the following table:

	Three months ended September 30, 2010	Nine months ended September 30, 2010
	in millions	
Revenue	€ 2.4	€ 7.8
EBITDA	€ (1.6)	€ (2.2)
Loss before income taxes	€ (0.9)	€ (2.2)
Income tax benefit	€ 0.2	€ 1.6
Net loss	€ (0.7)	€ (0.6)

(4) Selected pro forma information

The following tables present Unitymedia condensed consolidated financial statements on a pro forma basis assuming that the formation of Unitymedia and the Unitymedia Merger occurred on January 1, 2009, and accordingly that the historical results and cash flows of Old Unitymedia's continuing operations and the financial position of Old Unitymedia are included in the Unitymedia condensed consolidated pro forma financial statements for all periods presented below. The pro forma amounts for periods prior to January 28, 2010 do not include any adjustments to reflect the new basis of accounting resulting from the Liberty Global Transaction. The pro forma amounts related to Old Unitymedia are derived from the historical financial statements of Old Unitymedia for the relevant period and should be read in conjunction with those historical consolidated financial statements and related notes thereto. For additional information, see notes 1 and 3.

UNITYMEDIA PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

		December 31, 2009 (a) in millions
ASSETS		
Current assets:		
Cash and cash equivalents	€	185.0
Trade receivables, net		35.0
Other current assets		21.3
Total current assets		241.3
Property and equipment, net		956.3
Goodwill		580.5
Intangible assets subject to amortization, net		611.3
Restricted Cash		2,560.8
Deferred tax assets		30.2
Derivative instruments		39.3
Other assets		23.8
Total noncurrent assets		4,802.2
Total assets	€	5,043.5
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	€	29.2
Accrued liabilities		217.6
Deferred revenue and advance payments from subscribers and others		69.2
Current tax liability		28.4
Current portion of debt and finance lease obligations		61.0
Derivative instruments		37.0
Total current liabilities		442.5
Long-term debt and finance lease obligations		4,216.5
Deferred tax liabilities		85.2
Derivative instruments		50.6
Other long-term liabilities		9.4
Total noncurrent liabilities		4,361.7
Total liabilities		4,804.2
Shareholder's equity:		
Share capital		12.7
Additional paid-in capital		432.1
Accumulated deficit		(205.5)
Total shareholder's equity		239.3
Total liabilities and shareholder's equity	€	5,043.5

UNITYMEDIA PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009 (a)	2010 (a)	2009 (a)
	in millions			
Revenue	€ 234.9	€ 217.5	€ 692.9	€ 659.1
Operating costs and expenses (b):				
OpEx	(66.1)	(66.0)	(204.6)	(211.2)
SG&A	(33.0)	(33.8)	(102.8)	(100.9)
Stock-based compensation	—	0.8	(7.3)	(0.2)
Related-party fees and allocations, net	(5.8)	—	(17.4)	—
Restructuring and other operating charges, net	(0.9)	—	(24.8)	(0.2)
	(105.8)	(99.0)	(356.9)	(312.5)
EBITDA	129.1	118.5	336.0	346.5
Depreciation and amortization	(75.7)	(73.5)	(254.8)	(214.5)
EBIT	53.4	45.0	81.2	132.0
Interest income	0.1	0.5	1.3	1.1
Interest expense, third-party	(62.5)	(31.9)	(202.0)	(98.1)
Interest expense, related-party	(23.0)	—	(62.2)	—
Foreign currency transaction gains (losses), net	70.2	—	(6.4)	—
Realized and unrealized gains (losses) on derivative instruments	(67.9)	8.8	34.8	17.8
Net financial expense	(83.1)	(22.7)	(234.5)	(79.2)
Profit (loss) before income taxes	(29.7)	22.3	(153.3)	52.8
Income tax benefit	27.0	40.8	17.5	25.4
Profit (loss) from continuing operations	€ (2.7)	€ 63.1	€ (135.8)	€ 78.2
OpEx and SG&A expenses by nature (b):				
Direct costs (interconnect, programming, copyright and other)	€ (21.8)	€ (19.1)	€ (65.7)	€ (71.1)
Staff related costs	(29.1)	(28.1)	(86.2)	(80.4)
Network operating and technical service costs	(22.5)	(24.0)	(67.9)	(69.5)
Sales and marketing costs	(16.0)	(17.5)	(51.0)	(51.5)
Indirect costs – other	(9.7)	(11.1)	(36.6)	(39.6)
	€ (99.1)	€ (99.8)	€ (307.4)	€ (312.1)

(a) As described and quantified in this note below, certain Old Unitymedia amounts included in these columns have been restated. During the second quarter of 2010, Old Unitymedia's policies for the capitalization of property and equipment were conformed to LGI's policies. These revised capitalization policies generally involve the capitalization of costs associated with the replacement of portions of Old Unitymedia's network. Old Unitymedia's historical condensed consolidated financial statements have been restated to retrospectively give effect to (i) these revised capitalization policies effective January 1, 2008, the earliest practical date, and (ii) the Unitymedia Merger and the new basis of accounting associated with the LGI Transaction effective January 28, 2010. The following tables set forth the impacts of the retrospective restatement on selected consolidated statement of operations and selected consolidated balance sheet data of Old Unitymedia for the indicated periods.

		Retrospective adjustments		
	Old Unitymedia as previously reported (b)	Change in capitalization policy	New basis of accounting	Old Unitymedia as restated
		in millions		
Selected consolidated statement of operations data (continuing operations):				
Three months ended June 30, 2010:				
Revenue	€ 231.1	€ —	€ (0.7)	€ 230.4
OpEx	€ (58.4)	€ —	€ (9.7)	€ (68.1)
Depreciation and amortization	€ (70.4)	€ —	€ (23.3)	€ (93.7)
Net financial expense	€ (2.2)	€ —	€ (0.4)	€ (2.6)
Income tax benefit (expense)	€ (22.4)	€ —	€ 27.5	€ 5.1
Profit from continuing operations	€ 35.6	€ —	€ (6.6)	€ 29.0
Three months ended March 31, 2010:				
OpEx	€ (73.7)	€ 3.3	€ —	€ (70.4)
Depreciation and amortization	€ (70.3)	€ (0.4)	€ (14.7)	€ (85.4)
Net financial expense	€ (134.7)	€ —	€ 88.9	€ (45.8)
Income tax benefit (expense)	€ 27.4	€ (0.9)	€ (29.7)	€ (3.2)
Loss from continuing operations	€ (70.5)	€ 2.0	€ 44.5	€ (24.0)
Three months ended September 30, 2009:				
OpEx	€ (70.0)	€ 4.0	€ —	€ (66.0)
Depreciation and amortization	€ (73.2)	€ (0.3)	€ —	€ (73.5)
Income tax benefit	€ 42.0	€ (1.2)	€ —	€ 40.8
Profit from continuing operations	€ 60.6	€ 2.5	€ —	€ 63.1
Nine months ended September 30, 2009:				
OpEx	€ (221.4)	€ 10.2	€ —	€ (211.2)
Depreciation and amortization	€ (213.9)	€ (0.6)	€ —	€ (214.5)
Income tax benefit	€ 28.4	€ (3.0)	€ —	€ 25.4
Profit from continuing operations	€ 71.6	€ 6.6	€ —	€ 78.2
Selected consolidated balance sheet data:				
December 31, 2009:				
Property and equipment, net	€ 932.6	€ 23.7	€ —	€ 956.3
Deferred tax assets	€ 33.9	€ (3.7)	€ —	€ 30.2
Deferred tax liabilities	€ 81.5	€ 3.7	€ —	€ 85.2
Shareholder's equity	€ 285.6	€ 16.2	€ —	€ 301.8

(b) Certain OpEx, SG&A and depreciation and amortization amounts have been retroactively reclassified to conform to the current year presentation and Liberty Global´s policy. Total costs did not change as a result of these reclassifications.

(5) Derivative Instruments

We have entered into certain derivative instruments to manage interest rate and foreign currency exposure with respect to the U.S. dollar. The following table provides details of the fair values of our derivative instrument assets and liabilities:

	September 30, 2010			December 31, 2009		
	Current	Long-term	Total	Current	Long-term	Total
	in millions					
Assets:						
Cross-currency derivative contracts (a)	€ 2.1	€ 46.4	€ 48.5	€ —	€ —	€ —
Liabilities:						
Cross-currency derivative contracts (a)	€ —	€ —	€ —	€ 21.0	€ 14.7	€ 35.7
Interest rate derivative contracts (a)	14.3	—	14.3	—	—	—
Total	€ 14.3	€ —	€ 14.3	€ 21.0	€ 14.7	€ 35.7

(a) As of September 30, 2010, the fair values of our cross-currency and interest rate derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €3.3 million. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as observed in the credit default swap market and market quotations for certain of our subsidiaries' debt instruments, as applicable. For further information concerning our fair value measurements, see note 6.

The details of our realized and unrealized gains (losses) on derivative instruments are as follows:

	Three months ended September 30, 2010	Nine months ended September 30, 2010
	in millions	
Cross-currency derivative contracts	€ (67.9)	€ 34.5
Interest rate derivative contracts	—	(2.7)
Total	€ (67.9)	€ 31.8

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

	Three months ended September 30, 2010	Nine months ended September 30, 2010
	in millions	
Operating activities	€ 5.4	€ 16.6
Financing activities	—	66.7
Total	€ 5.4	€ 83.3

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps:

In conjunction with the refinancing of our existing indebtedness and the debt push-down as further described in note 8, we entered into new cross-currency swap contracts. The terms of our outstanding cross-currency swap contracts at September 30, 2010 are as follows:

	Notional amount due from counterparty	Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
	in millions			
December 2017	$ 845.0	€ 569.4	8.13%	8.49%

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at September 30, 2010 are as follows:

	Notional amount in millions	Interest rate due from counterparty	Interest rate due to counterparty
April 2011 (a)	€ 800.0	3 months EURIBOR	3.35 %

(a) This contract was originally entered into to manage interest rate risk with respect to the Old Floating Rate Notes. For additional information, see note 8.

(6) Fair Value Measurements

We use the fair value method to account for certain financial instruments. The reported fair values of these assets and liabilities as of September 30, 2010 likely will not represent the value that will be realized upon the ultimate settlement or disposition of these assets and liabilities. In the case of our cross-currency interest rate swaps and our interest rate swaps, we expect that the values realized will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

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

As of September 30, 2010, we have no financial assets that are measured at fair value and included in Level 1 or Level 3. Our 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. As further described in note 5, we have entered into derivative instruments to manage our interest rate and foreign currency exchange risk. The fair value measurements of these derivative instruments are determined using discounted cash flow models. All but one of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data includes interest rates, swap rates and yield curves, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to our various interest rate and foreign currency derivative valuations. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these derivative instruments, we believe that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 5.

(7) Long-lived Assets

Property and Equipment, Net

The details of our property and equipment and the related accumulated depreciation are set forth below:

		September 30, 2010
		in millions
Distribution systems	€	2,053.4
Support equipment, buildings and land		109.8
		2,163.2
Accumulated depreciation		(151.5)
Total property and equipment, net	€	2,011.6

(8) Debt and Finance Lease Obligations

On November 20, 2009, we issued (i) €1,430.0 million principal amount of 8.125% senior secured notes (the UM Euro Senior Secured Notes) at an issue price of 97.844%, (ii) $845.0 million (€620.4 million) principal amount of 8.125% senior secured notes (the UM Dollar Senior Secured Notes, together with the UM Euro Senior Secured Notes, the UM Senior Secured Notes) at an issue price of 97.844% and (iii) €665.0 million principal amount of 9.625% senior notes (the UM Senior Notes) at an issue price of 97.652% (collectively, the Unitymedia Senior Notes). The UM Senior Secured Notes mature on December 1, 2017 and the UM Senior Notes mature on December 1, 2019. Net proceeds from the issue of the Unitymedia Senior Notes in the amount of €2,541.0 million, after deducting issuance costs of €65.1 million, were placed into two escrow accounts. As further discussed in note 3, on January 28, 2010, we used €849.2 million of cash from the escrow accounts to fund a portion of the Unitymedia Purchase Price.

On March 2, 2010, as part of the push-down of debt from our company to Old Unitymedia and certain of its operating subsidiaries, we redeemed Old Unitymedia’s then existing indebtedness, which consisted of the following:

- €1,350.0 million senior secured floating rate notes due 2013 (the Old Floating Rate Notes), of which €1,024.0 million was outstanding;
- €235.0 million 10.125% senior notes due 2015 (the Old €235m Senior Notes) and payment of applicable call premium of €11.9 million;
- €215.0 million 8.75% senior notes due 2015 (the Old €215m Senior Notes, and together with the Old €235m Senior Notes, the Old Euro Senior Notes) and payment of applicable call premium of €9.4 million;
- $151.0 million (€111.6 million) 10.375% senior notes due 2015 (the Old Dollar Senior Notes, and together with the Old Euro Senior Notes, the Old Senior Notes) and payment of applicable call premium of $7.8 million (€5.8 million); and
- €100.0 million term loan facility (the Old Term Loan and together with the Old Senior Notes, the Old Indebtedness).

Also on March 2, 2010, (i) the obligations under the UM Senior Secured Notes were assumed by Old Unitymedia’s indirect subsidiaries Unitymedia Hessen and Unitymedia NRW, (ii) the obligations under the UM Senior Notes were assumed by Old Unitymedia and (iii) the obligations under Unitymedia’s €80.0 million secured revolving credit facility (the Revolving Credit Facility) were assumed by Unitymedia Hessen and Unitymedia NRW. Additionally, Old Unitymedia’s existing undrawn €130.0 million revolving credit facility (the Old Revolving Credit Facility) was cancelled. Accrued interest on Old Unitymedia’s existing indebtedness of €12.8 million in the aggregate was also paid. Old Unitymedia used approximately €198.0 million of our then existing cash to repay a portion of the above-described existing indebtedness.

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

	September 30, 2010				Fair value (in millions)		Carrying value	
	Interest rate (a)	Borrowing currency	Euro equivalent	Unused borrowing capacity (b)	Sept. 30, 2010	Dec. 31, 2009	Sept. 30, 2010	Dec. 31, 2009
Debt:								
Parent:								
UM Senior Notes due 2019	9.625 %	€ 665.0	€ 665.0	€ N/A	€ 721.6	€ 674.9	€ 650.2	€ 649.5
Subsidiaries:								
Revolving Credit Facility due 2014	4.195 %	€ 80.0	€ 80.0	€ 30.0	€ 48.4	€ —	50.0	—
UM Euro Senior Secured Notes due 2017	8.125 %	€ 1,430.0	€ 1,430.0	€ N/A	€ 1,504.1	€ 1,449.7	1,401.6	1,399.5
UM Dollar Senior Secured Notes due 2017	8.125 %	$ 845.0	€ 620.4	€ N/A	€ 648.3	€ 600.8	608.1	577.0
Transaction costs							(67.0)	(64.5)
Accrued interest							77.4	26.0
Finance lease obligations							3.9	—
Total debt and finance lease obligations							2,724.2	2,587.5
Current maturities							(78.2)	(26.0)
Long-term debt and finance lease obligations							€ 2,646.0	€2,561.5

(a) Represents the nominal interest rate and does not include the impact of our interest rate derivative agreements, deferred financing costs, discounts or commitment fees, all of which affect our overall cost of borrowing. For information concerning our derivative instruments, see note 5. The nominal interest rate for the Revolving Credit Facility is Euribor + 375 basis points. Including the effects of derivative instruments, discounts and commitments fees, but excluding the impact of financing costs, our estimated weighted average interest rate on our aggregate fixed rate indebtedness was approximately 9.6% at September 30, 2010.

(b) Unused borrowing capacity represents the maximum availability under the applicable facility at September 30, 2010 without regard to covenant compliance calculations. At September 30, 2010, the full amount of the unused borrowing capacity was available under the Revolving Credit Facility.

(9) Commitments and Contingencies

Commitments

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

Details of our operating lease contracts and the respective significant leasing arrangements are as follows:

Lease	Terms	Terms of renewal	Purchase options	Contingent rent
Building	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

Operating lease commitments (in millions)

Year ended December 31:		
Remainder of 2010	€	16.6
2011		66.9
2012		64.7
2013		63.0
2014		62.9
2015		62.9
Thereafter		781.7
Total payments	€	1,118.7

Other commitments (in millions)

Year ended December 31:		
Remainder of 2010	€	13.5
2011		24.1
2012		13.0
2013		6.5
2014		2.3
2015		2.3
Thereafter		33.5
Total payments	€	95.2

Guarantees and Other Credit Enhancements

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

Other Contingencies

In July 2010, we reached a settlement agreement with Sky Deutschland Fernsehen GmbH & Co KG, Unterföhring ("Sky" – formerly Premiere) on the arbitration proceedings against arena, Unitymedia NRW and Unitymedia Hessen initiated by Sky in September 2009. In return for a settlement payment by Unitymedia, Sky has abandoned its claims previously made against Unitymedia.

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

(10) Income Taxes

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

	Three months ended September 30, 2010	Nine months ended September 30, 2010
	in millions	
Computed "expected" income tax benefit	€ 9.4	€ 48.3
Non-deductible or non-taxable interest and other expenses	(4.5)	(21.2)
Change in valuation allowance	23.4	(7.1)
Other, net	(1.3)	(2.5)
Total	€ 27.0	€ 17.5

(11) Related-Party Transactions

Our related-party transactions consist of the following:

	Three months ended September 30, 2010	Nine months ended September 30, 2010
	in millions	
Fees and allocations, net	€ (5.8)	€ (17.4)
Interest expense	(23.0)	(62.2)
Included in net profit or loss	€ (28.8)	€ (79.6)

Fees and allocations, net. These amounts represent charges from other Liberty Global subsidiaries, including UPC Holding B.V., to our company following the Liberty Global Transaction, including charges for management, finance, legal, technology, marketing and other services that support our company's broadband communications operations. The amounts charged generally are based on our company's estimated share of the applicable costs (including personnel, stock-based compensation and other costs related to the services provided) incurred by the other Liberty Global subsidiaries plus a mark-up. The monthly amounts charged are based on estimated costs that are reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year. Settlement of these charges has occurred through adjustments to the loan payable to our immediate parent as further described below. Although we believe that the intercompany fees and allocations described above are reasonable, no assurance can be given that the costs and expenses reflected in our condensed consolidated statements of operations are reflective of the costs that we would incur on a stand-alone basis.

Interest expense. Related-party interest expense relates to our notes payables to our immediate parent, as further described below.

At September 30, 2010, our notes payable – related-party represented net loans payable to our immediate parent. The loans primarily are the result of transactions that were completed in connection with the Liberty Global Transaction and the March 2, 2010 push down of debt from our company to Old Unitymedia. All principal (€1,075.3 million at September 30, 2010) and accrued interest (€62.2 million at September 30, 2010) outstanding under these loans is due and payable on January 1, 2030. The amount outstanding under this loan bears interest at 8.58% per annum (adjusted annually). During the second quarter of 2010, we received a €35.3 million cash payment from our immediate parent that is included in the balance of this loan.

Parent guarantee. At September 30, 2010, our accumulated deficit exceeded paid-in capital. We have formalized a €75 million parental guarantee for Unitymedia and our wholly owned subsidiaries until December 31, 2012.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Forward-Looking Statements.* This section provides a description of certain of the factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three and nine months ended September 30, 2010 and 2009 on a pro forma basis, as further described below and in note 4 to our condensed consolidated interim financial statements.
- *Material Changes in Financial Condition.* This section provides an analysis of our liquidity, condensed consolidated cash flow statements and our off balance sheet arrangements.

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

Forward-Looking Statements

Certain statements in this report constitute forward-looking statements. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* contain forward-looking statements, including statements regarding business, product and finance strategies, our capital expenditures, subscriber growth rates, competitive and economic factors and liquidity. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In addition to the risk factors described in our 2009 Annual Report, the following are some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the markets in which we operate;
- the competitive environment in the broadband communications and programming industries in the markets in which we operate;
- competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of existing service offerings, including our digital 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 increases where applicable;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the markets in which we operate;
- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- our ability to successfully integrate and recognize anticipated efficiencies from the businesses we acquire;
- the ability of suppliers and vendors to timely deliver products, equipment, software and services;
- the availability of attractive programming for our digital 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 labor councils and unions, and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, natural disasters, pandemics and other similar events.

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

Overview

Unitymedia is the second largest cable operator in Germany, as measured by the number of video subscribers, and a subsidiary of Liberty Global. We provide analog and digital cable television services as well as internet and telephony services to our customers who reside in our upgraded network area in the federal states of North Rhine-Westphalia and Hesse. As of September 30, 2010, Unitymedia served approximately 4.500 million video revenue generating units (RGUs) (including 1.492 million digital video RGUs), 726,000 internet RGUs and 726,000 telephony RGUs over a broadband communications network that passed approximately 8.8 million homes.

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

The foundation of our business is the provision of video services and is characterized by recurring revenue and cash flows. In our upgraded network coverage area we provide an integrated triple play service under the brand “Unity3play”, offering our customers access to broadband internet, telephony and digital video services in addition to our analog video services.

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

Our business is supported by a dense, modern network that, as of September 30, 2010, covered approximately 77% of all households, or 8.8 million homes passed, in North Rhine-Westphalia and Hesse. We have upgraded approximately 93% of our network (equal to approximately 8.2 million homes passed, with a capacity of 862 MHz) for two-way services up to the street cabinet, with drops from the street cabinet to the building generally added, and in-home wiring generally upgraded, on an as-needed, success-based basis. Most of our capital expenditures are related to subscriber growth or usage and/or to new product development.

We provide the following products and services to our customers:

- *Video Services.* As of September 30, 2010, we provided our analog and digital video services to 4.500 million subscribers, or 51% of homes passed by our network. Our analog video service offerings include basic programming of up to 36 television channels, depending on the geographic area. Our digital video service offerings include basic and premium programming and incremental product and service offerings such as pay-per-view programming, HD video and DVR services. As of September 30, 2010, 33% of our video base subscribed to digital cable services. We provide video services via individual contracts with single dwelling units or bulk contracts with landlords or housing associations. In addition, we receive carriage fees from both public and commercial broadcasters.

- *Internet Services.* We provide internet services both on a retail and wholesale basis. As of September 30, 2010, we provided our retail internet services to approximately 726,000 RGUs. Our current retail service portfolio consists of services with download speeds ranging from 16 Mbps to 128 Mbps with no time or data volume restrictions. Our customers can choose between different attractive and competitively-priced packages, including our core triple play product, Unity3play. We expect to continue to expand the availability of ultra high-speed internet services through the deployment of EuroDOCSIS 3.0 capable equipment during 2010. Our Wholesale Multimedia Anschluss (“MMA”) offer is a service tailored for housing associations to purchase internet access at 128 Kbps on a bulk basis and enable their properties with plug-and-play internet service. Tenants in MMA-equipped apartments have the opportunity to upgrade to any of our digital video, broadband internet and 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 of September 30, 2010, approximately 5,000 RGUs were actively using our MMA service.

- *Telephony Services.* As of September 30, 2010, we provided our telephony services to approximately 726,000 RGUs. We market our telephony services principally as a component of our Unity3play product bundle.

Competition

While we have continued to make progress during 2010 in growing our revenue base and Adjusted EBITDA by increasing penetration of our video base with advanced services, we are experiencing significant competition. Key competitors of our cable business include:

(i) satellite based and other broadband cable-based reception of analog and digital Free-to-Air (FTA) programming in our basic video business;

(ii) Sky and Deutsche Telekom with their respective content offerings in our premium digital cable business; and

(iii) Deutsche Telekom and alternative digital subscriber line (DSL) operators with their bundled offerings in our internet and telephony business.

In general, our ability to increase or maintain the fees we receive for our services is limited by competitive, and to a lesser degree, regulatory factors. In this regard, we experienced declines in average monthly subscription revenue per average RGU (ARPU) from internet and telephony services during the three and nine months ended September 30, 2010, as compared to the respective periods of 2009. These declines were mitigated by improvements in our RGU mix and the implementation of basic cable rate increases for certain multi-dwelling unit contracts effective as of January 1, 2010.

The competition we face in our markets, as well as a decline in the economic environment, could adversely impact our ability to increase, or in certain cases, maintain our revenue, RGUs, operating cash flow or liquidity. We currently are unable to predict the extent of any of these potential adverse effects.

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

Results of Operations

This section provides an analysis of our results of operations for the three and full nine months ended September 30, 2010 and 2009. As further described in note 1 to our condensed consolidated interim financial statements, Old Unitymedia is not included in our condensed consolidated interim financial statements prior to January 28, 2010. In order to provide meaningful comparisons, the following discussion and analysis of our results of operations is based on pro forma condensed consolidated statements of operations and statistical data that give effect to the formation of Unitymedia and the Unitymedia Merger as of January 1, 2009, and accordingly, include the historical results and statistical data of Old Unitymedia's continuing operations for all periods presented and discussed below. For additional information concerning this pro forma presentation, see note 4 to our condensed consolidated interim financial statements.

Operating Performance

We classify our customers based on our main subscription-based business activities. The following table sets forth our RGU and ARPU numbers as of September 30, 2010 and 2009.

	As of or for the Three Months Ended September 30,		
	2010 Historical	2009 Pro Forma	Change
	in thousands, except as noted		
Footprint			
Homes Passed[1]	8,833	8,757	1%
Two-Way Homes Passed[2]	8,233	7,839	5%
Subscribers (RGUs[3])			
Analog Cable[4]	3,008	3,258	(8%)
Digital Cable[5]	1,492	1,301	15%
Total Video	4,500	4,558	(1%)
Internet[6]	726	542	34%
Telephony[7]	726	535	36%
Total RGUs	5,952	5,635	6%
Quarterly RGU Net Additions (Reductions)			
Analog Cable	(45)	(48)	6%
Digital Cable	37	36	3%
Total Video	(8)	(12)	33%
Internet	44	42	5%
Telephony	44	46	(4%)
Total RGU Net Additions	80	76	5%
Penetration			
Digital Cable as % of Total Video Subscribers[8]	33.2%	28.5%	470bp
Internet as % of Two-Way Homes Passed[9]	8.8%	6.9%	190bp
Telephony as % of Two-Way Homes Passed[9]	8.8%	6.8%	200bp
Customer Relationships			
Customer Relationships[10]	4,559	4,558	0%
RGUs per Customer Relationship	1.31	1.24	6%
ARPU (€)[11]			
Blended Q3 ARPU per Customer Relationship	15.17	13.91	9%

For footnote disclosure please refer to page 44.

Subscriber Statistics

At September 30, 2010, we had 5.952 million RGUs, reflecting an increase of 6%, as compared to our 5.635 million RGUs at September 30, 2009. This increase in RGUs was due to growth in our advanced services, consisting of digital cable, internet and telephony, which grew 24% from 2.378 million as of September 30, 2009 to 2.944 million as of September 30, 2010. In the third quarter 2010, we achieved RGU net additions of 80,000 as compared to 76,000 in the respective quarter of last year. This year-on-year increase was primarily related to lower basic cable video churn. At September 30, 2010, advanced services represented 49% of our total RGU base, as compared to 42% at September 30, 2009.

We finished the three months ended September 30, 2010 with 726,000 RGUs for each of our internet and telephony services. As compared to September 30, 2009, our internet RGUs increased by 184,000 or 34% and our telephony RGUs increased by 191,000 or 36%. Our internet and telephony RGU growth has been driven primarily by the strong take-up of our Unity3play services, which offers the consumer a bundled offering consisting of digital basic video programming, internet and telephony services. Over 95% of our internet additions in the quarter also subscribed to our telephony service, while 75% of internet additions in the quarter opted for our Unity3play bundles.

Our video subscriber base at September 30, 2010 totaled 4.500 million RGUs, consisting of 3.008 million analog and 1.492 million digital subscribers. Over the last twelve months, our total video base declined by 1% or 58,000 RGUs, primarily as a result of the competitive environment and previous price increases in our single and multi-user bases. The decrease in our analog video customer base was largely offset by adding 191,000 digital video households, of which 37,000 were added in the third quarter of 2010. This increase in digital RGUs has been driven by the ongoing conversion of analog cable subscriptions into digital as well as continued strong take-up of Unity3play, positioning us for further upsell of our digital base into higher value pay TV, HD and DVR subscriptions. Our digital video penetration at September 30, 2010 was 33%, up from 29% at September 30, 2009.

As a result of upselling existing customers into higher value bundled services, we have increased our RGUs per customer relationship by 6% in the last twelve months, to 1.31x at September 30, 2010 from 1.24x at September 30, 2009. Over the same period, our blended ARPU per customer relationship has increased by 9% to €15.17 for the three months ended September 30, 2010, as compared to €13.91 for the three months ended September 30, 2009.

Strategy and Products

A key component of our business strategy is to increase the penetration of our advanced services by providing our customers with a compelling value proposition through our bundled product offerings and enhanced digital video functionality and content. As a result, one of our objectives is to increase our ARPU per customer through a combination of migrating our largely single-play analog cable customers to digital video and by upselling our customers to our Unity3play services, as customers increasingly recognize the value of our bundled products. As part of our business strategy, we are accelerating the roll-out of next-generation high-speed internet, using EuroDOCSIS 3.0 technology, as well as HD television services.

On September 1, 2010, we restructured our pay TV offerings into two packages for family entertainment: our entry-tier pay TV package “HIGHLIGHTS” includes 17 of the most frequently watched family entertainment pay channels. The second pay TV package “ALL STARS” contains 53 pay channels from different genre, including series, crime, motion pictures, sports, action, documentaries, lifestyle, music and children’s entertainment. Our digital customers can subscribe to both pay TV packages directly or through a Unity3play bundle at a discount. Our premium Unity3play bundle is comprised of a 32 Mbps or 64 Mbps (in EuroDOCSIS 3.0 enabled clusters) high-speed internet connection, national flat rate fixed-line telephony, the HD box as well our “ALL STARS” pay TV package. This bundle is being offered free of charge in the first three months, at a price point of €40 per month for the next twelve months, increasing to €50 per month thereafter if the contract is not terminated. In line with increasing focus on DSL switchers to drive further broadband growth, we launched a campaign on September 1, 2010, through which new customers enjoy free triple and double play services for up to 6 months if their existing DSL contract has a remaining life of up to 6 months.

As part of our HD strategy, we expanded our HD channel line-up in October 2010 by 10 channels, further enhancing our customers´ HDTV viewing experience. For an additional €5, digital pay TV customers can enjoy 5 additional HD channels on top of the existing “HIGHLIGHTS” package and 10 additional HD channels when subscribing to “ALL STARS”. In addition, we began offering DVR functionality in November to those customers subscribing to our HD box. The current HD box population that we rolled out during the year already comprises the required hardware and was upgraded to a full HD DVR with 320 GB hard drive via an automatic software download at no additional monthly charge.

On top of these new residential offers, we introduced business-to-business (B2B) high speed broadband services for small and medium enterprises on July 1, 2010. These offerings primarily consist of a 64 Mbps or 128 Mbps internet connection and flat rate telephony services.

Financial Performance

Revenue

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

	Three months ended September 30,		Nine months ended September 30,	
	2010 Historical	2009 Pro Forma	2010 Pro Forma	2009 Pro Forma
	in millions			
Subscription revenue:				
Video	€ 154.7	€ 150.4	€ 462.4	€ 462.8
Internet	23.0	17.0	63.7	47.6
Telephony	29.8	23.1	85.0	61.8
Total subscription revenue	207.5	190.5	611.1	572.2
Other revenue	27.4	27.0	81.8	86.9
Total revenue	€ 234.9	€ 217.5	€ 692.9	€ 659.1

Total revenue increased by 8% and 5%, from €217.5 million and €659.1 million during the three and nine months ended September 30, 2009 to €234.9 million and €692.9 million during the three and nine months ended September 30, 2010, respectively. The increase in revenue in both periods was primarily due to (i) increased revenue from advanced services subscriptions, comprised of Unitymedia´s digital cable, internet and telephony products, and (ii) the January 1, 2010 price increase in certain segments of the multi-dwelling unit video base. This increase in both periods was partially offset by basic video subscriber churn resulting in part from competition and previous price increases. In addition, the increase during the nine months ended September 30, 2010 was also negatively impacted by lower pay TV revenues as a result of discontinuation of retailing *Bundesliga* programming at June 30, 2009.

Video subscription revenue primarily consists of monthly basic cable subscription fees from the delivery of analog and digital television signals as well as digital value added services such as pay TV, HD content and rented DVR and HD DVR boxes. Total analog and digital cable revenue combined increased by 3% from €150.4 million during the three months ended September 30, 2009 to €154.7 million during the three months ended September 30, 2010. This increase was primarily due to (i) the ongoing migration of the analog subscriber base to higher-ARPU basic digital cable services, (ii) a price increase effective January 1, 2010 for certain multi-dwelling unit contracts in our video business, and (iii) ongoing demand for Pay TV, DVR and HD services. This increase was partially offset by basic video subscriber churn as a result of competition and previous price increases. Total analog and digital cable revenue combined decreased slightly from €462.8 million for the nine months ended September 30, 2009 to €462.4 million during the nine months ended September 30, 2010. In addition to the above mentioned drivers for the quarterly performance, the year-to-date period was negatively impacted by discontinuation of retailing *Bundesliga* programming as of June 30, 2009.

Subscription revenue from our internet business includes the monthly subscription fees for retail broadband products and MMA wholesale services. Revenue from the internet business increased 35% and 34% from €17.0 million and €47.6 million during the three and nine months ended September 30, 2009 to €23.0 million and €63.7 million during the three and nine months ended September 30, 2010, respectively, primarily representing the continued demand for bundled Unity3play services in our upgraded regions. The increase in the internet RGU base year-on-year was partially offset by higher bundling and promotional discounts.

Subscription revenue from our telephony business includes monthly line subscription fees and telephony usage. In line with strong internet growth, revenue from the telephony business increased from €23.1 million and €61.8 million during the three and nine months ended September 30, 2009 to €29.8 million and €85.0

million during the three and nine months ended September 30, 2010, respectively. As expected, the telephony RGU growth was partially offset by lower revenue on a per subscriber basis due primarily to lower call volumes and higher bundling and promotional discounts.

Other revenue includes analog and digital carriage fees from public and private broadcasters, telephony interconnection revenue, installation fees, late fees, shared revenue from customer hotline toll charges and other revenue. Other revenue slightly increased from €27.0 million during the three months ended September 30, 2009 to €27.4 million during the three months ended September 30, 2010, primarily as a result of (i) higher interconnection revenue from incoming calls as a result of an increased telephony base and (ii) slightly higher installation fees as a result of HD DVR take-up and activation fees from the internet business including wifi routers, partially offset by modestly lower carriage fees for video signal delivery, which represent the majority of other revenue, as a result of a lower basic video subscriber base. Other revenue for the year-to-date period decreased from €86.9 million during the nine months ended September 30, 2009 to €81.8 million during the nine months ended September 30, 2010, primarily as a result of modestly lower carriage fees for video signal, partially offset by higher interconnection revenue from incoming calls.

OpEx and SG&A Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2010 Historical	2009 Pro Forma	2010 Pro Forma	2009 Pro Forma
	in millions			
OpEx	€ (66.1)	€ (66.0)	€ (204.6)	€ (211.2)
SG&A	(33.0)	(33.8)	(102.8)	(100.9)
	€ (99.1)	€ (99.8)	€ (307.4)	€ (312.1)

OpEx

OpEx includes programming, network operations, interconnect, customer operations, customer care and other direct and indirect operating costs. Our most significant costs include payments under long term agreements with Deutsche Telekom and other operators for the use of assets and other services provided by Deutsche Telekom. OpEx for the three and nine months ended September 30, 2010 was €66.1 million and €204.6 million, compared to €66.0 million and €211.2 million for three and nine months ended September 30, 2009, respectively, with the decrease in the nine-month period primarily due to lower programming costs following the discontinuation of retailing *Bundesliga* content as of June 30, 2009 as well as lower network related costs in both periods.

SG&A

SG&A includes human resources, information technology, general services, management, finance, legal and marketing costs and other general services. Total SG&A costs for the three and nine months ended September 30, 2010 was €33.0 million and €102.8 million, compared to €33.8 million and €100.9 million for the three and nine months ended September 30, 2009.

OpEx and SG&A Expenses by Nature

	Three months ended September 30,		Nine months ended September 30,	
	2010 Historical	2009 Pro Forma	2010 Pro Forma	2009 Pro Forma
	in millions			
OpEx and SG&A by nature:				
Direct Costs (Interconnect, Programming, Copyright and Other)	€ (21.8)	€ (19.1)	€ (65.7)	€ (71.1)
Staff Related Costs	(29.1)	(28.1)	(86.2)	(80.4)
Network Operating and Technical Service Costs	(22.5)	(24.0)	(67.9)	(69.5)
Sales and Marketing Costs	(16.0)	(17.5)	(51.0)	(51.5)
Indirect Costs - Other	(9.7)	(11.1)	(36.6)	(39.6)
	€ (99.1)	€ (99.8)	€ (307.4)	€ (312.1)

Direct Costs. Direct costs increased by 14% from €19.1 during the three months ended September 30, 2009 to €21.8 million during the three months ended September 30, 2010, primarily due to (i) increased interconnection fees as a result of the higher internet and telephony customer base, (ii) higher copyright fees as a result of higher basic cable revenues and (iii) higher digital cable programming expenses due to growth in our non-*Bundesliga* pay TV services. This increase was partially offset by lower wifi router expenses. As of the third quarter, we began renting wifi routers to new customers. These rented routers are capitalized, whereas the routers we previously provided free-of-charge to customers were charged to expense. Direct costs decreased by 8% from €71.1 during the nine months ended September 30, 2009 to €65.7 million during the nine months ended September 30, 2010. Key drivers for this decrease were lower programming fees following the discontinuation of retailing *Bundesliga* content*,* partially offset by net impact of the factors mentioned above.

Staff Related Costs. Staff related costs increased by 4% and 7% during the three and nine month periods, from €28.1 and €80.4 million during the three and nine months ended September 30, 2009 to €29.1 million and €86.2 million during the three and nine months ended September 30, 2010, respectively. The increase primarily relates to tariff and annual merit increases, partially offset by modest staffing decreases. As of September 30, 2010, we employed 1,632 people (full time equivalent) compared to 1,642 at September 30, 2009.

Network Operating and Technical Service Costs. Costs related to network and service costs decreased by 6% and 2%, from €24.0 million and €69.5 million during the three and nine months ended September 30, 2009 to €22.5 million and €67.9 million during the three and nine months ended September 30, 2010, respectively. The decrease primarily relates to lower costs relating to terminated BRN (*Breitband Rundfunk Netz*) fiber links, partially offset by a higher amount of refurbished CPE and higher energy costs in the nine-month period.

Sales and Marketing Costs. Costs related to sales and marketing decreased by 9% and 1%, from €17.5 million and €51.5 million during the three and nine months ended September 30, 2009 to €16.0 million and €51.0 million during the three and nine months ended September 30, 2010, respectively, primarily due to lower marketing expenditures and advertising costs such as direct mailings, partially offset by increased sales specific marketing expenditures primarily as a result of an increase in the number of retail shops.

Indirect and Other Costs. Indirect and other costs decreased by 13% and 8%, from €11.1 million and €39.6 million during the three and nine months ended September 30, 2009 to €9.7 million and €36.6 million during the three and nine months ended September 30, 2010, respectively. This decrease in both periods was primarily related to lower bad debt, lower consultancy and outsourcing expenses, including lower payments for outsourced call center services, as the first quarter 2009 included a large amount of incoming phone calls following certain changes in the general terms and conditions governing our standard contracts. Furthermore, customer contact rates decreased in 2010 as a result of process quality improvements including increased training for customer care agents.

Stock-Based Compensation Expense

Through January 28, 2010, the date of the Liberty Global Transaction, certain members of our management and the board of directors of Unitymedia S.A. or their affiliated companies, respectively, held Class B ordinary stock (Class B Stock) in Unitymedia S.C.A. In addition, certain economically capped options were held by the Company's management board over securities of Unitymedia S.C.A. and Unitymedia S.A. From January 28, 2010, our requirement to recognize the obligations relating to these stock-based compensation plans in the previous parent stock ceased. Stock-based compensation expense of €7.3 million and €0.2 million for the nine months ended September 30, 2010 and 2009, respectively, relates to our previous shareholder, Unitymedia S.C.A. During the three months ended September 30, 2009 we incurred a gain of €0.8 million from the revaluation of the stock-based compensation plan.

Restructuring Costs and Other Operating Charges, Net

Restructuring costs and other operating charges during the three and nine months ended September 30, 2010 were €0.9 million and €24.8 million, respectively. The amount of €0.9 million in the three-month period represents charges for personnel restructuring and severance payments, whereas the €24.8 million for the nine-month period represents €23.3 million of direct acquisition as a result of the Liberty Global Transaction and €1.5 million related to personnel restructuring charges and severance payments. Restructuring costs and other operating charges during the three and nine months ended September 30, 2009 were nil and €0.2 million, respectively, representing expenses related to business acquisitions.

Related-Party Fees and Allocations

During the three and nine months ended September 30, 2010 we recorded expenses related to cost allocations to Unitymedia for corporate services performed by Liberty Global in the amount of €5.8 million and €17.4 million, respectively. These amounts represent charges from other Liberty Global subsidiaries to our company following the January 28, 2010 Liberty Global Transaction, including charges for management, finance, legal, technology, marketing and other services that support our company's operations. For further details, please refer to note 11 of our condensed consolidated interim financial statements.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by 3% and 19%, from €73.5 million and €214.5 million during the three and nine months ended September 30, 2009 to €75.7 million and €254.8 million during the three and nine months ended September 30, 2010, respectively, primarily due to higher depreciation and amortization arising from the new basis of accounting that resulted from the January 28, 2010 Liberty Global Transaction. An increase in property plant and equipment due to the capital expenditures and an increase in capitalized subscriber acquisition costs also contributed to the increase. These increases were partially offset by the impact of certain assets becoming fully depreciated and amortized as well as decreases associated with changes in the useful lives of certain property and equipment during the third quarter 2010.

Net Financial Expense

The net financial expense primarily includes interest income, interest expense, foreign currency transaction gains (losses), and realized and unrealized gains (losses) on derivative instruments. As further described below, our net financial expense during the three and nine months ended September 30, 2010 increased to €83.1 million and €234.5 million, respectively, compared to €22.7 million and €79.2 million during the respective periods in 2009.

Interest Income

Interest income decreased from €0.5 million during the three months ended September 30, 2009 to €0.1 million during the three months ended September 30, 2010, whereas interest income increased from €1.1 million during the nine months ended September 30, 2009 to €1.3 million during the nine months ended September 30, 2010. The decrease in the three-month period is due to lower cash balances and interest rates in 2010. The increase in the nine-month period is due to higher cash balances, partially offset by lower interest rates in 2010.

Interest Expense

Interest expense increased from €31.9 million and €98.1 million during the three and nine months ended September 30, 2009 to €85.5 million and €264.2 million during the three and nine months ended September 30, 2010. These amounts reflect (i) third-party interest expense for the previous capital structure from January 1, 2009 through March 2, 2010, (ii) third-party interest expense for the new capital structure from January 1, 2010 through September 30, 2010 and (iii) non-cash related-party interest expense on the shareholder loan from our immediate parent from January 28, 2010 through September 30, 2010. Third-party interest expense was €62.5 million and €202.0 million during the three and nine months ended September 30, 2010, respectively, and €31.9 million and €98.1 during the three and nine months ended September 30, 2009, respectively. Related party interest was €23.0 million and €62.2 million during the three and nine months ended September 30, 2010, respectively. The increase in third-party interest is primarily due to the higher debt balances and interest rates associated with the new capital structure. This increase is partially offset by the decrease in interest expense associated with the previous capital structure, due primarily to the fact that interest was incurred on this debt throughout the 2009 periods, but only through March 2 during 2010.

Foreign Currency Transaction Gains (Losses)

Foreign currency transaction gains (losses) changed from nil during the three and nine months ended September 30, 2009 to a gain of €70.2 million and a loss of €6.4 million during the three and nine months ended September 30, 2010, respectively. The 2010 amounts result from the remeasurement of our dollar denominated debt instruments into euros. We recorded no foreign currency transaction losses during the three and nine months ended September 30, 2009 as we applied hedge accounting during the 2009 period.

Realized and Unrealized Gains (Losses) on Derivative Instruments

During the three and nine months ended September 30, 2010, we recognized realized and unrealized losses on derivative instruments of €67.9 million and gains of €34.8 million, as compared to gains of €8.8 million and €17.8 million during the three and nine months ended September 30, 2009. The €67.9 million loss and €34.8 million gain in the three and nine months ended September 30, 2010, respectively, primarily reflect mark-to-market adjustments recorded on cross-currency derivative contracts primarily related to the UM Dollar Senior Notes. The gains of €8.8 million and €17.8 million during the three and nine months ended September 30, 2009 reflect mark-to-market adjustments recorded on embedded derivative instruments related to the Old Senior Notes, which were refinanced on March 2, 2010.

Income tax

We recognized income tax benefits of €27.0 million and €40.8 million during the three months ended September 30, 2010 and 2009, respectively. The income tax benefit during the three months ended September 30, 2010 differs from the expected income tax benefit of €9.4 million (based on the German 31.58% income tax rate) primarily due to a net decrease in valuation allowances previously established against deferred tax assets. The income tax benefit during the three months ended September 30, 2009 differs from the expected income tax expense of €7.0 million (based on the German 31.58% income tax rate) primarily due to the positive impact of the recognition of the previously unrecognized deferred taxes on loss carry forwards realized this period.

We recognized income tax benefits of €17.5 million and €25.4 million during the nine months ended September 30, 2010 and 2009, respectively. The income tax benefit during the nine months ended September 30, 2010 differs from the expected income tax benefit of €48.3 million (based on the German 31.58% income tax rate) due primarily to the negative impacts of certain permanent differences between the financial and tax accounting treatment of interest and other non-deductible expenses. The income tax benefit during the nine months ended September 30, 2009 differs from the expected income tax expense of €16.7 million (based on the German 31.58% income tax rate) primarily due to the positive impact of the recognition of the previously unrecognized deferred taxes on loss carry forwards realized this period.

For additional information concerning our income taxes, see note 10 to our condensed consolidated interim financial statements.

Profit (Loss) from Continuing Operations

Loss from continuing operations during the three months ended September 30, 2010 was €2.7 million as compared to a profit from continuing operations during the three months ended September 30, 2009 of €63.1 million. During the nine months ended September 30, 2010, we incurred a loss from continuing operations of €135.8 million, as compared to a profit from continuing operations of €78.2 million during the nine months ended September 30, 2009.

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

Financial Condition

Sources and Uses of Cash

Cash and cash equivalents

Although our consolidated operating subsidiaries have generated cash from operating activities, the terms of the indentures for the Unitymedia Senior Notes governing the indebtedness of Unitymedia Hessen, Unitymedia NRW and Unitymedia restrict our ability to access the assets of our subsidiaries. Our subsidiaries accounted for substantially all of our consolidated cash and cash equivalents at September 30, 2010. In addition, our ability to access the liquidity of our subsidiaries may be limited by tax considerations or other factors.

At December 31, 2009, our restricted cash balance was €2,560.7 million which resulted from the issuance of Unitymedia Senior Notes in November 2009 and was held in escrow to finance a portion of the acquisition of Old Unitymedia from Unitymedia S.C.A on January 28, 2010, and to refinance Old Unitymedia´s previous capital structure on March 2, 2010.

Liquidity of Unitymedia

Our principal source of corporate liquidity includes (i) the cash and cash equivalents held by Unitymedia, (ii) contributions or loans from UPC Germany Holding BV and (iii) subject to the restrictions noted above, proceeds in the form of distributions or loans from Unitymedia Hessen, Unitymedia NRW or other operating subsidiaries.

The ongoing cash needs of Unitymedia include (i) corporate general and administrative expenses and (ii) interest payments on the Unitymedia Senior Notes. From time to time, Unitymedia may also require cash in connection with (i) the repayment of outstanding debt and interest payments, (ii) the satisfaction of contingent liabilities, (iii) acquisitions or (iv) other investment opportunities. No assurance can be given that funding from UPC Germany Holding BV, except as disclosed in note 8 to our condensed consolidated interim financial statements, our subsidiaries or external sources would be available on favorable terms, or at all.

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

In addition to the cash and cash equivalents, the primary sources of liquidity of Unitymedia Hessen, Unitymedia NRW and our other operating subsidiaries is cash provided by operations and, in the case of Unitymedia Hessen and Unitymedia NRW, borrowing availability under the Revolving Credit Facility. For the details of the borrowing availability under the Revolving Credit Facility at September 30, 2010, see note 8 to our condensed interim financial statements. The liquidity of Unitymedia Hessen, Unitymedia NRW and our other operating subsidiaries generally is used to fund operating disbursements and debt service requirements. For a discussion of our consolidated capital expenditures, cash provided by operating activities and cash used by financing activities, see the discussion under *Condensed Consolidated Cash Flow Statements* below. From time to time, our subsidiaries may also require funding in connection with (i) acquisitions and other investment opportunities, (ii) the repayment of outstanding debt and interest payments or (iii) distributions or loans to Unitymedia. Due in part to the level of the existing indebtedness of Unitymedia Hessen and Unitymedia NRW, no assurance can be given that any external funding would be available on favorable terms, or at all.

Capitalization

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash on hand, the cash provided from the operations of our subsidiaries, the Revolving Credit Facility and financing from our immediate parent or other Liberty Global subsidiaries 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. Due in part to the level of our existing indebtedness, no assurance can be given that we would be able to complete such financing transactions on favorable terms, or at all. To the extent that we are unable to fund any principal payment at maturity, any failure to raise additional necessary funds to refinance such indebtedness would result in a default under the Revolving Credit Facility and our other indebtedness, including the Unitymedia Senior Notes. In addition, further indebtedness incurred could reduce the amount of our cash flow available to make payments on our indebtedness and increase our leverage. We currently anticipate that we will have to refinance in part certain principal amounts of the existing indebtedness at maturity.

Seasonality

Certain aspects of our liquidity are subject to seasonal factors. In particular we have a disproportionately high level of annual prepayments in December, January 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. Our interest payments for our outstanding Unitymedia Senior Notes are paid semi-annually at June 1 and December 1.

Condensed Consolidated Cash Flow Statements

The below discussion of our Condensed Consolidated Cash Flow Statements is based on the historical cash flows of Unitymedia´s continuing operations for the nine months ended September 30, 2010. As such, the pre-acquisition period of Old Unitymedia from January 1 to January 27, 2010 is excluded from such cash flows. We do not present a discussion of the historical 2009 cash flows of Unitymedia as Unitymedia was not incorporated until October 15, 2009. However, we present certain selected pro forma consolidated cash flow data in the table following the below discussion of Unitymedia's historical cash flows. As further described below, the selected pro forma cash flow data includes the cash flows of Old Unitymedia for the full 2010 period.

Cash flows provided by operating activities

The cash flows provided by our continuing operating activities were €210.4 million during the nine months ended September 30, 2010. The principal components of this include collections from our customers, less operational cash disbursements, as well as interest and tax payments. The majority of annual customer prepayments related to 2010 fell into the last week of January and were included in Unitymedia´s cash flow provided by operating activities.

Cash flows used by investing activities

The cash flows used by investing activities were €2,047.9 million during the nine months ended September 30, 2010. This consisted of (i) €1,880.1 million of net cash paid to acquire Old Unitymedia in the Liberty Global Transaction and (ii) 167.8 million for 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 relationships intangible asset) and do not include financial assets. For the nine months ended September 30, 2010, our capital expenditures were 27% of revenue.

Cash flows provided by financing activities

The cash flows provided by our financing activities were €1,919.2 million during the nine months ended September 30, 2010. These consisted of (i) €2,593.6 million provided from the issuance of the Unitymedia Senior Notes in November 2009 (ii) €1,712.5 million that was applied to the March 2, 2010 repayment of Old Unitymedia´s then existing debt, (iii) €1,050.9 million that was provided by related party borrowings from our immediate parent in connection with the Liberty Global Transaction, (iv) a net €50 million that was provided from drawings under the Revolving Credit Facility, (v) a net €66.7 million outflow related to cross-currency derivative instruments and (vi) a net €3.9 million provided by other financing activities.

The following table presents selected pro forma cash flow data that gives effect to the Unitymedia Merger as of January 1, 2010, and accordingly, includes the cash flows of Old Unitymedia's continuing operations.

	Nine months ended September 30, 2010 Pro Forma in millions
Cash flows provided by operating activities (a)	€ 168.9
Capital expenditures	€ 185.8

(a) The amounts for the 2010 period include €70.9 million of interest payments related to the previous capital structure that was refinanced on March 2, 2010, including payments on cross-currency and interest rate derivatives

Off-Balance Sheet Arrangements

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

Appendix

Key Financial Overview and Reconciliations for the Three and Nine Months Ended September 30, 2010 and 2009 Based on EU-IFRS

(in €m)	Three Months Ended September 30, 2010 Historical	Three Months Ended September 30, 2009 Pro Forma
Revenue:		
Video	€ 154.7	€ 150.4
Internet	23.0	17.0
Telephony	29.8	23.1
Other non-subscription revenue	27.4	27.0
	234.9	217.5
OpEx	(66.1)	(66.0)
SG&A	(33.0)	(33.8)
	(99.1)	(99.8)
Adjusted EBITDA(12)	135.8	117.7
Stock-Based Compensation	—	0.8
Restructuring Costs and Other Operating Charges, Net	(0.9)	—
Related Party Fees and Allocations, Net	(5.8)	—
EBITDA(12)	129.1	118.5
Depreciation and Amortization	(75.7)	(73.5)
EBIT	53.4	45.0
Net Financial Expense	(83.1)	(22.7)
Income Tax Benefit	27.0	40.8
Profit (Loss) from Continuing Operations	€ (2.7)	€ 63.1
Capital Expenditures (“CapEx”) (13)	€ 69.7	€ 59.7
Adjusted EBITDA Margin(14)	57.8%	54.1%
CapEx as % of Revenue	29.7%	27.4%
OpEx and SG&A by nature:		
Direct Costs (Interconnect, Programming, Copyright and Other)	€ (21.8)	€ (19.1)
Staff Related Costs	(29.1)	(28.1)
Network Operating and Technical Service Costs	(22.5)	(24.0)
Sales and Marketing Costs	(16.0)	(17.5)
Indirect Costs - Other	(9.7)	(11.1)
	€ (99.1)	€ (99.8)

(in €m)	Nine Months Ended September 30, 2010 Pro Forma	2009 Pro Forma
Revenue:		
Video	€ 462.4	€ 462.8
Internet	63.7	47.6
Telephony	85.0	61.8
Other non-subscription revenue	81.8	86.9
	692.9	659.1
OpEx	(204.6)	(211.2)
SG&A	(102.8)	(100.9)
	(307.4)	(312.1)
Adjusted EBITDA(12)	385.5	346.9
Stock-Based Compensation	(7.3)	(0.2)
Restructuring Costs and Other Operating Charges, Net	(24.8)	(0.2)
Related Party Fees and Allocations, Net	(17.4)	—
EBITDA(12)	336.0	346.5
Depreciation and Amortization	(254.8)	(214.5)
EBIT	81.2	132.0
Net Financial Expense	(234.5)	(79.2)
Income Tax Benefit	17.5	25.4
Profit (Loss) from Continuing Operations	€ (135.8)	€ 78.2
CapEx(13)	€ 185.8	€ 188.1
Adjusted EBITDA Margin(14)	55.6%	52.6%
CapEx as % of Revenue	26.8%	28.5%
OpEx and SG&A by nature:		
Direct Costs (Interconnect, Programming, Copyright and Other)	€ (65.7)	€ (71.1)
Staff Related Costs	(86.2)	(80.4)
Network Operating and Technical Service Costs	(67.9)	(69.5)
Sales and Marketing Costs	(51.0)	(51.5)
Indirect Costs - Other	(36.6)	(39.6)
	€ (307.4)	€ (312.1)

Reconciliation of Selected Operating Data of Unitymedia

The following tables reconcile selected operating data of Old Unitymedia´s continuing operations to Unitymedia, as adjusted, for (i) the impacts of the Liberty Global Transaction, (ii) the formation of Unitymedia and the Unitymedia Merger as if they had occurred on January 1, 2009, and (iii) with respect to the three months ended March 31, 2010, the changes in Old Unitymedia's capitalization policy. The nature of the adjustments in the following tables is consistent with the adjustments presented in note 4 to the condensed consolidated interim financial statements for the nine months ended September 30, 2010.

	Three Months Ended, June 30, 2010				
(in €m)	Old Unitymedia as previously reported	New basis of accounting adjustments		Unitymedia parent and eliminations	Pro forma Unitymedia consolidated
Revenue:					
Video	€ 153.9	€ —		€ —	€ 153.9
Internet	20.9	—		—	20.9
Telephony	28.2	—		—	28.2
Other non-subscription revenue	28.0	(0.7)	(a)	—	27.3
	231.1	(0.7)	(a)	—	230.4
OpEx	(58.4)	(9.7)	(a)	—	(68.1)
SG&A	(36.1)	—		—	(36.1)
	(94.5)	(9.7)	(a)	—	(104.2)
Adjusted EBITDA(12)	136.6	(10.4)	(a)	—	126.2
Stock-Based Compensation	—	—		—	—
Restructuring Costs and Other Operating Charges, Net	(0.6)	—		—	(0.6)
Related Party Fees and Allocations, Net (d)	(5.8)	—		—	(5.8)
EBITDA(12)	130.2	(10.4)		—	119.8
Depreciation and Amortization	(70.4)	(23.3)	(b)	—	(93.7)
EBIT	59.8	(33.7)		—	26.1
Net Financial Expense	(2.2)	(0.4)		(54.7)	(57.3)
Income Tax Benefit (Expense)	(22.4)	10.3	(c)	0.6	(11.5)
Profit (Loss) from Continuing Operations	€ 35.2	€ (23.8)		€ (54.1)	€ (42.7)
CapEx(13)	€ 63.6	€ —		€ —	€ 63.6
Adjusted EBITDA Margin(14)	59.1%				54.8%
CapEx as % of Revenue	27.5%				27.6%
OpEx and SG&A by nature:					
Direct Costs (Interconnect, Programming, Copyright and Other)	€ (11.2)	€ (9.7)		€ —	€ (20.9)
Staff Related Costs	(29.1)	—		—	(29.1)
Network Operating and Technical Service Costs	(22.8)	(0.1)		—	(22.9)
Sales and Marketing Costs	(19.8)	0.1		—	(19.7)
Indirect Costs - Other	(11.6)	—		—	(11.6)
	€ (94.5)	€ (9.7)		€ —	€ (104.2)

(a) Represents adjustments to reverse the benefit of releasing accruals that were eliminated in the retroactive application to January 28, 2010 of the new basis of accounting.

(b) Represents incremental depreciation and amortization for the period from April 1 through June 30, 2010. This depreciation and amortization is associated with the additional costs basis assigned to property and equipment and amortizable intangible assets in connection with the January 28, 2010 retroactive application of the new basis of accounting.

(c) Represents the tax effect of the above adjustments.

(d) Reclassified to present only our continuing operations.

(in €m)	Three Months Ended, March 31, 2010 Old Unitymedia as previously reported	Change in capitalization policy in Q2	New Basis of Accounting Adjustments		Unitymedia parent and eliminations	Pro forma Unitymedia consolidated
Revenue:						
Video	€ 153.8	€ —	€ —		€ —	€ 153.8
Internet	19.7	—	—		—	19.7
Telephony	27.0	—	—		—	27.0
Other non-subscription revenue	27.1	—	—		—	27.1
	227.6	—	—		—	227.6
OpEx	(73.7)	3.3	—		—	(70.4)
SG&A	(33.8)	—	—		—	(33.8)
	(107.5)	3.3	—		—	(104.2)
Adjusted EBITDA(12)	120.2	3.3	—		—	123.5
Stock-Based Compensation	(7.3)	—	—		—	(7.3)
Restructuring Costs and Other Operating Charges, Net	—	—	—		(23.3)	(23.3)
Related Party Fees and Allocations, Net	(5.8)	—	—		—	(5.8)
EBITDA(12)	107.1	3.3	—		(23.3)	87.1
Depreciation and Amortization	(70.3)	(0.4)	(14.7)	(a)	—	(85.4)
EBIT	36.8	2.9	(14.7)		(23.3)	1.7
Net Financial Expense	(134.7)	—	88.9	(b)	(48.3)	(94.1)
Income Tax Benefit (Expense)	27.4	(0.8)	(23.5)	(c)	(1.1)	2.0
Profit (Loss) from Continuing Operations	€ (70.5)	€ 2.1	€ 50.7		€ (72.7)	€ (90.4)
CapEx(13)	€ 49.3	€ 3.3	€ —		€ —	€ 52.5
Adjusted EBITDA Margin(15)	52.8%					54.3%
CapEx as % of Revenue	21.7%					23.1%
OpEx and SG&A by nature:						
Direct Costs (Interconnect, Programming, Copyright and Other)	€ (23.1)	€ —	€ —		€ —	€ (23.1)
Staff Related Costs	(27.9)	—	—		—	(27.9)
Network Operating and Technical Service Costs	(25.0)	2.4	—		—	(22.6)
Sales and Marketing Costs	(15.2)	—	—		—	(15.2)
Indirect Costs - Other	(16.3)	0.9	—		—	(15.4)
	€ (107.5)	€ 3.3	€ —		€ —	€ (104.2)

Unitymedia

(a) Represents incremental depreciation and amortization for the period from January 28, 2010 through March 31, 2010. This depreciation and amortization is associated with the additional costs basis assigned to property and equipment and amortizable intangible assets in connection with the January 28, 2010 retroactive application of the new basis of accounting.

(b) Represents adjustments to reverse the losses on debt extinguishment incurred in connection with the Liberty Global Transaction and the write-down of embedded derivatives which were eliminated in the January 28, 2010 retroactive application of the new basis of accounting.

(c) Represents the tax effect of the above adjustments.

Footnotes

(1) Homes Passed are homes or residential multiple dwelling units that can be connected to our cable network without materially extending the distribution plant. Our Homes Passed counts are based on census data that can change based on either revisions to the data or from new census results.

(2) Two-way Homes Passed are Homes Passed by those sections of our network that are technologically capable of providing two-way services, including video, internet services and telephony services, up to the street cabinet, with drops from the street cabinet to the building generally added, and in-home wiring generally upgraded, on an as-needed, success-based basis.

(3) Revenue Generating Unit is separately an Analog Cable Subscriber, Digital Cable Subscriber, Internet Subscriber or Telephony Subscriber. A home or residential multiple dwelling unit may contain one or more RGUs. For example, if a residential customer subscribed to our digital cable service, telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of Analog Cable, Digital Cable, Internet and Telephony Subscribers. RGUs generally are counted on a unique premise basis such that a given premise does not count as more than one RGU for any given service. On the other hand, if an individual receives our service in two premises (e.g. a primary home and a vacation home), that individual will count as two RGUs. Each bundled cable, internet or telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period.

(4) Analog Cable Subscriber is a home or a residential multiple dwelling unit that receives our analog cable service over our broadband network. Beginning in Q2 2009, Analog Cable Subscribers include customers in multiple dwelling units that subscribe to our video services without an underlying contract through the landlord.

(5) Digital Cable Subscriber is a home or residential multiple dwelling unit that receives our digital cable service over our broadband network. We count a subscriber with one or more digital converter boxes that receives our digital cable service as just one subscriber. A Digital Cable Subscriber is not counted as an Analog Cable Subscriber. As we migrate customers from analog to digital cable services, we report a decrease in our Analog Cable Subscribers equal to the increase in our Digital Cable Subscribers.

(6) Internet Subscriber is a home or residential multiple dwelling unit that receives internet services over our network. Our Internet Subscribers do not include customers that receive services from dial-up connections. We offer a 128Kbps wholesale internet service to housing associations on a bulk basis. As of Q3 2010, our Internet Subscribers include approximately 5,000 subscribers within such housing associations who have requested and received a modem that enables the receipt of our wholesale internet service.

(7) Telephony Subscriber is a home or residential multiple dwelling unit that receives voice services over our network.

(8) Digital cable penetration is calculated by dividing digital cable RGUs by the total of digital and analog cable RGUs.

(9) Internet and telephony penetration is calculated by dividing the internet and telephony RGUs by two-way homes passed.

(10) Customer Relationships are the number of customers who receive at least one of our video, internet or voice services that we count as RGUs, without regard to which, or to how many services they subscribe. Customer Relationships generally are counted on a unique premise basis. Accordingly, if an individual receives our services in two premises (e.g., primary home and vacation home), that individual will count as two Customer Relationships. Beginning in Q1 2010 we also include subscribers not taking a video service but subscribing to our internet and/or telephony services. As of Q3 2010, we had approximately 59,000 of these customers.

(11) ARPU per Customer Relationship refers to the average monthly subscription revenue per average Customer Relationship. The amount is calculated by dividing the average monthly subscription revenue (excluding fees from interconnection, installation, late fees and carriage) for the indicated period, by the average of the opening and closing balances for Customer Relationships for the period. ARPU per Customer Relationship for Q3 2010 includes approximately 59,000 subscribers not taking a video service but subscribing to our internet and/or telephony services while ARPU per Customer Relationship for prior periods exclude such subscribers.

(12) Under EU-IFRS, EBITDA is defined as profit before net finance expense, income taxes, depreciation, amortization and impairment. Adjusted EBITDA is defined as EBITDA before stock-based compensation, restructuring charges, related party fees and allocations charged by our parent company and certain other operating charges or credits. Operating charges or credits related to acquisitions or divestures are defined as (i) gains and losses on the disposition of long-lived assets, (ii) direct acquisition costs such as third party due diligence, legal and advisory costs and (iii) other acquisition-related items such as gains and losses on the settlement of contingent consideration. Our management believes Adjusted EBITDA is a meaningful measure and is superior to other available EU-IFRS measures because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to readily view operating trends and improve operating performance. We believe our Adjusted EBITDA measure is useful to investors because it is one of the bases for comparing our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other public companies. Adjusted EBITDA should not replace the measures in accordance with EU-IFRS as an indicator of the company's performance, but rather should be used in conjunction with the most directly comparable IFRS measure. Adjusted EBITDA is a non-GAAP measure as contemplated by the U.S. Securities and Exchange Commission's Regulation G. Reconciliations of Adjusted EBITDA to our net profit/(loss) are presented on pages 38-43.

(13) Capital expenditures consist of expenditures for property, plant and equipment and intangibles (except for customer lists) as reported in our EU-IFRS cash flow statement, and do not include financial assets. Cable CapEx in the nine-months 2009 period excludes €8 million for the acquisition of third party cable networks.

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